

How Property Insurance Rates are Made

Regulations & Consumer Protections Govern the Process

1

The insurer evaluates various projected costs when determining its proposed rates, including:

- Everyday claims payments
- Claims adjusting expenses
- Expected hurricane claims
- Premium and loss trends (including inflation)
- Reserve development
- Reinsurance costs
- Agent commissions and other acquisition costs
- Company overhead and taxes
- Profit margin (as approved by the Florida Office of Insurance Regulation)



2

The insurer makes an annual rate filing with the regulator.

Florida law mandates:

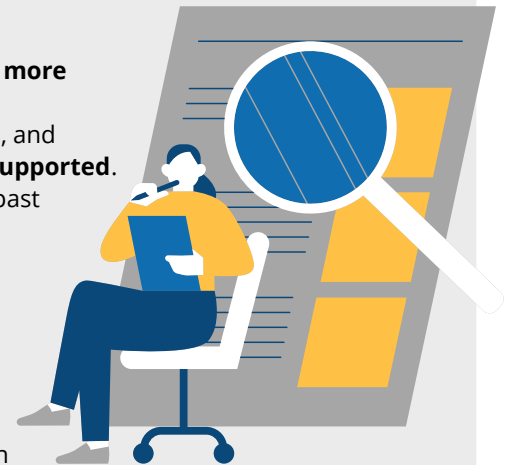
- Insurance rates *cannot* be **EXCESSIVE, INADEQUATE OR UNFAIRLY DISCRIMINATORY**.¹
- No proposed residential property rate can be filed unless the CEO or CFO and the chief actuary of the company have verified its accuracy under penalty of perjury (only Florida requires this).²
- OIR has the authority to regulate insurance rates and must take appropriate action to ensure that rates are in compliance with state law.³



3

The rate filing undergoes regulatory review by OIR actuaries.

- The state actuaries conduct a highly **detailed forensic review that is more extensive** than those conducted in many other states.
- Substantial insurer data is required, often totaling thousands of pages, and **every component of a rate requested must be documented and supported**.
- Rates must be based on the insurers' prospective projections, not on past claims – past claims can only be used to predict future trends.
- Any findings of negative insurer conduct – such as punitive damages incurred or bad faith rulings – cannot be included in rates.⁴
- **Rates are regulated in public.** Any proposed rate increase of 15% or higher that is based in whole or in part on a computer loss model requires a public hearing open to all citizens.⁵
- Newly approved **rates will immediately impact new customers**, and existing customers when they renew their policies. Customers can always choose to accept the new rate, change their coverages and/or adjust their deductibles to change their rate, or shop around for coverage with another insurer.



4

After exhaustive review, the Office of Insurance Regulation determines the rate:

Approved



Disapproved



¹ F.S. 627.062(1) ⁴ F.S. 627.062(7)

² F.S. 627.062(8) ⁵ FS 627.0629(6)

³ FS 627.031(2)