



New Florida Annual Hurricane Deductible Causes Less Than 3 Percent Increase In Average Annual Insurance Losses

As Florida's annual hurricane deductible law went into effect on May 1 for the state's residential policyholders, Risk Management Solutions (RMS), the world's leading provider of products and services for the management of catastrophe risk, released the results of an analysis exploring the insurance industry impact of using the new deductible instead of a single event hurricane deductible. Based on its analysis, RMS has found that the estimated average annualized loss that insurers are exposed to under the new policy terms increases by less than 3 percent for deductibles common to Florida homes.

Under the Florida law, residential policyholders now have an annual hurricane deductible cov-

ering losses from all hurricanes in a calendar year. Once the deductible is met, losses from additional hurricanes in the same year are subject to the policy's "other perils" deductible, which is typically lower than the hurricane deductible. To quantify the impact of this policy change, RMS reviewed the historical record to determine the long-term potential for multiple damaging hurricanes to affect the state in one season, a phenomenon called hurricane clustering.

"When clustering occurs, it's possible for one home to be hit by more than one hurricane, as was the case for some properties last season. In this case, a seasonal deductible will result in higher insurance claims relative to a

single-event deductible," said Kyle Beatty, meteorologist at RMS.

"However, our simulation of over 1 million years of hurricane activity shows that this is extremely rare. The majority of risk is driven by years when a location is impacted by only one storm."

The impact of the new legislation on hurricane insurance risk varies based on the size of the deductible in force and the location of the property. The impact is greatest in areas of high hurricane frequency, such as South-east Florida, and for policies with high deductibles. Commercial and multi-location policies with blanket deductibles would experience different effects, and they are not addressed under the new legislation. ●

ACTEX Actuarial Recruiting

Whether you are a candidate seeking a new position or a client seeking top-notch actuarial talent, ACTEX Actuarial Recruiting can help you to achieve your goals.

Contact:

Kathi D. Boratko, CPC
 Recruiting Specialist
 (800)282-2839 or (860)379-5470
aar@actexmadriver.com
www.actexmadriver.com

A division of ACTEX Publications, ACTEX Actuarial Recruiting maintains relationships with both hiring companies and actuarial candidates.

Let us help you find the candidate or job that meets your needs.