

## Stipulations

*Stipulations are facts that all Work Group Members agree on. If one member disagrees with the truth-value of a proposed fact, it will not be placed on this list until disagreement is resolved. If disagreement isn't resolved before the first Work Group meeting, the disagreement will be addressed at the discretion of the Work Group when meetings begin. A proposed fact will not be prohibited based on its perceived relevance. Newly-noticed facts will be added at any time during the life of the Work Group, and facts that have been agreed on may be modified during the life of the Work Group.*

- 1) The Alabama Department of Insurance has the power and authority to reduce coastal premiums or make them equal to the rest of the state if it deems such is justified.
- 2) Insurance companies collect between \$8 and \$20 billion a year in Hurricane Premiums in a coastal band that runs from Texas to Maine, 50 to 70 miles inland from the beach (Coastal Band).
- 3) Insurance companies pay an average of \$3 to \$5 billion a year in Hurricane claims in the Coastal Band.
- 4) Florida is a 3.5-to-1 donor to the National Flood Program.
- 5) Surplus lines homeowners premiums in 2013 in Mobile County were \$27.1 and \$50.2 million in Mobile County.
- 6) In 2013 the homeowners paid \$336 million in premium in Mobile and Baldwin Counties, this includes non admitted companies.
- 7) According to the Clarity Law, Mobile-Baldwin average loss per policy during the last 10 years has been \$585; the average loss per policy in the rest of the state is \$703.
- 8) The Alabama Department of Insurance (DOI) does not have expertise in hurricane catastrophe models.
- 9) The DOI relies on the Florida Hurricane Methodology Commission XYZ to verify the viability of Hurricane Catastrophe Models.
- 10) The Florida Hurricane Methodology Commission XYZ does not examine the models for Alabama-specific data and formulas.
- 11) ASOP rules are guidelines for actuaries, not law.
- 12) To stabilize the P/C insurance market, two things need to be examined and modified, possibly eliminated – catastrophe models and reinsurance.
- 13) Eleven Cat 1, 2, 3 hurricanes hit the Alabama coast in the 20<sup>th</sup> Century; five were Cat 3, none were Cat 4 or 5.
- 14) Cherry-picking causes premiums to go up for non-cherries.
- 15) Hurricane Catastrophe Models were not used prior to 1992.
- 16) Nationally, insurance companies made a profit running at a 70 percent loss-ratio.
- 17) During the years from 2004-2013, according to the Clarity Law data: 1 county had a loss ratio of greater than 150%; 1 county had a loss ratio that fell between 140 & 150%; 5 counties had a loss ratio that fell between 120 & 130%; 6 counties had a loss ratio that fell between 110 & 120%; 3 counties had a loss ratio that fell between 100 & 110 %; 8 counties had a loss ratio that fell between 90 & 100 %; 10 counties had a loss ratio that fell between 80 & 90 %; 10 counties had a loss ratio that fell between 70 & 80 %; 10 counties had a loss ratio that fell between 60 & 70 %; 10 counties had a loss ratio that fell between 50 & 60 %; 3 counties had a loss ratio that fell between 40 & 50 %; No counties were below the 40 % line.
- 18) Sixteen counties that had a loss ratio of greater than 100 %; 23 counties that had a loss ratio of less than 70 %; Mobile County had the 66<sup>th</sup> and Baldwin the 67<sup>th</sup> lowest loss ratios in the state.
- 19) Mobile-Baldwin average loss ratio between 2004 and 2013 is: 44.76%

- 20) Mobile and Baldwin counties paid near the state average prior to 2006.
- 21) The DOI approved changes that resulted in dramatic differences in premiums and deductibles in Mobile and Baldwin counties starting in 2006.
- 22) The DOI did not have total premiums and losses collected by county when it approved changes in insurance rates for Mobile and Baldwin counties in 2006.
- 23) The DOI did not have county and zip-code surplus lines data when it approved changes in premiums in Mobile and Baldwin counties in 2006; nor does it have surplus lines data today.
- 24) Alabama had more than 500 tornadoes in the first decade of the 21<sup>st</sup> century.
- 25) Tornado and other severe weather events appear to be increasing.
- 26) The Super Tornado Outbreak affected Alabama in 1974
- 27) Alabama had its fourth worst number of tornadoes in 2014.
- 28) Tornadoes and hail in north Alabama in 2009 caused insurance companies to lose money in Alabama.
- 29) Sixty-five of Alabama's 67 counties were declared disaster counties by FEMA after Hurricane Ivan.
- 30) Twelve inland counties suffered a greater loss-per-policy in the year of Ivan than Mobile County.
- 31) Insurance companies charged Mobile and Baldwin more for fire and extended coverage than the rest of the state, despite no evidence that fire and extended coverage losses were higher. They did so for 25 years, and some continue to do so with the blessing of the DOI.
- 32) According to the Clarity Law data, Mobile-Baldwin fire and extended coverage losses were lower than the rest of the state in 2012 and 2013.
- 33) Global Warming experts believe warming effects will cause significant change in destructive *inland* weather patterns, not just oceanic (hurricane) patterns.
- 34) Average tornado activity more than doubled in Alabama in the 21<sup>st</sup> century when compared to averages in the 20<sup>th</sup> century.
- 35) An AON representative stated at the Affordable Homeowners Insurance Commission that Tornado Modelling is in its infancy and that some modeling experts believe Tornado Modeling will never be possible; the AON representative's opinion is a prevailing view among insurance modeling experts.
- 36) An AON Tornado model estimated the 2011 "Tuscaloosa" Tornado Outbreak was a 1-in-250 event.
- 37) An AON representative stated at the Affordable Homeowners Insurance Commission that it was "anecdotally" "more-likely" a 1-in-50 year event.
- 38) The Super Tornado Outbreak affected Alabama 37 years prior to the 2011 Tragedy.
- 39) The DOI applied the 1-in-250 year model estimate to upstate premiums.
- 40) Alabama did not become a state until 1819. The Creek Indians did not keep accurate tornado records, or if they did, no such records survive. (Greg Waselkov – USA archaeologist and student of Alabama Indian history.)