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August 14, 2015

The Honorable Jeff Brandes
The Florida Senate
22nd District
318 Senate Office Building
404 South Monroe Street
Tallahassee, Florida 32399-1100

Re: National Flood Insurance Program rates

Dear Senator Brandes:

First, let me thank you for your efforts on behalf of Florida homeowners, and particularly for your focus on assuring the availability and affordability of flood insurance for millions of affected Floridians. Your leadership on this issue has been instrumental in encouraging the growth of the private flood insurance market in Florida.

We share your concern about the need for transparency in the ratemaking process utilized by the Federal Emergency Management Agency for the National Flood Insurance Program (NFIP), and we have publicly expressed those concerns. Florida NFIP experience suggests that the flood loss ratio from 1978-2012 was 28.3%. This is not an alarming loss ratio, and does not seem to suggest that dramatic increases are needed for Florida risks.

The Office can request pertinent data and perform a review of NFIP rates based on Florida law if we can acquire the necessary data from NFIP. We will ask them for the actuarial study including all data and models used. This would be necessary to do a review similar to the review we would perform of a private company filing to make a determination of whether the rates meet the Florida statutory requirements of not excessive, inadequate or unfairly discriminatory.

Without data and further analysis though, we can say that the rates are unfairly discriminatory. NFIP has developed its rating based on multiple zones that are combined to determine rates, with 30 different A zones and separately 30 different V zones. Those zones are defined based on a theoretical determination of the probability of flooding (the V zones are more coastal).

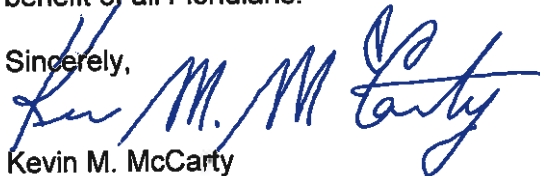
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These are averaged together to charge one rate across the country. The averaging together of zones with different costs and charging one rate would be considered unfairly discriminatory from an actuarial perspective which would not pass scrutiny under Florida law.

To address these rating issues, our primary focus should be on the future flood projections now being developed. A forum for a discussion on these rating issues already exists. The Florida Hurricane Loss Projection Methodology Commission (Commission), which includes an actuary from the Office of Insurance Regulation, is now engaged in developing "actuarial methods, principles, standards, models, or output ranges for personal lines residential flood loss". The Commission expects to adopt this plan by July 2017 and your tremendous support will help to facilitate the release of NFIP claims and ratemaking data to insurers and flood modeling firms.

Thank you again for your commitment to this important issue. I look forward to working with you and the Commission as we work to develop a robust private flood insurance market for the benefit of all Floridians.

Sincerely,

A handwritten signature in blue ink that reads "Kevin M. McCarty". The signature is stylized and fluid, with the first name "Kevin" and last name "McCarty" clearly legible.

Kevin M. McCarty
Insurance Commissioner