



INFORMATIONAL MEMORANDUM

OIR-03-001M

ISSUED

January 23, 2003

Office of Insurance Regulation

Kevin M. McCarty

Director

All Property and Casualty Insurers Authorized to Write Residential Property Insurance in the State of Florida

Implementation of Revision to Section 627.0629(1), F.S. Concerning Residential Property Insurance Rate Filings, Effective June 1, 2002

Supplement to INFORMATIONAL MEMORANDUM 02-0470M issued on June 6, 2002

The purpose of this memorandum is to assist insurers with the filing requirements for this referenced statutory revision. The Department has analyzed the study, Development of Loss Relativities for Wind Resistive Features of Residential Structures commissioned by the Florida Department of Community Affairs, and created suggested sets of credits for new and existing construction. These suggested credits are available on the Department's website and are intended to facilitate filing preparation and review as well as simplify administration and application of such credits.

For existing construction, the Department's analysis combined Tables 6-1, 6-2, and 6-4 from the above-referenced study. For purposes of determining credits, all of the relativities were divided by the existing construction relativity for the non-FBC equivalent roof cover, roof deck attachment A, roof-wall toe nails connection, and no opening protection for Terrain B and C, respectively. This approach was confirmed as appropriate with the firm that conducted this study. Credits were then determined and tempered by 50%. This tempering was applied in view of the large rate changes which might otherwise be induced, the approximations needed to produce practical results (such as the specifications of the houses used for modeling and the number of rating factors used), and the potential for differences in results using different hurricane models. As filers become able to measure the effects of implementation accurately, this tempering must be curtailed. An examination of the resultant credits indicated that the differences between the credits for certain fixtures/techniques were minimal. The suggested credits, therefore, combined the credits for the following fixtures/techniques:

- 1 Roof Deck Attachment D and Roof Deck Attachment C.
- 2 Hurricane Opening Protection for All Openings and Windows Only.
- 3 Basic Opening Protection for All Openings and Windows Only.
- 4 Braced Gable Roof Shape and Unbraced Gable Roof Shape.

The suggested additional credits for Masonry and Reinforced Masonry Construction were eliminated recognizing the fact that insurers currently use construction type in the rating of their policies and will continue to do so.

For new construction, the Department's analysis combined Tables 6-6 and 6-7 from the above-referenced study. For purposes of determining credits, all of the relativities were divided by the existing construction relativity for the non-FBC equivalent roof cover, roof deck attachment A, roof-wall toe nails connection, and no opening protection for Terrain B and C, respectively (the Terrain C relativity was used for the High Velocity Hurricane Zone). This approach was confirmed as appropriate with the firm that conducted this study. Credits were then determined and tempered by 50%. This tempering was applied in view of the large rate changes which might otherwise be induced, the approximations needed to produce practical results (such as the specifications of the houses used for modeling and the number of rating factors used), and the potential for differences in results using different hurricane models. As filers become able to measure the effects of implementation accurately, this tempering must be curtailed. An examination of the resultant credits indicated that the differences between the credits for certain fixtures/techniques were minimal. The suggested credits, therefore, combined the credits for the following fixtures/techniques:

- 1 Dimensional Lumber Deck and Other Roof Deck.
- 2 Terrain B and Terrain C - Wind Speed \geq 120, Wind Borne Debris Region.
- 3 High Velocity Hurricane Zone and Terrain C.
- 4 Terrain B FBC Wind Speed = 100, all Wind Speeds of Design.
- 5 Terrain B FBC Wind Speed = 110, all Wind Speeds of Design.
- 6 Enclosed and Partially Enclosed Structures.
- 7 Opening Protection – All Openings and Windows Only.

The suggested additional credits for Masonry and Reinforced Masonry Construction were eliminated recognizing the fact that insurers currently use construction type in the rating of their policies and will continue to do so.

These suggested sets of credits contemplate the elimination of insurers' current windstorm protective devices (i.e. shutter) credits. Insureds who currently qualify for a windstorm protective devices credit should at least qualify for a Basic Opening Protection credit.

Insurers should continue to give Building Code Effectiveness Grading Schedule (BCEGS) credits to those insureds that qualify for such credits. The Department suggests tempering these credits by 25% to eliminate any overlap between these credits and the suggested windstorm loss reduction credits.

The Department is willing to consider the reduction or elimination of new home discounts on wind premiums for homes that qualify for new construction credits.

Questions regarding this memorandum may be directed to Ken Ritzenthaler. He can be contacted at (850) 413-5314 or ritzenthalerk@dfs.state.fl.us.