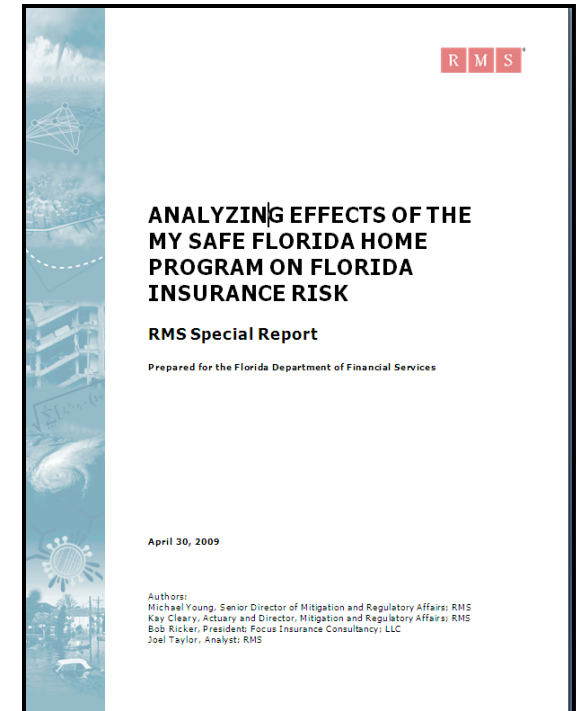# Analysis of the My Safe Florida Home Program

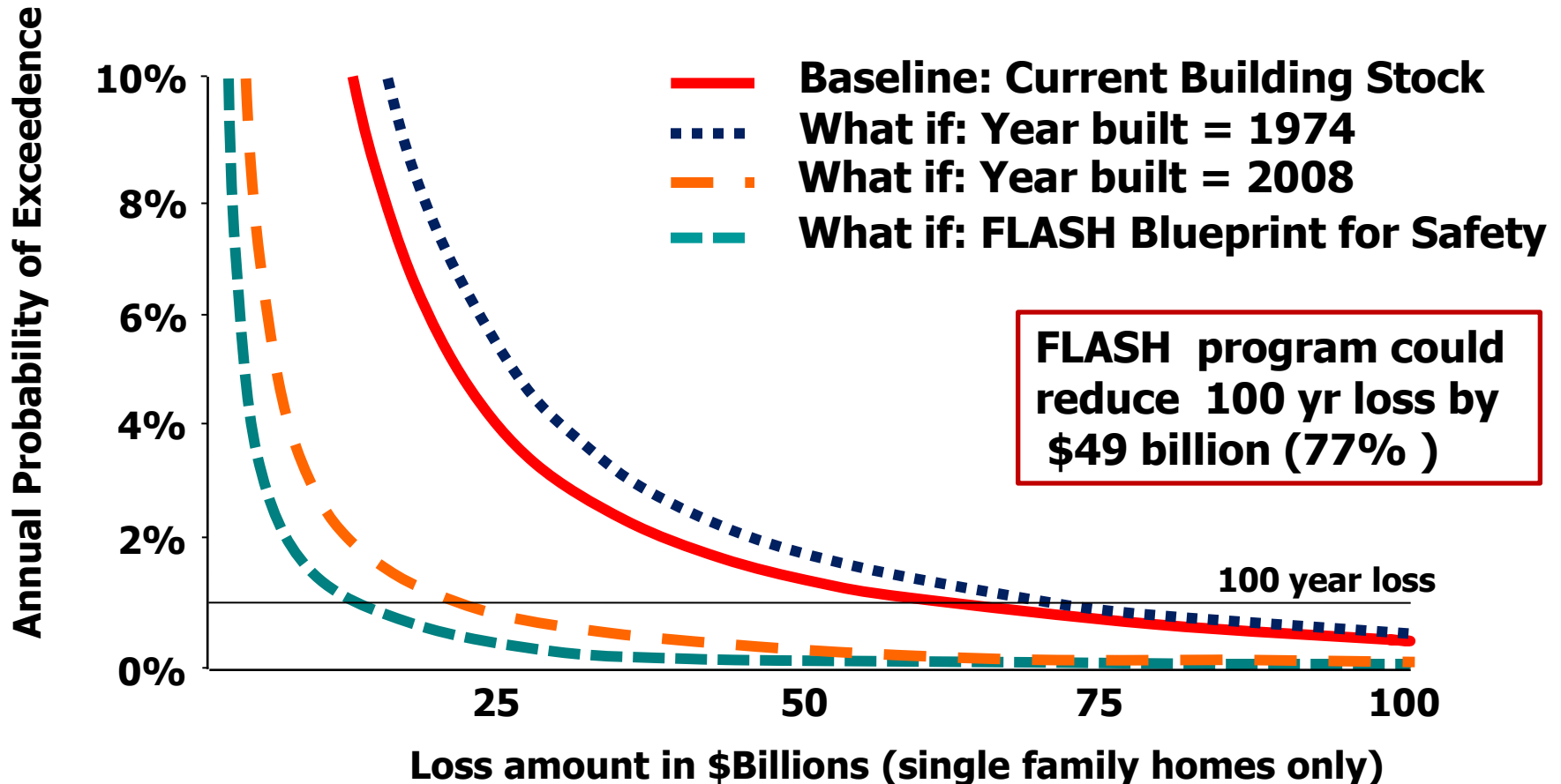**Michael Young, Senior Director of Mitigation**

June 24, 2009

My Safe Florida Program (MSFH) Analysis – Special Report

- Examination of how state's liability changes with mitigation investment

- Two Conclusions:

1. Focused application of mitigation techniques can maximize benefits
   - Save $2.75 per dollar invested

2. Systematically Collect and Use Detailed Attributes for Rate-making

ANALYZING EFFECTS OF THE MY SAFE FLORIDA HOME PROGRAM ON FLORIDA INSURANCE RISK

RMS Special Report

Prepared for the Florida Department of Financial Services

April 30, 2009

Authors:
Michael Young, Senior Director of Mitigation and Regulatory Affairs; RMS
Kay Cleary, Actuary and Director, Mitigation and Regulatory Affairs; RMS
Bob Ricker, President; Focus Insurance Consultancy; LLC
Joel Taylor, Analyst; RMS

How Much Can Mitigation Help?

- This chart shows a Sensitivity analysis on the entire Florida building stock to show what would happen if all the buildings were new, and if all the buildings were mitigated.

Legend:
- **Baseline: Current Building Stock**
- **What if: Year built = 1974**
- **What if: Year built = 2008**
- **What if: FLASH Blueprint for Safety**

FLASH program could reduce 100 yr loss by $49 billion (77%)

100 year loss

Y-axis: **Annual Probability of Exceedence** (0%, 2%, 4%, 6%, 8%, 10%)

X-axis: **Loss amount in $Billions (single family homes only)** (25, 50, 75, 100)

R M S

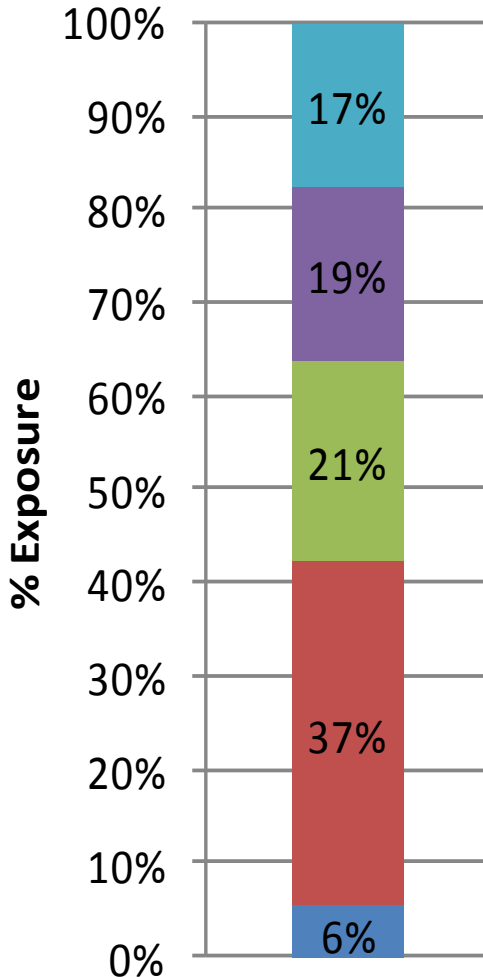# "My Safe Florida Home" Program (MSFH)

- Florida Department of Financial Services 2006-2008

- Goals:
  - Help Floridians better protect their property
  - Help Floridians save money on insurance premiums

- Program Details:
  - Provide free home inspections to 400,000 Floridians
  - Provide matching grants up to $5,000 to 35,000 Floridians

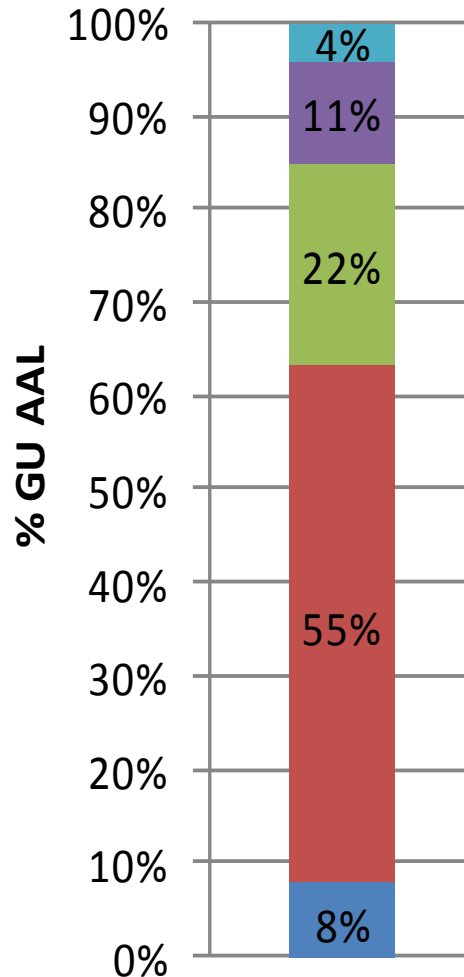| Scope	Num Bldgs	Value ($)
All FL	4.88 M	$ 2,012 B
MSFH	400,000	$ 212 B
% of State	8.2%	10.5%

- Field Inspection attributes:
  - Sqft
  - Roof deck nailing
  - Roof anchors
  - Roof cover types
  - Roof age
  - SWR
  - Opening protection

MSFH Slices – Impact on Florida 100 yr PML

% Exposure

% AAL

Δ 100yr PML

- Bottom 25% of Locs
- Third 25% of Locs
- Second 25% of Locs
- Top 25% of Locs
- Grant Locs

% Exposure:
- 17%
- 19%
- 21%
- 37%
- 6%

% GU AAL:
- 4%
- 11%
- 22%
- 55%
- 8%

Δ 100yr PML:
- $ 0.16
- $ 0.61
- $ 1.26
- $ 2.75
- $ 1.50

Reduction in 100 yr PML Savings per Grant Dollar

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Comparison of Hypothetical Rates in MSFH

■ Difference between Primary Attributes vs. Detailed Attributes

SQFT factor results in overall decrease

17% of locations would see hardly any difference

22% of locations would decrease by up to 50%.

13% of locations will see significant increase

48% of locations would decrease by more than 50%.

Number of Homes (Thousands) — 70, 60, 50, 40, 30, 20, 10, 0

150% 125% 100% 75% 50% 25% 0% -25% -50% -75% -100%

Increase in Premium   Decrease in Premium

% Change in Gross Loss Cost
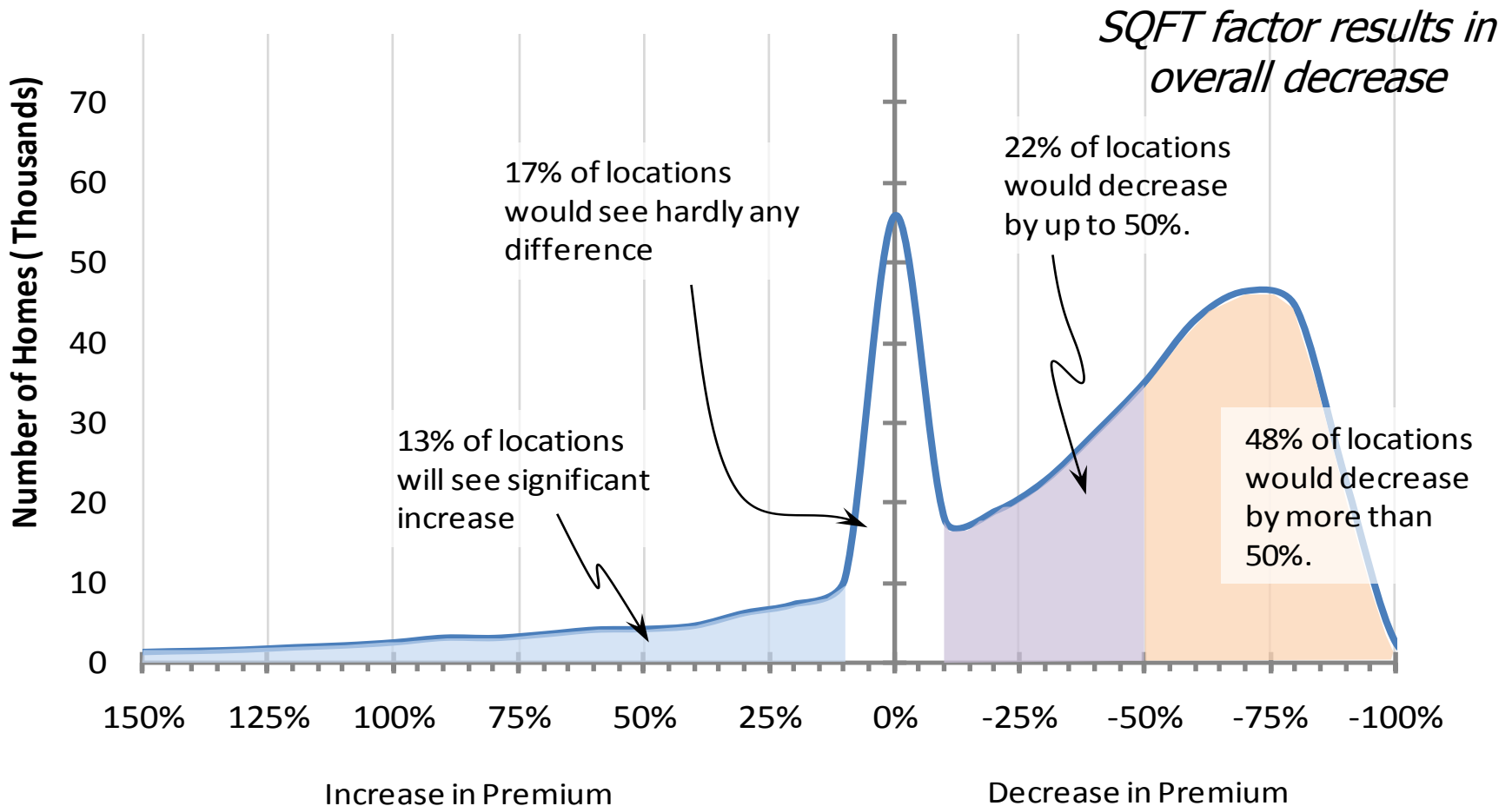
Note: This analysis assumes base rates are actuarially sound to start with.

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