

# Citizens Property Insurance Corporation

**Barry Gilway**, President/CEO and Executive Director

**Sharon Binnun**, CFO

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# Wind Mitigation Credits – Analysis

- Any 1 – 4 unit home **built** on or after **January 1, 2002** receives at least a **68% credit** to wind premium
- Approximately **8.3%** of Citizens' **HO-3** and **HW2** policies with wind coverage were built on or after **2002**

Wind Mitigation Credits<sup>1</sup> on **HO-3** and **HW2** policies built **before January 1, 2002**:

WMC Description	Credit (%)	% of Policies with credit
Reinforced concrete roof deck	80.0%	0.6%
Hurricane impact shutters	39.0%	16.9%
Hip roof	28.0%	21.1%
Roof-wall connection of double wraps	21.0%	0.9%
8d @ 6"/6" roof deck attachment	9.0%	46.8%
Florida Building Code (FBC) equivalent roof cover	7.0%	49.2%
Secondary water resistance	7.0%	4.6%

<sup>1</sup> Based on Terrain C wind mitigation table

# Wind Mitigation Credits – Analysis (cont'd)

- Most common credit as a percentage of wind premium on HO-3 and HW2 policies is 60%.
- Characteristics of these policies<sup>1</sup> are:

<b>Roof Cover:</b>	FBC equivalent
<b>Roof-deck attachment:</b>	8d @ 6"/6"
<b>Roof-wall connection:</b>	Single wraps
<b>Secondary water resistance:</b>	No
<b>Roof shape:</b>	Non-hip Roof shape
<b>Shutter type:</b>	None

- The range of credits available are from 0 – 92% of wind premium

<sup>1</sup> Based on Terrain C wind mitigation table

**Note:** refer to Appendix 4 for relevant terms/definitions used within the WMC analysis slides

# Wind Mitigation Credits – *Financial Impact*

As of **December 31, 2012**, **72% of personal residential policies**, with wind as a covered peril, **qualified** for a **wind mitigation discount** on their premium

- **67%** of personal residential **policies**, with wind as a covered peril, **qualified** for a wind mitigation discount as of **December 31, 2010**
- The **number** of policies receiving wind mitigation **credits increased** by **13%** over the past **two years**

As of **December 31, 2012**, Citizens has provided **over \$1 billion** in **wind mitigation credits** to personal residential policyholders

- This is an **increase** from **December 31, 2010** of over **60%**
- **Reduction in premium** from wind mitigation credits
  - 12/31/2010 = **38%**
  - 12/31/2012 = **46%**; this is a 21% increase in the percentage of discounts provided
- The **average** wind mitigation **discount** per policy **increased** by approximately **50%** from **\$1,029** to **\$1,545** over two years

**Note:** refer to Appendices 1, 2 and 3 for relevant Trends and Effective Dates

# Re-inspection Program – *Results (as of December 31, 2012)*

- Total of **427,979** residential properties were identified for re-inspection
- Total of **356,704** residential properties have been re-inspected
- Total of **16,867** residential properties were unable to be re-inspected
- Gross estimated premium impact: **\$204 million**
- Per policy statistics:
  - Avg. \$ Change: **\$546.40**
  - Avg. % Change: **22.3%**
  - 82%** resulted in change
  - 73%** resulted in increase
  - 9%** resulted in decrease (\$11.8M)

# Appendices

# Appendix 1: Personal Residential Policy Counts and Wind Mitigation Credits – Trend 12/31/10 to 12/31/12

Product Line		12/31/2010			12/31/2012			% Change in Policies with Wind Coverage Over the Period	% Change in Policies with WMC Over the Period
		Number of Policies with Wind Coverage	Number of Policies with WMC	% of Policies with Wind Coverage with WMC	Number of Policies with Wind Coverage	Number of Policies with WMC	% of Policies with Wind Coverage with WMC		
Personal Residential	Multi Peril	789,126	496,394	63%	856,380	594,831	69%	9%	10%
	Wind Only	240,519	197,693	82%	232,774	188,332	81%	-3%	-2%
Total Personal Residential		1,029,645	694,087	67%	1,089,154	783,163	72%	6%	7%

Product Line		12/31/2010			12/31/2012			% Change in Amount of Wind Mitigation Credit	% Change in Percent Premium is Reduced by Wind Mitigation Credits
		Total Amount of Wind Mitigation Credits	% Credit Reduces Premium	Average WMC per Policy	Total Amount of Wind Mitigation Credits <sup>2</sup>	% Credit Reduces Premium	Average WMC per Policy		
Personal Residential	Multi Peril	403,972,055	32%	\$814	630,223,318	36%	\$1,059	56%	14%
	Wind Only	310,051,677	51%	\$1,568	579,553,873	66%	\$3,077	87%	29%
Total Personal Residential		714,023,732	38%	\$1,029	1,209,777,191	46%	\$1,545	69%	21%

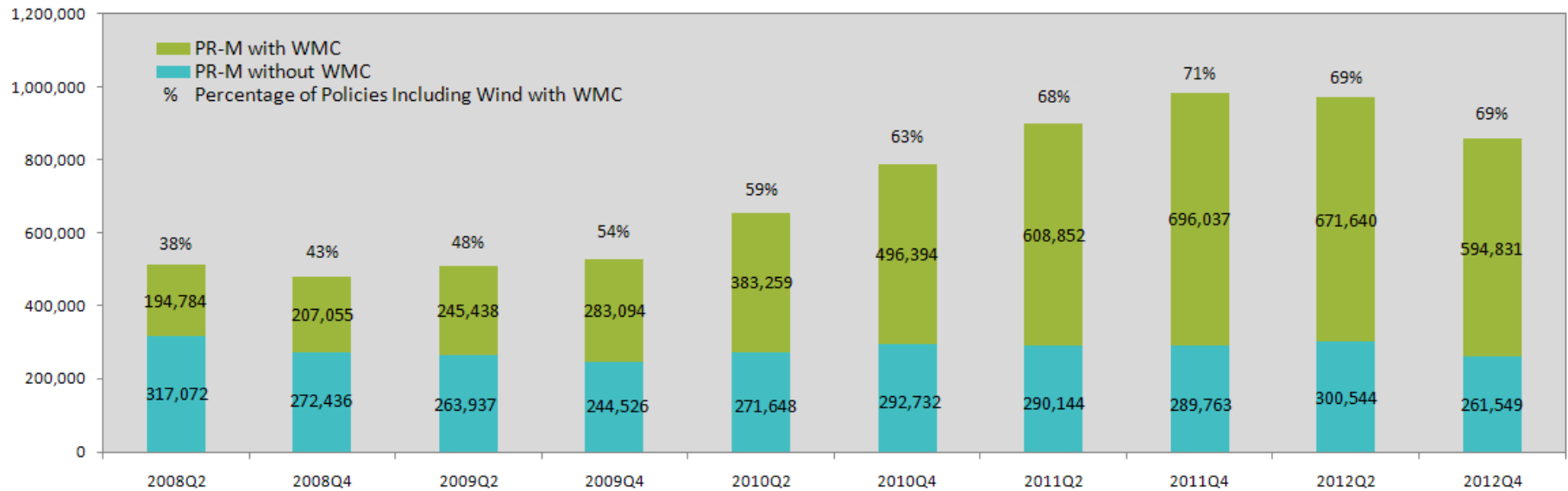
<sup>1</sup> Excludes policies tagged for takeout and mobile home policies

<sup>2</sup> Wind Mitigation Credit calculation changed when new rating algorithm was implemented 01/01/2011 for PRM risks and 2/01/2011 for PRW risks. Previously the overall structure was additive and WMC and Building Code Effectiveness Grading Credits were capped. Currently, the overall structure is multiplicative and policies are rated by peril. Rather than a cap on WMC, there is an overall rating cap on premium. Some of the change in WMC amount from 2010 to 2012 may therefore be due to the change in the rating algorithm.



# Appendix 2: Personal Residential Multi Peril Policy Counts With and Without Wind Mitigation Credits

**Number of Personal Residential Multi-Peril Buildings with Wind Coverage**  
 # With and Without Wind Mitigation Credits  
 % With Wind Mitigation Credits



<sup>1</sup> Excludes policies tagged for takeout and mobile home policies



# Appendix 3: Effective Dates for Increased Wind Mitigation Credits

## **Personal Residential Multi-Peril:**

2/15/2008 New Policies;  
3/15/2008 Renewal Policies

## **Personal Residential Wind-Only:**

4/1/2008 New and Renewal Policies

## **Commercial Residential Multi-Peril:**

8/1/2008 New and Renewal Policies

## **Commercial Residential Wind-Only:**

9/1/2008 New and Renewal Policies

# Appendix 4: Terms/Definitions used in WMC Analysis

**Terrain C** – refers to policies near the coast (Terrain B is for inland policies)

**Exposure C** (open terrain with scattered obstructions) applies to:

All locations in HVHZ (Miami-Dade and Broward Counties); including:

- Barrier islands as defined per s. 161.55(5), Florida Statutes, as the land area from the seasonal high water line to a line 5,000 feet landward from the Coastal Construction Control line.
- All other areas within 1,500 feet of the coastal construction control line, or within 1,500 feet of the mean high tide line, whichever is less.

**Exposure B** (urban, suburban, and wooded areas) practically applies to all other locations in Florida by virtue of the exposure definitions for other exposures.

**8d @ 6"/6"** – refers to the type and spacing between nails used in construction

## **Attachment C**

- Plywood/OSB roof sheathing with a minimum thickness of 7/16" attached to the roof truss/rafter (spaced a maximum of 24" o.c.) by 8d common nails spaced at a maximum of 6" in the field  
**OR**
- Dimensional Lumber or Tongue & Groove decking with a minimum of 2 nails per board (or 1 nail per board if each board is equal to or less than 6 inches in width)  
**OR**
- Any system of screws, nails, adhesives, other roof deck fastening system, or truss/rafter spacing that is shown to have an equivalent or greater resistance than 8d common nails spaced at a maximum of 6" in the field or has a mean uplift resistance of at least 182 psf

## Appendix 4: Terms/Definitions used in WMC Analysis (cont'd)

**Double Wraps** – roof walls are attached by two separate straps as opposed to one strap, clips, or toe-nails

- Metal connectors consisting of 2 separate straps that are attached to the wall frame, or embedded in the bond beam, on either side of the truss/rafter where each strap wraps over the top of the truss/rafter and is secured with a minimum of 2 nails on the front side, and a minimum of 1 nail on the opposing side,

**OR**

- Metal connectors consisting of a single strap that wraps over the top of the truss/rafter, is secured to the wall on both sides, and is secured to the top plate with a minimum of three nails on each side.

**Wind Premium** – the portion of the insureds' total premium that covers the peril of wind (specifically, hurricane and other wind). Note that WMC are applied to the insureds' wind premium and not the insureds' total premium. Homeowners' premium are comprised of the following perils: *Hurricane, Other Wind, Fire, Water, Liability/Medical, Sinkhole, All Other Perils (AOP)*.

\*\*WMC credits are not additive

## Appendix 4: Terms/Definitions used in WMC Analysis (cont'd)

**HO-3 (Homeowners) Policy Form** – a personal residential multi-peril policy (PR-M) for residential structures and cover a variety of perils (e.g. fire, wind, theft, etc.). Provides the owner of an owner occupied home with building, other structures, contents, additional living expense and liability coverage.

**HW2 (Homeowners) Policy Form** – a personal residential wind-only policy (PR-W) for residences/personal homes located within Citizens' wind-only eligible area. Covers damage caused by hail and various types of wind (including hurricanes) and are referred to as "Wind Only" policies. Provides the owner of an owner occupied home with building, other structures, contents, and additional living expense coverages.

# Contact Information

**Barry Gilway**, President/CEO and Executive Director

[barry.gilway@citizensfla.com](mailto:barry.gilway@citizensfla.com)

**Sharon Binnun**, CFO

[sharon.binnun@citizensfla.com](mailto:sharon.binnun@citizensfla.com)

**Christine Ashburn**, Director of Communications, Legislative and External Affairs

[christine.ashburn@citizensfla.com](mailto:christine.ashburn@citizensfla.com)

