**Trusted Resource Underwriters Exchange Rate Hearing 6-17-25**

**Public rate hearing held by the Florida Office of Insurance Regulation (OIR)** (Rate hearing packet is here: https://floir.com/docs-sf/default-source/public-hearings/2025-rate-hearings/trusted-resource-underwriters-exchange-rate-hearing-agenda.pdf?sfvrsn=c1247fe2_1) This virtual hearing was livestreamed by The Florida Channel with playback available at https://thefloridachannel.org/videos/6-17-25-office-of-insurance-regulation-rate-hearing-for-for-trusted-resource-underwriters-exchange/

**Background:** Trusted Resource Underwriters Exchange (TRUE) is the first property insurance carrier to go before Florida regulators this year at a public rate hearing. TRUE is a reciprocal insurer originally established by American Family in 2020 that provides homeowners insurance in Florida and Texas. The company is seeking a statewide average 31.5% increase in its Homeowners Multi-Peril (HO-3) and a 0% increase in its HO-5 Homeowners Multi-Peril. This was filed as a use-and-file submission (25-006332) on February 7, 2025 and effective April 8, 2025 for new and renewal business, impacting 4,646 policies.

This was a fact-finding hearing by OIR to listen to the company's representatives explain their request toward deciding at a future date whether to approve or disapprove this request. The meeting was conducted by OIR's Director of Property and Casualty Financial Oversight, Jane Nelson. Participating was Daniel Zhong, OIR actuary for P&C Product Review.

TRUE representatives were: Anthony Scavongelli, Chief Executive Officer; David Pfahler, Chief Underwriting Officer; Yanfei Atwell, Director, Actuarial Services; Joshua Kelman, Senior Product Manager; and Susan Anderson, General Counsel.

## Trusted Resource Underwriters Exchange (TRUE) Presentation

**Anthony Scavongelli** explained his background as an attorney and formerly with the Massachusetts Department of Insurance who in 1998, helped create insurance startup Homesite Insurance. He noted that many of TRUE's representatives at today's hearing are alumni of Homesite. "Against the odds," he said, the team built Homesite into a $700 million profitable company that in 2013, was sold to American Family Insurance. He remained with the company until January 2024 and by then "Homesite had grown to nearly 4 billion in homeowner premium, placing it in the top 10 in the country," Scavongelli testified.

At that time, Gallatin Point Capital acquired the stock of the attorney-in-fact, which manages TRUE. Scavongelli said Gallatin raised $1.25 billion in committed capital to support the company and he was asked to run it. It started writing business in 2021 and grew to a $30 million entity by 2024. After the 2024 acquisition, he said a new management team was put in place, and "2024 was certainly event-filled with multiple significant hurricanes where we acquitted ourselves extremely well and we're proud of how we took care of our customers," he said. "We also, unfortunately found ourselves significantly behind in rate adequacy."

Scavongelli said TRUE's analysis indicated support for a nearly 60% rate increase "driven largely by hurricanes and reinsurance costs," but the carrier chose to file for only half of that – the 31.5% increase requested in this filing. "It is our view that the Florida market is becoming much more competitive than even a year and a half ago. Notwithstanding several substantial hurricanes last year, reinsurance costs in this most recent cycle of June 1 have moderated and are even coming down. These factors will impact our goal forward view as we continue to improve our rate segmentation and pricing sophistication in the Florida market, similar to when we started Homesite," he said.

**OIR Questions**

OIR actuary Daniel Zhong set the stage for questions by presenting the three slides shown below for reference. He reminded the public viewing audience that all policyholders will see rate changes that vary based on the individual risk profile, such as where the property is located, the age and value of the home, and the policyholder's credit score.

## Public Rate Hearing
## Trusted Resource Underwriters Exchange

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

"Florida Homeowners" program, effective 4/8/2025 new 4/8/2025 renewal

| POLICY | POLICY COUNT* | INDICATED RATE NEED | RATE REQUEST |
|---|---|---|---|
| HO-3 (Homeowners Multi-Peril) | 4,646 | 59.7% | 31.5% |
| HO-5 (Homeowners Multi-Peril) | 0 | 0.0% | 0.0% |
| TOTAL | 4,646 | 59.7% | 31.5% |

*Policy count is based on earned house years for the 12 months ending 9/30/2024

## Public Rate Hearing
## Trusted Resource Underwriters Exchange

**Current and Proposed Average Annual Premiums by Policy Type**

"Florida Homeowners" program, effective 4/8/2025 new 4/8/2025 renewal

| POLICY | CURRENT AVG ANNUAL PREMIUM | PROPOSED AVG ANNUAL PREMIUM | CHANGE IN DOLLARS |
|---|---|---|---|
| HO-3 (Homeowners Multi-Peril) | $4,309 | $5,665 | $1,357 |
| HO-5 (Homeowners Multi-Peril) | $0 | $0 | $0 |

# Public Rate Hearing
# Trusted Resource Underwriters Exchange

### "Florida Homeowners" Program Rate Filing History

| File Log Number | New Business Effective Date | Renewal Business Effective Date | Rate Change | Notes |
|---|---|---|---|---|
| 25-006332 | 4/8/2025 | 4/8/2025 | 31.5%* | Annual Filing* |
| 23-026031 | 1/1/2024 | 1/1/2024 | 11.1% | Ltd Reinsurance |
| 23-017574 | 1/1/2024 | 1/1/2024 | -2.0% | RAP |
| 22-025896 | 8/15/2023 | 8/15/2023 | 14.9% | |
| 21-025969 | 8/4/2022 | 9/1/2022 | 0.0% | Annual Filing |
| 21-018830 | 7/31/2021 | 7/31/2021 | 0.0% | |
| 20-014305 | 10/30/2020 | 10/30/2020 | 0.0% | New Program |

*The filing being discussed today.

Zhong began with an open question on the carrier's program history, which TRUE's Actuarial Services Director Yanfei Atwell answered. She said the carrier in the following years after its 2020 launch, focused on segmentation in hurricane and non-hurricane peril. "I know the last time we took the annual rate changes was 2022 and we're a little bit late for the annual rate changes. That's what we're trying to catching up with this rate filing," Atwell told Zhong.

Although not presented at this hearing, the table below that was in the filing shows details of the perils Atwell referenced with the proposed rate level changes – which she addresses later in the hearing:

| Form | Peril | Rate Level Indication | Proposed Rate Level Change |
|---|---|---|---|
| HO-3 | Non-Hurricane | 24.7% | 9.4% |
| | Hurricane | 121.9% | 50.8% |
| | Total | 75.8% | 31.5%* |

*As measured by the Rate Collection System

TRUE General Counsel Susan Anderson added that when TRUE started writing policies in 2021, its initial entry filing was based on the now-defunct United Property and Casualty Company. "We have had, over the last two-and-a-half, three years, changes in control and changes commensurate in management with those changes in control," Anderson explained. "As a result, we have a new management team here, started since January of 2024, and this first annual rate filing submitted by this management team is intended to take the rate necessary in order to continue into being a profitable company and to stay in business throughout the future. We also intend to make our manual rate filings on a more consistent and timely manner going forward. In addition, we continue to look at both the market, as well as our rate need, in order to take additional changes that are more nuanced and segmented in the future."

How Rate Was Determined

**Zhong Q:** Please identify and explain the basis for the rate indications and the large increase proposed.
**Atwell A:** It follows similar, pretty standard Florida OIR indication template, where we split the losses into three different types: hurricane, non-hurricane cat, and non-cat losses. For the non-cat losses, we're following pretty much the traditional actuarial methodology in developing the losses and the trend losses to (a) projected future loss ratio for the non-cat losses. For the non-hurricane cat, we're using all the historical, all the cat that we have, and (we) estimate a cat load and load it back to each of

the fiscal accident year to develop a cat loss ratio. For the hurricane losses, we totally disregard the actual hurricane losses. Instead, we loaded a hurricane called AAL, which is actual average annual loss that was produced by the catastrophe modeling, using that to estimate a projected hurricane loss ratio. So after we projected those three types of loss ratio, and we add them together. And also, due to our smaller volume, still, we also using credibility, waiting with our actual experience to developing an indication.

**Zhong Q:** What would be the main drivers for this large indication?
**Atwell A:** The main driver of the large indication is really just to choose the high cost of capital. This would include the high net cost of reinsurance due to we are a monoline company, and we only operate currently, mainly in Florida, so we lack of a little bit geographic diversification. And the second (reason) is the high target underwriting profit provision. This was mainly due to a large capital need to support a high-risk Florida book.

**Zhong Q:** Please explain the proposed changes in this filing.
**Atwell A:** Our indication is 59 and we're proposing to take 31.5, so we're not responding to all the indication as based on the actual standard of practice. Indication is always not the sole decision making, for making our business decisions. So when we make this 31% rate proposal, we consider the indication, and also consider our market position and future projection of our business.

**Zhong Q:** So is this 31.5% change being applied uniformly to all policyholders, or do you target specific territories for example or specific rating characteristics?
**Atwell A:** So our 31% actually was different based on non-hurricane and for hurricane perils. For hurricane peril, it's around 50% but the non-hurricane peril is around 9%, so for members who live in a coastal area, they are going to observe more rate increase than the members who are living in the inland area.

<u>Non-Compliance with Florida Insurance Law</u>

The next line of questioning concerned compliance with Florida insurance law. Insurance companies have to certify on an annual basis that their rates are adequate or submit an actual rate filing to ask for the rate they need.

**Zhong Q:** Would a company representative say for the record that is this filing being made to comply with the annual filing requirement in 627.0645 Florida Statute?
**Anderson A:** Yes, this filing was made in compliance with the annual filing requirement and as you noted, the last annual rating filing was in 2022.
**Zhong Q:** For the past few years has TRUE followed the annual filing requirement?
**Anderson A:** There were a number of years in which we did not take an annual rate filing. In 2023 and in 2024, there was a change in control in the company, and there were changes in management associated with those changes in control. As a result, the annual rate filings were not made for the company in those years.
**Zhong Q:** So the company was not in compliance in the prior years?
**Anderson A:** That is correct.
**Zhong Q:** Is the large rate increase driven in whole or in part by the company's failure to comply with the Florida statute on the annual filing requirement previously?
**Anderson A:** I would say there is a component of this filing that is a catch up filing for those years in which we did not take an annual rate filing. I believe in your prior slide, there were some changes that were made from a rate perspective. Those were largely tied to reinsurance filings, and I think some maybe coverage and underwriting changes as well. I think Yanfei can speak to the actuarial basis.
**Atwell A:** The 31% rate changes is a catch up of the annual rating that we missed. So on the going forward basis, we're planning to be in compliance and following the annual filing, and it will not be such a huge rate increase. It'll be more moderate. It pretty much follows the net trends going in the future.

Knowledge of Florida Insurance Law

The next line of questioning concerned knowledge about components of filing requirements.

**Zhong Q:** To your knowledge, is a territorial rate review required in an annual filing?
**Anderson A:** The annual rate filing was taken as a base rate change across all perils. There are no segmentation territorial changes in this annual rate filing. However, we are planning and working on currently a filing that will be submitted later on in the summer, and it will be a territorial evaluation and segmentation filing.
**Zhong Q:** I feel like the company's being non-responsive on this question. So the question is, is a territorial rate review required in an annual filing? So it's either yes or no.
**Anderson A:** No, it is not.
**Zhong Q:** That is not entirely correct, but let's move on.

Territorial Rate Changes

**Zhong Q:** Explain how the selected rate change by territory is determined.
**Atwell A:** Before this rate changes, (there) is a flat rate increase across all the territories, (it) only varies by hurricane and a non-hurricane peril. There is no difference between the territories, (the) only difference (is) between hurricane and a non-hurricane base rate, and we're planning to spending more effort in doing more segmentation level review in our coming rate proposal.
**Zhong Q:** So is it fair to say that the company has not performed a territorial rate review in this filing in question?
**Atwell A:** Yes, that is correct.

**Zhong Q:** Is there any territory where the selection differs from the indication, particularly when the territorial indication is negative, but the company selected a positive rate increase instead? If so, why is this reasonable and not unfairly discriminatory?
**Atwell A:** We are not spending too much time to focus on a territory level. Indication is mainly just for flat dollar changes and only varies by hurricane and a non-hurricane, and our next rate changes was spending more effort in reviewing our territory level indication, plus our competitive position at a territory level.
**Anderson A:** Again, we understand as a company that we have not made the annual filing, and in 2025 we were anxious to make that filing and to become compliant with the requirement for an annual filing requirement. (In) internal discussions and discussions with the OIR, we intended to file a straight base rate change initially, that's this one, and then come back with a more nuanced and segmented filing in order to adjust territorial requirements and rates.
**Zhong:** Technically, a territorial rate review is required in an annual rate filing, and that's just so that the public knows, but let's move on, since the company did not perform a territorial rate indication.

Additional Filing on Underwriting

The questioning moved on to a subsequent filing that TRUE made (25-030667) which Zhong said "significantly revised" the carrier's underwriting rules. TRUE's Senior Product Manager Joshua Kelman said the underwriting model has been removed so that certain potential quotes won't be disqualified. In addition, TRUE removed its HVAC criteria requiring so that units 20 years or older won't disqualify quotes. "In general, we are certainly moving toward a broader appetite to better serve the Florida market," with the underwriting changes, Kelman said. Anderson added that those underwriting changes will only impact new business after the effective date and that no renewal business will be impacted. The carrier also answered a subsequent question that the underwriting rule change was not taken into consideration in the rate filing.

Reinsurance

**Zhong Q:** Please describe the net cost of reinsurance calculation and how does the net cost of reinsurance affect the premium that each policy holder pays in this current filing?
**Atwell A:** The net cost of reinsurance was calculated by (taking) the reinsurance premium that we actually paid to reinsure, but net of the expected ceded losses. So that's a cost of risk transfer. And so that was loaded into the indication and then transfer as a part of the framing. I think it's a 40% load into the indication. So that would translate to the average premium that a policyholder pays.

**Zhong Q:** How is this allocated at the policyholders' level?
**Pfahler A:** The cost of reinsurance is mostly a hurricane cost and so it's my understanding that the cost of reinsurance has more of an impact to the hurricane rates. As Yanfei spoke earlier, those hurricane rates are going up higher than the other causes of loss, and that leads to a territorial differentiation only because of the base rates and not because of any specific non-hurricane calculation.
**Atwell A:** The net cost of reinsurance was allocated to each of the members' premium. It was really based on their expected loss cost. So the members who living in the high hurricane area would share more of the reinsurance cost than members who living in the inland area.

Impacts of AOB and One-Way Attorney Fee Elimination

**Zhong Q:** Explain how the elimination of Assignment of Benefits and one-way attorney fees impacted this filing? If the company has made no adjustment, is it in compliance with Senate Bill 2-A's requirement to reflect the impact of the elimination of assignment of benefits and one-way attorney fees, and why?
**Anderson A:** There was very little business in the company and even fewer claims in the company at the time that those reforms were made under Senate Bill 2-A. As a result, we did evaluate the impact of Senate Bill 2-A and determined that because of the few losses and few policies in force before the reform, that there was no adjustment necessary.
**Atwell A:** Our loss experience is after 2023, so the impact to the losses before 2023 due to Senate Bill 2-A and one-way attorney fees was really very immaterial.

**Zhong Q:** The current program currently has a 5% discount in the non-hurricane premium if an insured elects the Assignment of Benefits exclusion endorsement, how many current policies have this endorsement?
**Kelman A:** Our current process is that the Assignment of Benefits exclusion is mandatorily applied. We are working through the technological solution to remove this and to withdraw the form from the product. But as of now, all new business since the implementation of the Senate Bill has the exclusion, and there would never be anyone who would have Assignment of Benefits added into the policy. The discount is mandatory as well. So everyone to this day still receives the 5% discount on the non-hurricane premium.

**Zhong Q:** Explain why the company currently offers a 5% non-hurricane premium credit on AOB exclusion, but the company does not recognize the savings from Senate Bill 2-A in the indication.
**Atwell A:** As I just stated, because most our last experience is after Senate Bill 2-A, it was not impacted. We have very little experience before 2023 and the evaluation of the impact (on) claims is that that impact is very immaterial, so that's why we choose not to make any adjustments in this filed indication.

Noticeably absent from today's rate hearing was Florida's Insurance Consumer Advocate, **Tasha Carter**, who normally attends rate hearings and asks questions of an insurance company's representatives from a consumer point of view.

**Public Comment**

(None)

Having received no public comment, Director Nelson closed the meeting with a reminder that the deadline for public comments on this filing is July 1, 2025 at 5pm.   Public comments should go to RateHearings@floir.com with subject line: Trusted Resource Underwriters Exchange.

**Hearing adjourned at 10:44am**