

August 12, 2009

**FAIA SAYS FLORIDA'S EFFORTS TO HARDEN HOMES AGAINST HURRICANES  
FALLS SHORT**

*~~ Report shows premium discount initiative promotes fraud~~*

**Tallahassee**--The Florida Association of Insurance Agents (FAIA) today presented a report to the Florida Commission on Hurricane Loss Projection Methodology outlining its strong concerns with the State of Florida's hurricane mitigation initiatives. The white paper, titled **Mitigation: A Report Card on Florida's Quest to Harden Homes**, documents why Florida's initiatives to harden homes against hurricanes is falling well short of its goals.

"The Office of Insurance Regulation's singular focus on cutting premiums at any cost has **mortgaged** Florida's future," said FAIA President and CEO Jeff Grady.

"A more thoughtful approach is urgently needed to strengthen Florida's housing inventory against natural disasters."

Florida's mitigation initiatives were implemented several years ago in an effort to encourage homeowners to harden their homes against storms, using insurance premium discounts as an incentive.

According to findings in the report, the initiative failed for two reasons: faulty implementation of mitigation discounts and growing evidence of fraud at the retail level. FAIA found varying degrees of fraud at all levels of the state's mitigation initiative, including misconduct by inspectors, insurance companies, agents and homeowners; all of whom either give, accept, or intentionally overlook "false" inspection reports used to verify a home's wind mitigation characteristics, such as storm shutters.

"The original intent of the premium credit system was to motivate homeowners to harden their homes," said Grady. "However, it doesn't work if homeowners get the credits without having to make the upgrades. Even worse, they get an inflated credit for something that doesn't really protect their families or their home in the event of a storm."

The report details implementation of mitigation premium credits based on out-dated and inconsistently applied science. FAIA is urging the Commission to address these concerns and to consider making recommendations to lawmakers to enact during the 2010 Legislative Session.

The findings also point to the true cost impact of a flawed premium credit system in which homeowners are led to believe their homes are safer than they really are. This false sense of security ultimately could result in the loss of lives -- lives that could have been saved if homes were hardened appropriately. According to FAIA, these false reports entirely defeat Florida's long-term goal of encouraging homeowners to take the necessary steps to fortify their homes against the wrath of Mother Nature.

FAIA also urges the state to set uniform standards for inspectors. Its report cites an example from one company underwriter who said that 90 percent of inspections conducted by "independent" inspectors are flawed, and that inspectors who work for an inspection company are not as careless or fraudulent.

"This is especially troubling and demonstrates the value of certifying inspectors and requiring quality assurance standards by the state," said Grady. "State certified inspectors were phased out when lawmakers allowed the My Safe Florida Home inspection program to sunset on June 30."

The report also suggests this failed system may also be contributing to the problems in Florida's voluntary insurance market. State Farm's recent request to OIR to withdraw from Florida may be driven in part by "overall rate suppression, combined with inflated mitigation credits," a combination that adversely affects the industry by discouraging new insurance companies from writing policies in Florida and by causing existing carriers to leave—even after three and a half seasons without a single storm."

Independent of the Commission, the FAIA will be examining laws and rules to weed out what it calls "retail level fraud" and presenting proposals to lawmakers in 2010.

For more information about FAIA or to download a copy of the white paper visit [www.faia.com](http://www.faia.com).