

## Discussion of Problems/Recommendations:

### I. Vision of the State (Purpose)

- Safety of the citizens of the State of Florida
- Quality of life
- Action to harden homes
- Accurate and reliable information upon which to make decisions
- Scientific and proper application of rate relativities for homeowners
- Phase in/out of recommendations (classification level – short/medium/long term for recommendation to have an impact)

### II. Data

- Fraud
- Errors and mistakes
- Incomplete
- Implications of the above for future ratemaking and model validation
- Clearing house, electronic means for data to be shared
- Data collector to be an independent third party
- Audit of data, quality assurance standards
- Funding of the third party data collection and storage mechanism
- Communicate to reinsurers the quality of the data, instill confidence, proof of proper execution
- Expiration of inspections, depreciation off of the mitigation credit
- Historical data preserved
- Uniform Effectiveness Home Grading System due to be implemented by OIR in 2011

### III. Models

- Multiple models for developing rates and application of relativities
- Models not being reviewed for mitigation relativities - Commission develop standards and review models for mitigation relativities
- Engineer to serve on Commission
- Standardization of definitions that the models use
- Research already completed by the State being used by the models

### IV. Ratemaking Process

- Full versus partial data
- Application of relativities
  - ♦ Hurricane loss costs and loss costs related expenses versus wind premium
  - ♦ Mitigated structure
  - ♦ Coverage B
  - ♦ Weakest home as base versus average home
  - ♦ Interaction of base rates with the relativities
- Surcharges and discounts
- Sufficiency of rates
- Duplication of BCEG and mitigation discount credits
- Reinsurance
- Blending of rates, correlation of models [would require a statutory change]
- Reasons why we have the perverse outcomes today, i.e., too many undeserved credits, reinsurance, inadequate base rates, appurtenant structures
- Rates – inadequate, excessive, unfairly discriminatory, subsidies, caps, phase-in

### V. Implementation

- Incentives
- Fraud
- Errors and mistakes in the data