



# Lisa Miller & Associates

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## First Protective Insurance Co. Rate Hearing 6-27-24

**Public rate hearing held by the Florida Office of Insurance Regulation (OIR)** (Rate hearing packet is here: [https://floir.com/docs-sf/default-source/property-and-casualty/rate-hearings/june-2024-first-protective-rate-hearing-agenda.pdf?sfvrsn=a438cf89\\_2](https://floir.com/docs-sf/default-source/property-and-casualty/rate-hearings/june-2024-first-protective-rate-hearing-agenda.pdf?sfvrsn=a438cf89_2)) This virtual hearing was livestreamed by The Florida Channel with playback available at <https://thefloridachannel.org/videos/6-27-24-office-of-insurance-regulation-rate-hearing-for-first-protective-insurance-company/>

**Background:** First Protective Insurance Company is the sixth carrier to go before Florida regulators this year at a public rate hearing. The company is seeking a statewide average 14.7% increase in its Homeowners Multi-Peril (HO-3) and Condominium Unit (HO-6) policies. This was filed as a use-and-file submission (23-030445) on August 29, 2023 effective October 4, 2023 for new and renewal business, impacting about 202,000 policies.

This was a fact-finding hearing by OIR to listen to the company's representatives explain their requests toward deciding at a future date whether to approve or disapprove this request. The meeting was conducted by OIR's Deputy Commissioner of Property and Casualty Insurance, Virginia Christy. Participating was Tom Henry, OIR actuary for P&C Product Review.

First Protective representatives were: Andrew Anderson, Chief Operating Officer; Duncan Dowling, Vice President of Product; and Sue Klein (FCAS, MAAA) Principal and Consulting Actuary from Milliman.

Also attending: Florida Insurance Consumer Advocate Tasha Carter.

### First Protective Insurance Presentation

**Andrew Anderson** introduced the company as a Florida domiciled insurance carrier for more than 20 years, headquartered in Central Florida. He said the company has managed to maintain its capacity in the Florida market in recent years where others were unable to do so and recognizes the hardships that policyholders have endured in that time. Anderson said the "worst is now behind us," thanks to the Governor and legislative reforms. "While the 2024 results are very premature, we are beginning to see positive results from the new laws," she said. "Thanks to those indications, the company expects to submit a filing with a negative indication in the near future."

**Sue Klein** of Milliman explained that the primary driver of this rate increase request was the company's reinsurance costs in 2023. She also noted that "significant and consistent increases in non-hurricane catastrophes since 2019, such as hail and wind storms, are also contributing upward pressure on rates." She noted in the chart below that from 2021 through 2023, the net cost of reinsurance increased nearly 39% for homeowners insurance, which she said is equivalent to about a 160% increase in dollars. The reinsurance costs for condominium insurance increased just over 42% in that period, the equivalent of a 445% increase in dollars.

Klein said the company made adjustments in the rate to account for the "significant" legislative reforms passed in [SB 2-A](#), which eliminated Assignment of Benefits (AOB) contracts and one-way attorney fees. She said the loss experience has been reduced in anticipation of the future benefits the reforms will

bring. “Keeping consumers in mind with this filing, we have also tempered policyholder impacts by partially moving towards the indicated rate mean, both overall and by territory,” she added.

REINSURANCE COSTS			
LINE OF BUSINESS	21-028087 ^	23-030445	CHANGE
HO-3 (%)	32.9%	71.8%	38.9%
HO-3 (\$)	\$87,917,863	\$228,463,716	159.9%
HO-6 (%)	31.8%	74.2%	42.3%
HO-6 (\$)	\$4,216,196	\$22,980,359	445.0%

^ Reflects approved rate increase


Source: Wind Peril RIF; % = RIF 47; \$ = RIF 29 \* RIF 47

### OIR Questions

OIR actuary **Tom Henry** noted that the filing included a 15.6% overall statewide average increase on 175,517 HO-3 policies and a 3% overall increase on HO-6 policies (taken together, an overall 14.7% increase). While there was an HO-4 (renters insurance) component, the rate request was 0%, as shown in the chart below, along with the impacts to premiums in the chart below that. The final chart shows the history of the company’s homeowners program rate filings.

## Public Rate Hearing

## First Protective Insurance Company



### Indicated Rate Need & Requested Rate Change by Policy Type

“Homeowners 2016” Program  
Effective 10/24/2023 for New and Renewal Business

POLICY	POLICY COUNT	INDICATED RATE NEED	RATE REQUEST
HO-3 (Homeowners)	175,517	25.6%	15.6%
HO-6 (Condominiums)	26,914	11.6%	3.0%
HO-4 (Renters)	344	---	0.0%
<b>TOTAL</b>	<b>202,775</b>	<b>24.6%</b>	<b>14.7%</b>

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## Current and Proposed Average Annual Premiums by Policy Type

“Homeowners 2016” Program

Effective 10/24/2023 for New and Renewal Business

POLICY	CURRENT AVG ANNUAL PREMIUM	PROPOSED AVG ANNUAL PREMIUM	CHANGE IN DOLLARS
HO-3 (Homeowners)	\$2,907	\$3,360	\$453
HO-6 (Condominiums)	\$1,436	\$1,479	\$43

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## “Homeowners 2016” Program Rate Filing History

File Log Number	New Business Effective Date	Renewal Business Effective Date	HO-3 Rate Change	HO-6 Rate Change	Total
23-030445*	10/4/2023	10/4/2023	15.6%	3.0%	14.7%
22-017458	1/1/2023	1/1/2023	-1.7%	-1.7%	-1.7%
21-028087	5/21/2022	5/21/2022	7.1%	-18.2%	5.5%
20-024482	4/24/2021	4/24/2021	0.0%	0.0%	0.0%
20-018822	1/3/2021	1/3/2021	9.8%	0.0%	9.1%
20-014092	7/31/2020	7/31/2020	14.4%	14.1%	14.4%

\*The filing being discussed today.

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**Henry Q:** How is the elimination of Assignment of Benefits and one-way attorney fees reflected in the individual rate change?

**Klein A:** We have adjusted the losses with an estimate of what we believe will be the loss savings for both of those components. Specifically, we excluded the AOB claims to avoid any overlap with any AOB factors that were derived in our exhibit, as part of the filing. We adjusted the AOB for both AOP (All Other Perils) and non-hurricane wind respectively. We restated the historical AOB claim experience by setting the incurred loss severity equal to the historical non-AOB claims, and we restated the incurred ALA (Allocated Loss Adjustment expense) as well. That came to an adjustment for AOP of approximately 2% and for non-hurricane wind of approximately 1.5%. We did the same thing for the AOP adjustment for one-way attorney fees. That ended up being about 2% and about 2.5%, respectively.

**Henry Q:** Given the actual rate increase can vary greatly depending on where the insured property is, how did you determine the territorial rate changes?

**Klein A:** We come up with what our indicated need is on a state basis and then determine what the indicated need is on territory basis. We do that separately for AOP and for wind. In addition to looking at each individual territory, we use a complement of credibility using a larger portion, just because some of the territories are small. So we do have territory groups that we use for the indication for each territory as a complement. We determine what the indicated need is both for AOP and wind and again spread that statewide across all the territories.

As you can see on the prior slide that you shared, we did not take the full indication. We only took a portion of the indication. So just as an example only, if we took 60% of the indicated need, the first thing we would do is take 60% for each of the territories as well. So basically, we scaled down each territory indication to match the decrease of the proposed to indicate it for the statewide. Then we use a capping mechanism if there are any sort of outliers where there might be a significant rate increase, and we want to mitigate policyholder impacts even further. The scaling that we did, where we only took a portion of the territory change consistent with the portion of the statewide change, pretty much eliminated the need to do any sort of capping. For HO-3, we did have one territory for wind that we capped at 80%, just to mitigate the policyholder impact for that territory. For AOP, we had a minimum as well, and so there are five AOP territories that we adjusted for the minimum.

As for HO-6, once we did that scaling where we took a portion of the territory, there was no need to cap anything for HO-6.

For HO-3, we put in a cap on wind at 80% and we took a lower cap on AOP of negative 30. So for that one HO-3 territory that after we did the scaling came out above 80% for wind, we lowered that down to 80%. There were five territories that were higher or more negative than negative 30, and so we brought those to negative 30.

**Henry Q:** The proposed increase is about 10% lower than the indication for this filing. **Is this filing being made as a transition to the indications?**

**Klein A:** Definitely. **We're moving to transition towards the rate need and we're considering policyholder impacts at this point, to not go fully indicated at this time.**

**Henry Q:** What is the effect of reinsurance on these proposed rates?

**Klein A:** The net cost of reinsurance is built into our wind rates.

**Henry Q:** The wind indication is 78% and so assume that is primarily due to reinsurance?

**Klein A:** Correct, the indication for the HO-3 is 78.9, for Condos it's 77.7 and both are for the wind portion and the cost of reinsurance is the primary driver.

**Henry Q:** The renters rates are unchanged in this filing and there is no indication. If the company doesn't have sufficient data to develop an indication, are you going to use a competitor analysis in future filings?

**Klein A:** Yes, we can do a competitive analysis in the next filing.

#### **Questions from Consumer Advocate Tasha Carter**

**Carter Q:** The company has elected to cap the territory selections for its HO-3 policies and you just explained the capping process. Can you also share with us how the caps were determined and the impact that those caps will have on rates?

**Klein A:** We selected an 80% cap for wind to allow them to move toward the indicated rates and we went about 25% above the statewide change. The impact of the change means policyholders are receiving less of an increase than they would have, had we just used our scaling method where we took a percentage of the change by territory.

**Carter Q:** Do any of the territory selections based upon the indicated wind rate change for the HO-3 policies reflect a reduction in premium?

**Klein A:** The smallest selected wind change was about 37.5%, so there was no decrease.

**Carter Q:** The average annual premium change is \$453. What is the dollar amount of the maximum increase a policyholder may receive and how many policyholders will experience that maximum increase?

**Klein A:** I do not have that handy but can look it up and provide it to OIR.

**Carter:** Yes please.

**Carter Q:** In an effort to minimize the rate impact for policyholders, has there been any consideration given to reducing the commission and brokerage fees?

**Duncan Dowling A:** At this time the company has not looked at that and is open to having conversation with the Office (OIR).

**Carter Q:** Any other actions considered by the company to mitigate the impact of the rate changes?

**Dowling A:** At this time we have not.

**Carter Q:** Are there premium payment options available to policyholders?

**Dowling:** Yes

#### **Public Comment**

(None)

Having received no public comment, Deputy Commissioner Christy closed the meeting with a reminder that the deadline for public comments on this filing is July 11, 2024 at 5pm. Public comments should go to [RateHearings@floir.com](mailto:RateHearings@floir.com) with subject line: First Protective Insurance Company.

**Hearing adjourned at 2:39pm**