

# Hurricane Insurance and Mitigation

2013

...

**FIU**

Metropolitan  
Center

## EXECUTIVE SUMMARY

Florida International University's Metropolitan Center (MC) received funding from the Florida State Legislature to conduct social science research on issues related to hurricane mitigation. The focus of the research in the 2012-2013 fiscal year was hurricane insurance.

The focus on insurance was a product of the ongoing discussion in the state, including media, citizens groups, the business sector as well as decision makers at the local and state level, regarding the threat of hurricanes and the vulnerability of the state to significant damages. As controversy continues to surround Citizens Insurance and the Florida Cat Fund, it seems the risk of damage from hurricanes is only increasing. Although Florida hasn't been hit by a major storm in seven years, current climate and weather patterns point towards more numerous and intense storms in the future. In addition, the increasing population and number of homes in the state will make future storms more costly. For example, the population of Homestead, FL was just under 30,000 when Hurricane Andrew hit. By 2010, the population had increased to 60,512. The estimated population in the Gulf and Atlantic coastal counties increased from 74.2 million in 1990 to 91 million in 2010, or 23 percent. Property values along with the total number of housing units have also increased. This trend isn't unique to Florida. In 2007 the national total insured value of coastal properties was approximately \$8.9 trillion. With insurance rates expected to double every decade, the cost to rebuild these properties could reach \$17.8 trillion by 2017. The research included background review of the history and issues surrounding homeowner insurance in Florida, a statewide business survey to gauge awareness of hurricane threats and business preparedness, as well as focus groups in coastal areas around Florida.

### BUSINESS SURVEY

Over 500 businesses were surveyed in Florida of various sizes and industry sectors. The majority of participants (62%) said they had not been previously affected by a hurricane. Of those businesses that were affected 119 respondents (61%) faced suspending/shutting down operations or relocation. Most businesses were insured for hurricane damage (151 responses or 80%) with the majority of participants (485 or 93%) currently insured. A significant portion of participants (199 or 39%) said they did not have a business disaster plan. Just over half (273 responses or 55%) said they feel only somewhat vulnerable from the threat of a hurricane damaging their business.

### FOCUS GROUP

The MC conducted four focus groups with residents of the Tampa; Hollywood; Jacksonville; and Pensacola areas. A total of 44 homeowners participated in the focus groups conducted on April 23 (Tampa); April 25 (Hollywood); April 29 (Jacksonville); and April 30 (Pensacola). There were only but a handful of participants across the four focus groups who were familiar with the nuances of home insurance regarding Citizens, including depopulation efforts and Citizens insurance rate increases..

Just five of the participants were currently insured by Citizens, after being informed of the Citizens's efforts to transfer policies to the private market, most of them disagreed. Across all focus groups there was significant distrust of insurance companies. When prompted with the explanation provided by Citizens that rates should increase in order to improve Citizens's solvency, the participants pointed to several years without a major hurricane and argued that Citizens and other insurers should have enough reserves to offset potential losses.

## TABLE OF CONTENTS

EXECUTIVE SUMMARY .....	i
METHODOLOGY .....	1
HISTORY OF THE FLORIDA INSURANCE MARKET .....	2
BUSINESS SURVEY .....	6
FOCUS GROUPS .....	16
FOCUS GROUP- TAMPA .....	25
FOCUS GROUP- HOLLYWOOD .....	34
FOCUS GROUP- JACKSONVILLE .....	41
FOCUS GROUP- PENSACOLA.....	49
SOURCES.....	58

**FIGURES**

*Figure 1: Business Survey: Business Operations affected by a Hurricane* ..... 7

*Figure 2: Business Survey: Business Preparations for a Hurricane* ..... 10

*Figure 3: Business Survey: Business Disaster Plan* ..... 13

*Figure 4: Business Survey: Business Vulnerability to Damage from a Hurricane* ..... 14

*Figure 5: Business Survey: Business Actions Post-Disaster* ..... 15

*Figure 6: Focus Groups: Race Composition (Overall)* ..... 16

*Figure 7: Focus Groups: Most Negative Aspects- Living in Florida (Overall)*..... 18

*Figure 8: Focus Groups: Biggest Problem- Facing Florida (Overall)* ..... 19

*Figure 9: Focus Groups: Rate the Economy- Florida (Overall)* ..... 20

*Figure 10: Focus Groups: Race Composition (Tampa Focus Group)* ..... 25

*Figure 11: Focus Groups: Length of Homeownership (Tampa Focus Group)*..... 26

*Figure 12: Focus Groups: Quality of Life- Florida (Tampa Focus Group)* ..... 27

*Figure 13: Focus Groups: Most Positive Aspects- Living in Florida (Tampa Focus Group)* ..... 28

*Figure 14: Focus Groups: Biggest Problem- Facing Florida (Tampa Focus Group)*..... 29

*Figure 15: Focus Groups: Rate the Economy- Florida (Tampa Focus Group)*..... 30

*Figure 16: Focus Groups: Race Composition (Hollywood Focus Group)*..... 34

*Figure 17: Focus Groups: Length of Homeownership (Hollywood Focus Group)* ..... 35

*Figure 18: Focus Groups: Biggest Problem- Facing Florida (Hollywood Focus Group)* ..... 36

*Figure 19: Focus Groups: Rate the Economy- Florida (Hollywood Focus Group)* ..... 37

*Figure 20: Focus Groups: Race Composition (Jacksonville Focus Group)* ..... 41

*Figure 21: Focus Groups: Length of Homeownership (Jacksonville Focus Group)* ..... 42

*Figure 22: Focus Groups: Most Positive Aspects- Living in Florida (Jacksonville Focus Group)*..... 43

*Figure 23: Focus Groups: Biggest Problem- Facing Florida (Jacksonville Focus Group)* ..... 44

*Figure 24: Focus Groups: Rate the Economy- Florida (Jacksonville Focus Group)* ..... 45

*Figure 25: Focus Groups: Race Composition (Pensacola Focus Group)*..... 49

*Figure 26: Focus Groups: Length of Homeownership (Pensacola Focus Group)*..... 50

*Figure 27: Focus Groups: Most Positive Aspects- Living in Florida (Pensacola Focus Group)* ..... 51

*Figure 28: Focus Groups: Biggest Problem- Facing Florida (Pensacola Focus Group)* ..... 52

*Figure 29: Focus Groups: Rate the Economy- Florida (Pensacola Focus Group)*..... 53

## METHODOLOGY

The Metropolitan Center's research in 2012-2013 focused on hurricane insurance from both the homeowners' and business perspective. The goal of the research was to examine to what extent these two stakeholder groups are affected by recent or proposed changes. To that end, the study of the issue was divided into three phases. The final stage involved presenting the research and involving policy makers in a discussion on hurricane insurance in Florida.

### Study Elements

#### **Phase I: Background Research**

The background research involved a review of scholarly and general media articles broadly related to hurricane mitigation and with a specific focus on hurricane insurance. Homeowners insurance was a hot topic discussed in the 2013 legislative session with several bills that moved through the Florida House of Representatives and Senate. The research involved a comprehensive review of these bills and the discussions they prompted in the media.

#### **Phase II: Business Survey**

The Metropolitan Center conducted a total of 524 phone surveys which asked about their attitudes and experiences regarding hurricane prevention and mitigation. The statewide survey was administered in July 2012. The participant businesses varied from small (1-10 employees) to large businesses, (over 500 employees).

#### **Phase III: Homeowners Focus Groups**

From April 23 to April 30, 2013 the MC held four (4) focus groups on homeowners insurance at various facilities around Florida in the following cities: Tampa, Hollywood, Jacksonville and Pensacola. The focus group began in the early evening usually around 6:30 pm and lasted approximately one hour and forty minutes. The focus groups in total consisted of 44 participants, 24 females and 20 males.

#### **Phase IV: Hurricane Insurance Forum**

The Metropolitan Center organized a MetroForum titled "What if Our Luck Runs Out? Hurricane Risk, Preparation, and Mitigation Entering the 2013 Atlantic Hurricane Season" on the issue of homeowners insurance and hurricane risk. The MetroForum took place on June 27, 2013 at the FIU Broward-Pines Center in Pembroke Pines, Florida and had over forty attendees. The moderator for the event was Ms. Maria Mallory White of the Sun Sentinel and the panel consisted of: Mr. Carlos Lacasa, Chairman of Citizens Insurance; State of Florida Representative, Mr. Frank Artiles, District 118; Mr. Frank Kowalski, President of the Independent Insurance Agents of South Florida (IIASF); Mr. Michael Lyons, the Founder and CEO of Weston Insurance Holdings Corporation; and Dr. Maria Ilcheva, Senior Research Associate of the FIU Metropolitan Center.

## HISTORY OF THE FLORIDA INSURANCE MARKET

In August 1992, Hurricane Andrew hit South Florida causing approximately \$26 billion in damages. This storm, it seems, was the catalyst for the insurance and building code environment we see today in the state of Florida. There is a complex and interrelated system at work between Citizens Property Insurance Corporation, the Florida Hurricane Catastrophe Fund, and building codes. Hurricane Andrew exposed the flawed building codes and administration of the state. The storm also caused a mass departure of insurance companies from the Florida market.

After Hurricane Andrew, Florida's outdated building code system was fully revealed. Building codes were administered and enforced on a local level without any overarching statewide code. In addition to inconsistent codes, there was a widespread pattern of poor compliance and enforcement. The many code violations across the state led to structural failures and caused problems for homeowners, developers, and commercial interests all over the state.

In July of 1996 the Building Codes Study Commission presented its findings that included "a complex and confusing patchwork system of codes and regulations, developed, amended, administered and enforced differently by more than 400 local jurisdictions and state agencies with building code responsibilities" (History of the Florida Building Commission). Two years after the findings, House Bill 4181 was adopted. This bill created the Florida Building Code, a single statewide building code that incorporates all building standards to be adopted and enforced across the state. There is a stipulation in the code that allows local governments to amend the code but it must be in response to a unique local condition, be more stringent than the FBC, and they can amend the code no more than once every six months. In addition, the new code required extensive education and training for all licensed engineers, architects, and contractors.

The new statewide code addressed many issues that were inherent in the previous code. Roofing, siding, and other construction component requirements were toughened for new buildings in order to reduce the amount of flying debris. One of the most important additions was the requirement of high-impact windows that can resist high velocity strikes from wind-borne debris. Another option for residential buildings is to install hurricane shutters. Buildings must be able to withstand wind speeds of up to 150 miles per hour, depending on the region where the building is located and mobile homes are required to have stronger "tie-downs", anchors that latch them to the ground. In March of 2012, the Insurance Institute for Business Home & Safety gave Florida 95 points on a 100 point scale for building codes and enforcement. The state was praised for its "well-developed system for regulation of all aspects of code adoption and enforcement, code enforcement training and certification, and licensing requirements for contractors and subcontractors" (Kleinberg, E., 29 March 2012).

More stringent building codes and mitigation efforts also have the ability to help save money in the event of a storm. A Property Casualty Insurers Association Special Report (2012) stated the long-term savings can range from \$3 to \$16 for each dollar increase in construction costs that are associated with the adoption of stronger provisions for wind and seismic protections. The same

report also references a study conducted by the University of Pennsylvania's Wharton School of Business that claims future hurricane losses can be reduced by up to one-third if the proper mitigation steps are taken.

In an effort to save on disaster relief, incentives have been offered for homeowners who are willing to harden their homes. The incentives have usually taken the form of insurance discounts and credits to homeowners. They are required by the Florida Legislature as a way to help offset the added cost of hardening homes. Previously, in 2006, the My Safe Florida Home program was created by the state to help with these costs. The state offered financial assistance to homeowners willing to make improvements by offering to match their contributions up to \$5,000. The program was such a success that over 40,000 homeowners received free wind inspections and close to 33,000 homes were hardened. Despite its success, the program was discontinued in 2009 due to state budget constraints. Today, the discounts and credits offered are highly politicized. There have been claims that the discounts are too political, invite fraud, and have failed to operate as intended. On the other hand, insurance companies claim these discounts are exacerbating the already volatile market of artificially low premiums, increasing risk, and low revenue (Lehmann, E. 12 February 2012).

Hurricane Andrew was also the cause of Florida's worst insurance crisis in history. After the storm, eight insurance companies became insolvent (seven domestic and one foreign), many fled the state, and those that chose to remain significantly raised rates in order to minimize their risk of bankruptcy in the event of another storm. In order to protect homeowners, Florida's insurance regulators did not allow these increases to happen all at once. Rather, the increases crept up gradually over the next decade. The regulation of rates by the Florida Office of Insurance Regulation affected the availability of insurance due to the rate inadequacy. Today, there are approximately 452 insurance companies offering homeowners multi-peril insurance and approximately 524 offering commercial multi-peril insurance.

In 2002, two high-risk insurance pools, the Florida Windstorm Underwriting Association and the Florida Residential Property & Casualty Joint Underwriting Association, were combined to create Citizens Property Insurance Corporation. Citizens was created to be an "insurer of last resort" for those residents who were unable to find homeowner's insurance in the private market. It provides coverage for wind damage, sinkholes, and all other residual risks. Today, Citizens is no longer the insurer of last resort. Instead it is the insurer of approximately 1.4 million customers with \$500 billion in exposure. It is the largest property insurer in the state and the ninth largest in the nation.

One of the pivotal points in Florida's insurance history was following the 2004 and 2005 hurricane seasons. The former saw 16 named storms and the later saw a record 27 storms. In 2004, Charley, Frances, Ivan, and Jeanne were responsible for over 1.6 million claims reported with just fewer than 49,000 total loss claims. The total dollar amount for claims made was just under \$23.5 billion. During the 2005 storm season, Dennis, Katrina, Rita, and Wilma were accountable for causing damage that resulted in approximately 1.1 million claims being reported and total loss claims of 23,093. The total payout for claims was tallied at just under \$9.9 billion. These back-to-back seasons caused the property insurance markets to become even more unstable than they

already were as insurance companies realized they would no longer be able to offer policies at the rates they had been charging (Batten B., 3 June 2012). As a result, State Farm, Allstate, Nationwide, USAA, Hartford, and Travelers started to withdraw.

In 2006, insurance companies tried to raise rates in order to continue offering coverage to homeowners. Instead, House Bill 1A was passed in a special legislative session and it rolled Citizens's rates back to 2006 levels and froze them. HB1A also changed Citizens from an insurer of last resort to the preferred insurer by changing the way property owners could purchase coverage. Previously, Citizens would only sell policies to residents who were able to prove they could not purchase coverage in the private market. With the enactment of HB1A, anyone could purchase a policy from Citizens so long as they provided a quote from a private insurer that was 15 percent higher than Citizens's rates. This effectively "decreased competition by driving away major insurers, unable or unwilling to match Citizens's artificially low, capped rates" (Batten, B., 3 June 2012).

Today there is a widespread consensus that Citizens has serious structural issues. Along with being too large, it has too much exposure and sets insurance prices too far below the market level. Citizens's rates are not actuarially sound and for that reason, would be illegal for a private company to charge. This triple-threat could cause major problems to Florida residents should another major hurricane hit. If Citizens is unable to cover the damage, all insurance customers in the state – auto, home, and life – would be responsible for making up the difference. In addition, Citizens customers could face rate increases of up to 45 percent (Batten, B. 3 June 2012).

Much of the political debate around Citizens's subsidized insurance premiums is geographically divided. Those districts with heavy concentrations of Citizens customers are against many of the initiatives that have been proposed in the past to fix the oversized insurer, such as increasing rate caps and allowing smaller companies to come in and take-over policies. On the other hand, legislatures in areas that don't have high numbers of Citizens customers (north and central Florida, for example), are resentful of potentially having to pay additional assessments on insurance policies if a hurricane hits the state.

Another legacy of Hurricane Andrew is the Florida Hurricane Catastrophe Fund. Created 15 months after Andrew hit, the Fund was created to "protect and advance the state's interest in maintaining insurance capacity in Florida by providing reimbursements to insurers for apportion of their catastrophic hurricane losses" (FHCF website). It is a state-owned and operated trust fund that offers lower-cost reinsurance to insurance companies. In essence, it was created to help stem the mass departure of insurance companies who could no longer afford private reinsurance rates.

According to state law, the Fund is required to have to have a total of \$28 billion in funds. Of that, \$17 billion is for a single hurricane season and the remaining \$11 billion is for a second season. As of January 2013, the Fund is \$1.5 billion short of that mandatory obligation. In order to fix this, there have been calls to reduce the obligation to \$12 billion. With that reduction, insurance companies would be forced to rely less on the Fund for reinsurance and would need to purchase more expensive private reinsurance. If this were to happen, insurers' rates would need to increase to make up the difference.

As controversy continues to surround Citizens Insurance and the Florida Cat Fund, it seems the risk of damage from hurricanes is only increasing. Although Florida hasn't been hit by a major storm in seven years, current climate and weather patterns point towards more numerous and intense storms in the future. In addition, the increasing population and number of homes in the state will make future storms more costly. For example, the population of Homestead, FL was just under 30,000 when Hurricane Andrew hit. By 2010, the population had increased to 60,512. The estimated population in Gulf and Atlantic coastal counties across the United States increased from 74.2 million in 1990 to 91 million in 2010, or 23 percent. Property values along with the total number of housing units have also increased. This trend isn't unique to Florida. In 2007 the national total insured value of coastal properties was approximately \$8.9 trillion. With insurance rates expected to double every decade, the cost to rebuild these properties could reach \$17.8 trillion by 2017.

## BUSINESS SURVEY

The participant businesses varied from small (1-10 employees) to large businesses, (over 500 employees) with one-quarter of businesses were minority owned (117 responses or 25%). The majority of participant businesses have also been active for well over 20 years (60%).

When participants were asked if their business operations have ever been affected by a hurricane the majority of respondents (62%) said they had not been affected, with just over one-third (38%) saying they had been affected at one point or another. Continuing from the previous question a total of 119 respondents (61%) faced suspending or shutting down operations or relocation. The majority of respondents who were affected by a hurricane experienced an estimated sales volume loss of less than \$100,000 (86 responses or 91%). A sizeable majority of businesses who were affected by a hurricane experienced damage to the outside of their business (38 responses or 22%) and also saw that their employees were negatively impacted as well (36 responses or 20%). In the event of a hurricane, most businesses said they would provide assistance to their employees (325 responses or 67%). In addition, most businesses (55 responses or 65%) that were affected by a hurricane faced less than \$100,000 in damages or inventory and equipment losses. Most respondent businesses were insured for hurricane damage (151 responses or 80%). Of those businesses that were not insured for hurricane damage, over one third of responses (11 or 37%) identified there being no need for hurricane insurance as hurricanes are just too rare.

Of those respondents who were affected by a hurricane the majority (163 responses or 84%) said they did have interruptions in their phone, electricity, fuel, water and mail services. The majority of responses all said they had service interruptions lasting up to one week. With that said, most respondents are either very or somewhat confident in the following agencies/institutions level of response after a hurricane: the electric company; the phone company; the State of Florida; FEMA; local government; and the National Hurricane Center.

Despite these negative experiences, the vast majority of respondents would not take hurricane preparation measures regarding their business. These included: evaluating their roof; removing overhanging trees and branches; protecting exposed areas; anchoring furniture and other items; relocation valuable equipment to safer areas; securing utility items like water heaters; shutting off utilities; and updating gas appliances with flexible connections. However, the majority of participants did take prevention actions such as: protecting windows and doors against debris; and securing computers and office equipment with straps and Velcro. A small minority of businesses (25 responses or 5%) have not taken any measures for safe data storage and recovery in a hurricane event. Most respondents (416 or 86%) would take on actions such as on-site and off-site data backup for data storage in the event of a hurricane. Of those participants who have not taken any data protection measures, most respondents (9 or 43%) said it was not necessary since they said nothing valuable would be lost.

The vast majority of participants (485 or 93%) are currently insured, with only a small amount (7 responses) of businesses citing high costs as the reason why they are not insured. Most businesses said (246 responses or 48%) they were not located in a hurricane evacuation zone. A slight majority of participants (199 or 39%) said they did not have a business disaster plan and most participants (149 responses or 89%) have not even considered preparing one. As a whole, just over half of participants (273 or 55%) feel that they are only somewhat vulnerable from the threat of a hurricane damaging their business. Unfortunately, the vast majority of businesses (401 or 83%) are not aware of any disaster management resources created specifically for businesses.

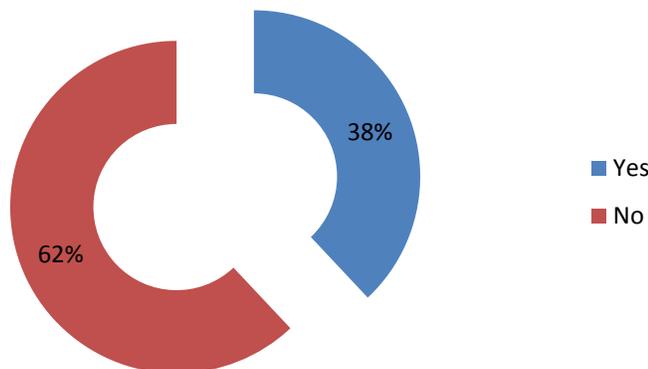
❖ When asked: **How many years have your business has been active?**

- ◆ two of the participants (0.4%) said **Less than 1 year**;
- ◆ nine of the participants (2% ) said **1-3 years**;
- ◆ 60 of the participants (12%) said **4-10 years**;
- ◆ 137 of the participants (26%) said **11-20 years**;
- ◆ 314 of the participants (60%) said **Over 20 years**;
- ◆ two of the participants (0.4%) *Did Not Answer*

❖ When asked: **Have your business operations have been affected by a hurricane?**

- ◆ 197 of the participants (38%) said **Yes**;
- ◆ 323 of the participants (62% ) said **No**;
- ◆ four of the participants (0.8%) *Did Not Answer*

Figure 1: Business Survey: Business Operations affected by a Hurricane



- ❖ When asked: **What happened as a result of the hurricane?**
  - ◆ nine of the participants (5%) said **Relocate**;
  - ◆ 22 of the participants (11%) said **Shut Down**;
  - ◆ 74 the participants( 38%) said **Continued Operations Without Interruption**;
  - ◆ 88 of the participants (46%) said **Suspend Operations**;
  - ◆ 331 of the participants (63%) *Did Not Answer*
    - Of those participants who said their **business suspended operations**, the participants are divided as follows:
      - the majority of respondents (70) said they had suspended their operations **Up to 1 week**
  
- ❖ When asked: **What was their estimated sales volume loss?**
  - ◆ 52 of the participants (55%) said **Less than \$10,000**;
  - ◆ 34 of the participants (36%) said **\$10,000 – \$100,000**;
  - ◆ four of the participants(4%) said **\$100,000 - \$ 1 million**;
  - ◆ four of the participants (4%) said **Over \$1 million**;
  - ◆ 430 of the participants *Did Not Answer*
  
- ❖ When asked: **What part of your business did the storm affect the most?**
  - ◆ 20 of the participants (11%) said **Inside Building**;
  - ◆ 38 of the participants (22%) said **Outside Building**;
  - ◆ 7 of the participants (4%) said **Inventory**;
  - ◆ 11 of the participants (6%) said **Equipment**;
  - ◆ 36 of the participants(20%) said **Employees**;
  - ◆ 347 of the participants *Did Not Answer*
  
- ❖ When asked: **How much damage, inventory, and equipment loss did your business sustain?**
  - ◆ 33 of the participants (39%) said **Less than \$10,000**;
  - ◆ 22 of the participants (26%) said **\$10,000 – \$100,000**;
  - ◆ nine of the participants (11%) said **\$100,000 - \$ 1 million**;
  - ◆ one of the participants (1%) said **Over \$1 million**;
  - ◆ 19 of the participants (23%) said **Didn't Know/Other Response**;
  - ◆ 440 of the participants *Did Not Answer*
  
- ❖ When asked: **Was your business insured for hurricane damage?**
  - ◆ 151 of the participants (80%) said **Yes**;
  - ◆ 37 of the participants (20%) said **No**;
  - ◆ 336 of the participants *Did Not Answer*

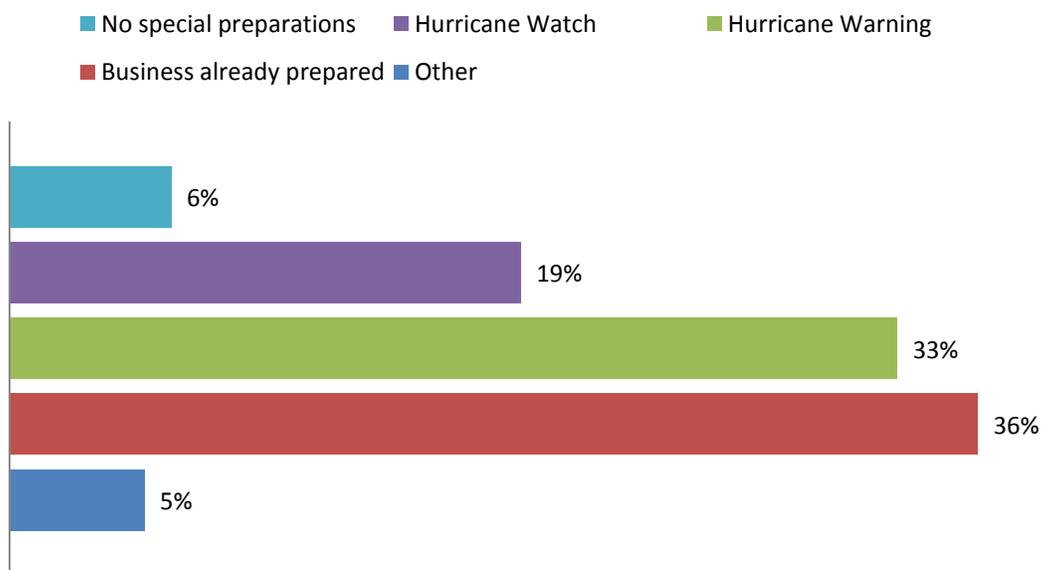
- ❖ When asked: **Why did your business not have insurance?**
  - ◆ five of the participants (17%) said **High Cost**;
  - ◆ 11 of the participants (37%) said **No Need/Hurricanes are too rare**;
  - ◆ 14 of the participants (47%) said **Other**;
  - ◆ 494 of the participants *Did Not Answer*
  
- ❖ When asked: **Did you have any interruption in any services such as phone, electricity, water, etc.?**
  - ◆ 163 of the participants (84%) said **Yes**;
  - ◆ 32 of the participants (16%) said **No**;
  - ◆ 329 of the participants *Did Not Answer*
  
  - When asked did you have any interruption in any services such as **phone service**;
    - the majority of respondents (85) said they had interruptions lasting **Up to 1 week**
  
  - When asked did you have any interruption in any services such as **electricity service**;
    - the majority of respondents (102) said they had interruptions lasting **Up to 1 week**
  
  - When asked did you have any interruption in any services such as **fuel service**;
    - the majority of respondents (18) said they had interruptions lasting **Up to 1 week**
  
  - When asked did you have any interruption in any services such as **water service**;
    - the majority of respondents (31) said they had interruptions lasting **Up to 1 week**
  
  - When asked did you have any interruption in any services such as **mail service**;
    - the majority of respondents (25) said they had interruptions lasting **Up to 1 week**

## Hurricane Mitigation- Business Preparations

---

- ❖ When asked: **When do you typically begin preparing your business for a hurricane?**
  - ◆ 32 of the participants (6%) said they **Do not make any special preparations**;
  - ◆ 102 of the participants (19%) said **When a Hurricane Watch is issued**;
  - ◆ 170 of the participants (33%) said **When a Hurricane Warning is issued**;
  - ◆ 183 of the participants (36%) said their **Business is already prepared**;
  - ◆ 27 of the participants (5%) said **Other**;
  - ◆ 10 of the participants *Did Not Answer*

Figure 2: Business Survey: Business Preparations for a Hurricane

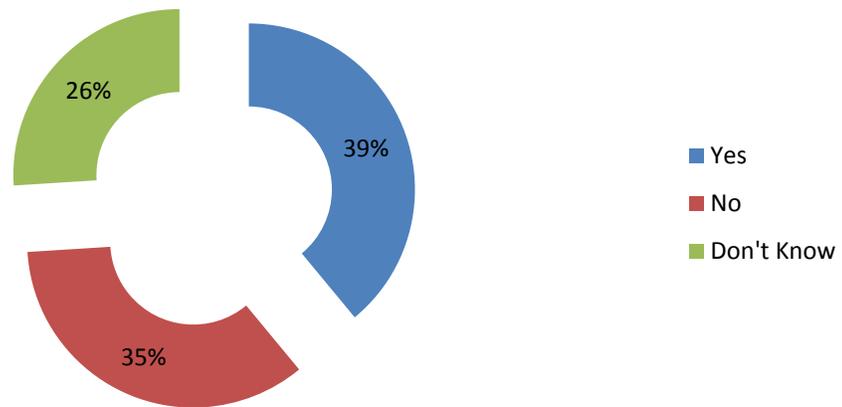


- ❖ When asked: **What would you do to prepare your business if a hurricane approaches?**
  - ◆ 52 of the participants (10%) said **Other**
    - When asked what specific actions they would take such as: **Protect your windows and doors against wind-borne debris by installing a shutter system or attaching plywood**;
      - the majority of responses (315) said **they did take such actions**
    - When asked what specific actions they would take such as: **Evaluate your roof system to make sure it can weather a storm**;
      - the majority of responses (391) said **they did not take such actions**
    - When asked what specific actions they would take such as: **Remove overhanging trees and branches which could fall and damage structures**;
      - the majority of responses (402) said **they did not take such actions**
    - When asked what specific actions they would take such as: **Protect exposed areas from water damages with tarps, plastic sheeting and duct tape**;

- the majority of responses (405) said **they did not take such actions**
    - When asked what specific actions they would take such as: **Anchor and brace tall bookcases, filing cabinets, shelves, and racks to the wall studs to keep them from falling;**
      - the majority of responses (435) said **they did not take such actions**
    - When asked what specific actions they would take such as: **Relocate valuable equipment and fragile items to safer locations;**
      - the majority of responses (264) said **they did not take such actions**
    - When asked what specific actions they would take such as: **Secure all appropriate items including water heaters, gas tanks, heaters and other utilities, and when appropriate, raise them to higher locations to avoid water damages;**
      - the majority of responses (347) said **they did not take such actions**
    - When asked what specific actions they would take such as: **Secure computers and other office equipment to desks, tables or countertops with straps, Velcro or similar materials;**
      - the majority of responses (300) said **they did take such actions**
    - When asked what specific actions they would take such as: **Shut off your utilities (electricity and/or water);**
      - the majority of responses (389) said **they did not take such actions**
    - When asked what specific actions they would take such as: **Update all gas appliances with flexible connections and/or breakaway gas shut-off devices?**
      - the majority of responses (389) said **they did not take such actions**
- ❖ When asked: **Is your business currently insured?**
  - ◆ 485 of the participants (93%) said **Yes**;
  - ◆ 17 of the participants (3%) said **No**;
  - ◆ 22 of the participants (4%) said they were **Not Sure**
- ❖ When asked: **Why does your business not have insurance?**
  - ◆ seven of the participants (47%) said **High Cost**;
  - ◆ three of the participants (20%) said **No Need/Hurricanes are too rare**;
  - ◆ two of the participants (13%) said **Nothing very valuable to insure**;
  - ◆ three of the participants (20%) said **Other**;
  - ◆ 509 of the participants *Did Not Answer*
- ❖ When asked: **Is your business located in a hurricane evacuation zone?**
  - ◆ 160 of the participants (31%) said **Yes**;
  - ◆ 246 of the participants (48%) said **No**;
  - ◆ six of the participants (22%) said they **Don't Know**;
  - ◆ 112 of the participants *Did Not Answer*

- ❖ When asked: **Would you provide any assistance to your employees in a hurricane event?**
  - ◆ 325 of the participants (67%) said **Yes**;
  - ◆ 158 of the participants (33%) said **No**;
  - ◆ 41 of the participants *Did Not Answer*
  
- ❖ When asked: **what measures have you taken for safe data storage and recovery in a hurricane event?**
  - ◆ 25 of the participants (5%) said **None**;
  - ◆ 36 of the participants (7%) said **Other**;
  - ◆ 40 of the participants *Did Not Answer*
  
  - When asked what specific actions they would take such as: **On site data backup**;
    - 178 of participants (37%) said **they did take such actions**
  - When asked what specific actions they would take such as: **Offsite data backup**;
    - 238 of participants (49%) said **they did take such actions**
  - When asked what specific actions they would take such as: **UPS system**;
    - only four of the participants (0.8%) said **they did take such actions**
  - When asked what specific actions they would take such as: **Waterproof containers**;
    - just three of the participants (0.6%) said **they did take such actions**
  
- ❖ When asked: **Why haven't you taken any data protection measures?**
  - ◆ nine of the participants (43%) said it was **Not Necessary/No valuable data will be lost**;
  - ◆ two of the participants (10%) said they were **Not aware of how to do it**;
  - ◆ two of the participants (10%) said the **Building where data is stored currently is secure**;
  - ◆ eight of the participants (38%) said **Other**;
  - ◆ 503 of the participants *Did Not Answer*
  
- ❖ When asked: **Do you have a business disaster plan?**
  - ◆ 199 of the participants (39%) said **Yes**;
  - ◆ 178 of the participants (35%) said **No**;
  - ◆ 131 of the participants (26%) said they **Don't Know**;
  - ◆ 16 of the participants *Did Not Answer*

Figure 3: Business Survey: Business Disaster Plan



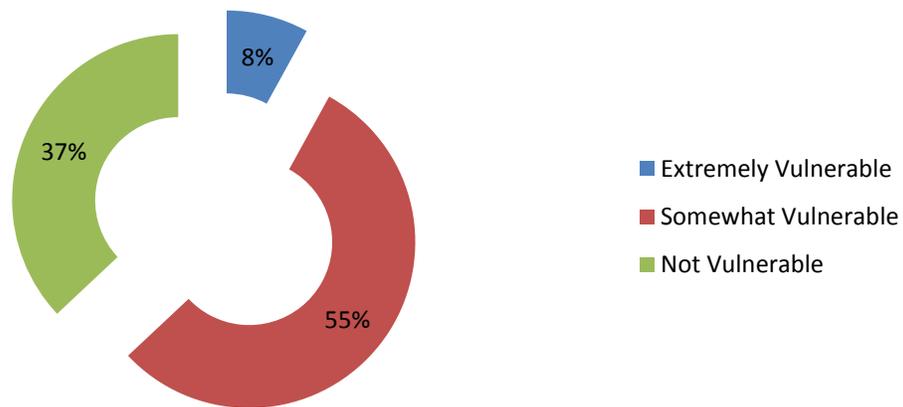
- ❖ When asked: **Have you considered preparing such a plan?**
  - ◆ 19 of the participants (11%) said **Yes**;
  - ◆ 149 of the participants (89%) said **No**;
  - ◆ 356 of the participants *Did Not Answer*

## Hurricane Mitigation- General Attitudes

---

- ❖ When asked: **How vulnerable do you feel your business is to damage from a hurricane or related tornado or flooding?**
  - ◆ 40 of the participants (8%) said **Extremely vulnerable**;
  - ◆ 273 of the participants (55%) said **Somewhat vulnerable**;
  - ◆ 184 of the participants (37%) said **Not vulnerable**;
  - ◆ 27 of the participants *Did Not Answer*

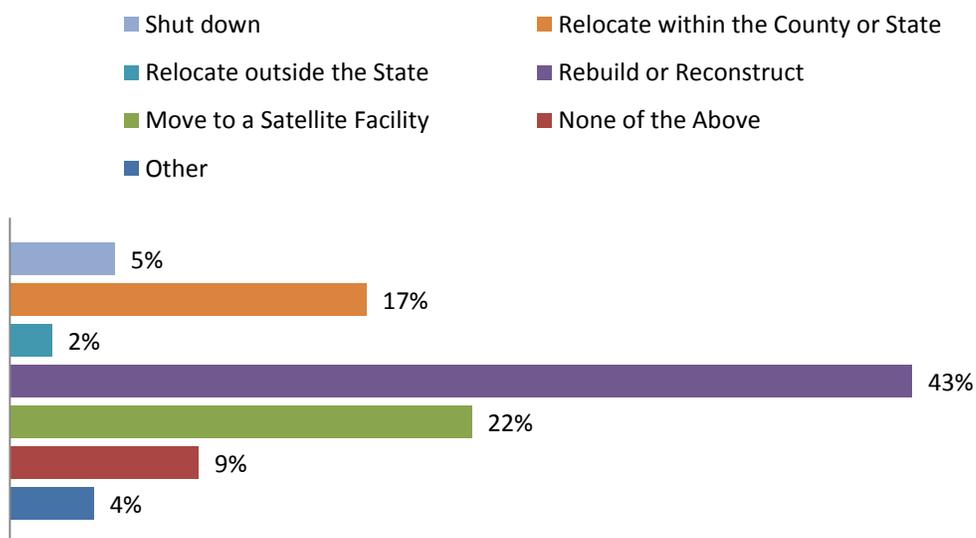
Figure 4: Business Survey: Business Vulnerability to Damage from a Hurricane



- ❖ When asked: **Are you aware of any disaster management resources specifically for businesses?**
  - ◆ 82 of the participants (17%) said **Yes**;
  - ◆ 401 of the participants (83%) said **No**;
  - ◆ 41 of the participants *Did Not Answer*
  
- ❖ When asked: **How confident are you in the response of the following agencies/institutions after a hurricane?**
  - When asked about the **Electric Company**;
    - the majority of responses (241) were **Very Confident**
  
  - When asked about the **Phone Company**;
    - the majority of responses (239) were **Somewhat Confident**

- When asked about the **State of Florida**;
    - the majority of responses (176) were **Somewhat Confident**
  - When asked about **FEMA**;
    - the majority of responses (194) were **Somewhat Confident**
  - When asked about the **Local Government**;
    - the majority of responses (315) were **Very Confident**
  - When asked about the **National Hurricane Center**;
    - the majority of responses (330) were **Very Confident**
- ❖ When asked: **If your business' structure suffers extensive damage, which of the following actions would you consider?**
- ◆ 21 of the participants (5%) said they would **Shut down business**;
  - ◆ 77 of the participants (17%) said they would **Relocate within the County or State**;
  - ◆ seven of the participants (2%) said they would **Relocate outside the state**;
  - ◆ 195 of the participants (43%) said they would **Rebuild or reconstruct**;
  - ◆ 98 of the participants (22%) said they would **Move to a satellite facility**;
  - ◆ 42 of the participants (9%) said **None of the above**;
  - ◆ 17 of the participants (4%) said **Other**;
  - ◆ six of the participants *Did Not Answer*

Figure 5: Business Survey: Business Actions Post-Disaster



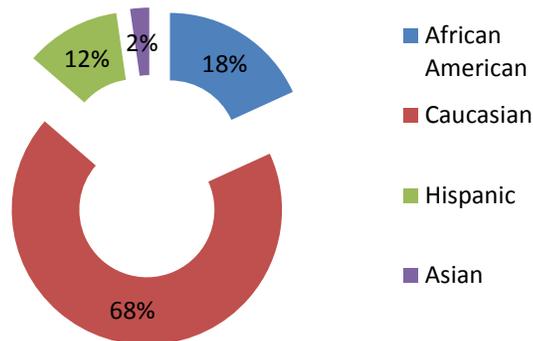
## FOCUS GROUPS

### INTRODUCTIONS AND HISTORY

From April 23 to April 30, 2013 the MC held four (4) focus groups on homeowners insurance at various facilities around Florida in the following cities: Tampa, Hollywood, Jacksonville and Pensacola. The focus group began in the early evening usually around 6:30 pm and lasted approximately one hour and forty minutes. The focus groups in total consisted of 44 participants, 24 females and 20 males. The participants had the following racial/ethnic characteristics:

- ◆ 30 White;
- ◆ 8 African-American;
- ◆ 5 Hispanic;
- ◆ 1 Asian
- The majority of participants were in their mid-20's to their early-60's in age

Figure 6: Focus Groups: Race Composition (Overall)



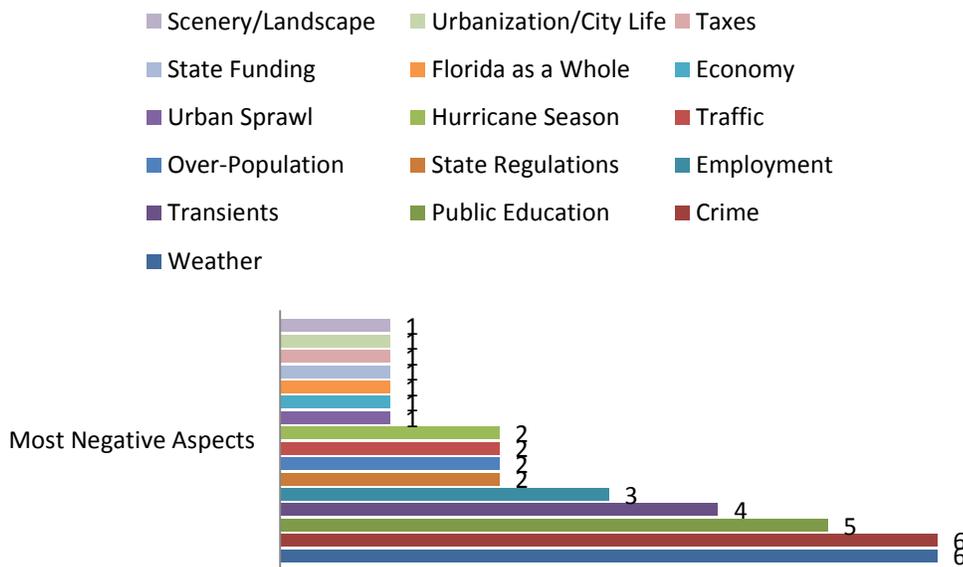
- ❖ In terms of the **type of home owned**, the participants are divided as follows:
  - ◆ six out of 44 participants own a **Condo**, most responses in Tampa (3);
  - ◆ three out of 44 participants own a **Mobile Home**, most responses in Jacksonville (2);
  - ◆ 34 out of 44 participants own a **Single Family Home**, with most in Pensacola (12);
  - ◆ one out of 44 participants owns a **Multi-Family Home**, the sole response being in Tampa
- ❖ In terms of the **length of time as a homeowner**, the participants are divided as follows:
  - ◆ eight out of 44 participants said **Less than 1 year**, most in Pensacola (4);
  - ◆ 14 out of 44 participants said **1-5 years**, Tampa and Pensacola tied for most responses (4);
  - ◆ 22 out of 44 participants said **More than 5 years**, most in Jacksonville (9)
- ❖ In terms of the **length of time living in the area**, the participants are divided as follows:
  - ◆ two out of 44 participants said **Less than 1 year**;
  - ◆ five out of 44 participants said **1-5 years**;
  - ◆ 37 out of 44 participants said **More than 5 years**, Jacksonville and Pensacola tied for most responses (12)

## GENERAL ATTITUDES

- ❖ Participants were asked: **Do you feel the state of Florida is headed in the right direction or in the wrong direction?**
  - ◆ 11 out of 44 participants said the state is headed in the **Right** direction, Jacksonville and Pensacola tied for most responses (4)
  - ◆ 14 out of 44 participants identified as **Neutral**, most in Jacksonville (5)
  - ◆ 17 out of 44 participants said the state is headed in the **Wrong** direction, most in Tampa (6)
  - ◆ two participants *Did Not Answer*, both in Tampa
  
- ❖ Participants were asked: **Generally speaking, on a scale of 1-5 (1 being the lowest and 5 being the highest), how would you rate the quality of life in Florida?\***
  - ◆ two out of 32 participants rated their quality of life a **3**;
  - ◆ 11 out of 32 participants rated their quality of life a **4**, most in Tampa (8);
  - ◆ 16 out of 32 participants rated their quality of life a **5**, most in Jacksonville (10);
  - ◆ one out of 32 participants rated their quality of life a **6**, reported in Tampa;
  - ◆ two participants *Did Not Answer*
    - *Not asked in Jacksonville*
  
- ❖ Participants were then asked: **What do you think is the most positive aspect of living in Florida?**
  - ◆ one out of 44 participants said **“Proximity to Other Cities”** was the most positive;
  - ◆ one out of 44 participants said **“Friendly People”** was the most positive;
  - ◆ one out of 44 participants said **“Getting a Monthly Pension Check”** was the most positive;
  - ◆ one out of 44 participants said their personal **“Job Security”** was the most positive;
  - ◆ one out of 44 participants said their personal **“Community”** was the most positive;
  - ◆ one out of 44 participants said the **“Need-Based Scholarships”** was the most positive;
  - ◆ two out of 44 participants said the low **“Cost of Living”** was the most positive;
  - ◆ three out of 44 participants said the low **“Taxes”** was the most positive;
  - ◆ 33 out of 44 participants said the **“Weather and Beaches”** were the most positive
  
- ❖ Participants were then asked: **What do you think is the most negative aspect of living in Florida?**
  - ◆ one out of 44 participants said the dull **“Scenery/Landscape”** was the most negative;
  - ◆ one out of 44 participants said the lack of **“Urbanization/City Life”** was the most negative;
  - ◆ one out of 44 participants said that increasing **“Taxes”** were the most negative;

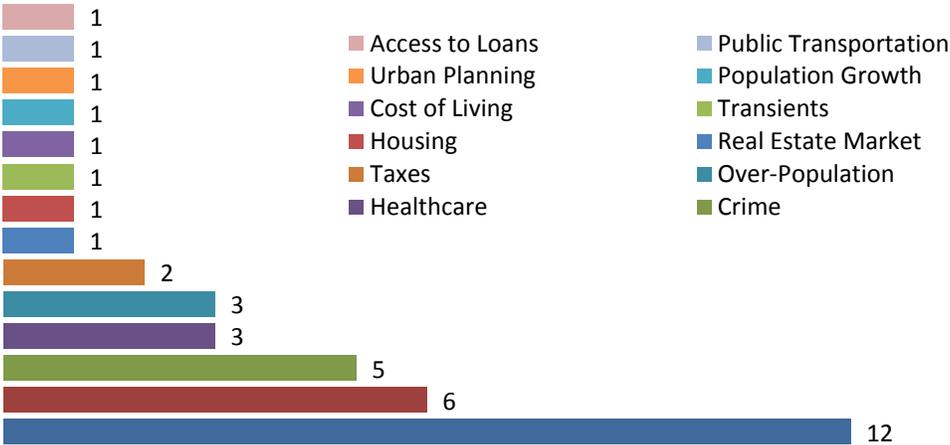
- ◆ one out of 44 participants said the lack of **“State Funding”** was the most negative;
- ◆ one out of 44 participants said the entirety of **“Florida”** was the most negative;
- ◆ one out of 44 participants said the lagging **“Economy”** was the most negative;
- ◆ one out of 44 participants said that unchecked **“Urban Sprawl”** was the most negative;
- ◆ two out of 44 participants said that **“Hurricane Season”** was the most negative;
- ◆ two out of 44 participants said that the **“Traffic”** was the most negative;
- ◆ two out of 44 participants said that **“Over-Population”** was the most negative;
- ◆ two out of 44 participants said that stifling **“State Regulations”** were the most negative;
- ◆ three out of 44 participants identified a lack of quality **“Employment Opportunities”** as the most negative, all responses in Pensacola;
- ◆ four out of 44 participants said that the abundance of **“Transients and Migrants”** were the most negative, all responses in Hollywood;
- ◆ five out of 44 participants said that the **“Public Education System”** was the most negative, most responses in Pensacola (3);
- ◆ six out of 44 participants said that increasing **“Crime”** was the most negative, with responses split between Hollywood and Jacksonville;
- ◆ six out of 44 participants said that the **“Weather”** was the most negative, most responses in Tampa (4);
- ◆ five out of 44 participants *Did Not Answer*, where Jacksonville and Pensacola tied for most responses (2)

Figure 7: Focus Groups: Most Negative Aspects- Living in Florida (Overall)



- ❖ Participants were asked: **What is the biggest problem facing the state of Florida?**
  - ◆ one out of 44 participants identified a lack of **“Access to Loans”** as the biggest problem;
  - ◆ one out of 44 participants identified inadequate **“Public Transportation”** as the biggest problem;
  - ◆ one out of 44 participants identified poor **“Urban Planning”** as the biggest problem;
  - ◆ one out of 44 participants identified lagging **“Population Growth”** as the biggest problem;
  - ◆ one out of 44 participants identified rising **“Cost of Living”** as the biggest problem;
  - ◆ one out of 44 participants identified the **“Transient Population”** as the biggest problem;
  - ◆ one out of 44 participants identified the lack of affordable **“Housing”** as the biggest problem;
  - ◆ one out of 44 participants identified fluctuating **“Real Estate Market”** as the biggest problem;
  - ◆ two out of 44 participants identified increasing **“Taxes”** as the biggest problem;
  - ◆ three out of 44 participants identified **“Over-Population”** as the biggest problem, all responses in Tampa;
  - ◆ three out of 44 participants identified rising **“Healthcare Costs”** as the biggest problem, all responses in Tampa
  - ◆ five out of 44 participants said that the increasing **“Crime”** as the biggest problem, Hollywood and Jacksonville tied for most responses (2);
  - ◆ six out of 44 participants identified the faltering **“Public Education System”** as the biggest problem, Tampa and Pensacola tied for most responses (2);
  - ◆ 12 out of 44 participants identified a lack of quality **“Employment Opportunities”** as the biggest problem, most responses in Pensacola (7)

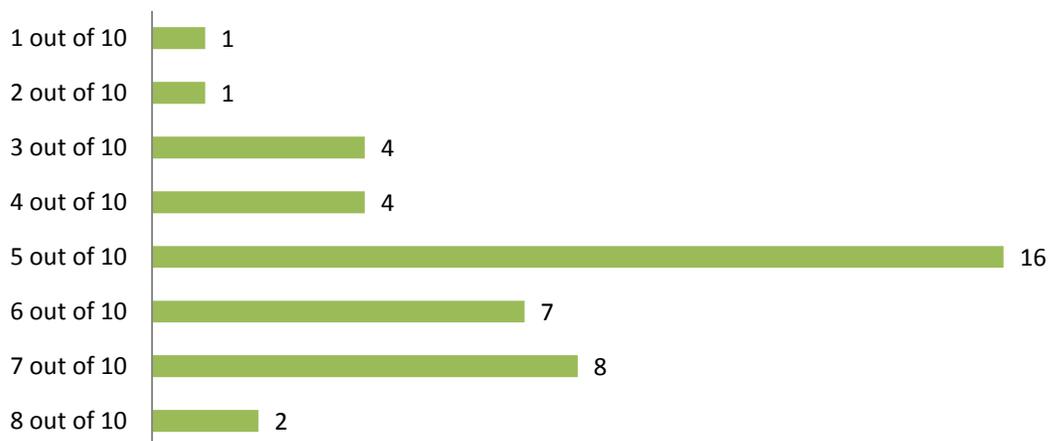
Figure 8: Focus Groups: Biggest Problem- Facing Florida (Overall)



## ECONOMIC ISSUES

- ❖ Participants were asked: **On a scale of 1-10, 1 being poor and 10 being excellent how would you rate the economy in Florida?**
  - ◆ one out of 44 participants rated the economy a **1 out of 10**;
  - ◆ one out of 44 participants rated the economy a **2 out of 10**;
  - ◆ four out of 44 participants rated the economy a **3 out of 10**;
  - ◆ four out of 44 participants rated the economy a **4 out of 10**;
  - ◆ 16 out of 44 participants rated the economy a **5 out of 10**, most in Jacksonville (8);
  - ◆ seven out of 44 participants rated the economy a **6 out of 10**;
  - ◆ eight out of 44 participants rated the economy a **7 out of 10**, most in Tampa (4);
  - ◆ two out of 44 participants rated the economy an **8 out of 10**;
  - ◆ one out of 44 participants *Did Not Answer*

Figure 9: Focus Groups: Rate the Economy- Florida (Overall)



- ❖ Participants were asked: **Over the last two years has your personal financial situation improved or worsened?\***
  - ◆ 13 out of 44 participants said their financial situation **Improved**, most in Jacksonville (7);
  - ◆ six out of 44 participants said their financial situation **Remained the Same**;
  - ◆ 17 out of 44 participants said their financial situation **Worsened**, most in Tampa (8)
    - *Not asked in Hollywood*
- ❖ Participants were asked: **Which of the following expenses do you think is the most unreasonable?**
  - ◆ one out of 44 participants identified **“Transportation”** as the most unreasonable;
  - ◆ two out of 44 participants identified **“Housing”** as the most unreasonable;
  - ◆ three out of 44 participants identified **“Taxes”** as the most unreasonable;

- ◆ 15 out of 44 participants identified **“Healthcare”** as the most unreasonable, most in Jacksonville (7);
- ◆ 23 out of 44 participants identified **“Insurances”** as the most unreasonable, Tampa and Hollywood tied for most responses (7)
- ❖ Participants were asked: **The Governor and many legislators are aiming to “depopulate” Citizens and to bring its rates closer to actuarial rates, which are more realistic estimates of the expected value of future loss. Do you agree or disagree with these measures?**
  - ◆ *the majority of participants, 28 out of 44, disagreed with the depopulation of Citizens, most responses in Pensacola (11);*
  - ◆ *just over half of participants , 23 out of 44, disagreed with Citizens raising premiums, most responses in Pensacola (12)*

Within the ensuing discussion about depopulation efforts and Citizens insurance rate increases there only but a handful of participants across the four focus groups who were familiar with the nuances of home insurance regarding Citizens. The majority of participants expressed their general unfamiliarity with the issue at hand. Just five of the participants were currently insured by Citizens. One of the participants from the Hollywood focus group who had Citizens coverage voiced her discomfort about still being with the insurer saying that she was unsure how they would “respond” after a disaster. The vast majority of participants, 32 out of 44 participants, had insurance through a private company and just 7 participants were uninsured.

Regarding the issue of depopulation one participant from the Tampa focus group expressed their hesitancy over how it would “affect the insurance market.” However, another participant from the Pensacola focus group brought up the fact that Citizens was intended to be the “policy of last resort” for many homeowners and probably should depopulate because it had grown too large. Another participant within the Pensacola group argued that for many arbitrary reasons such as “their house being too old, [having] an angled roof instead of a flat roof” would disqualify them from being insured by a private company forcing them to move into Citizens. Yet another participant from the Pensacola group argues that depopulation was the wrong course of action because “the more people in the pool then the cheaper everybody’s rates should be.”

Regarding the issue of bringing rates close to “actuarially sound rates” one of the Tampa participants clearly voiced his understanding of increasing rates saying that “you need to collect enough money to cover your risk—that’s what it’s all about.” Another of the Tampa participants argued that during this years-long lull in hurricane activity the private insurance companies and Citizens should “socked the money away” instead of threatening their customers with rate increases. Within the Jacksonville group one of the participants argued that it was important that insurance companies charge “enough” to not only make a profit as businesses but also be prepared to pay out in the event of disaster. Another Jacksonville participant echoed these comments saying that companies should be “responsible regarding their reserves”. Within the Hollywood focus group, one participant considered such rate increases “upsetting, regardless of the necessity towards rates becoming more ‘actuarially sound’.”

## PERSONAL ACTIONS- HURRICANE MITIGATION

- ❖ Participants were asked: **By a show of hands, have you ever experienced any damage from a hurricane in the past?**
  - ◆ *42 out of 44 participants have not experienced significant damage from a hurricane in the past three years, the only two who did were from Pensacola*
  
- ❖ Participants were asked: **Do you currently have homeowners insurance?**
  - ◆ five out of 44 participants have **homeowner insurance through Citizens;**
  - ◆ 32 out of 44 participants have **homeowners insurance through a private company;**
    - seven out of 44 participants are **Uninsured**
  
- ❖ Participants were asked: **What has your experience been dealing with your insurance company—has it been positive or negative?**
  - ◆ all 37 of the insured respondents had minimal experiences with their homeowner insurance company, with just a few positive opinions intermixed throughout;
  - ◆ 24 out of 37 insured respondents have had their rates **Increase**, most responses in Pensacola (11);
  - ◆ one out of 37 insured respondents said they were **Unsure**
  
- ❖ Participants were asked: **Have you ever filed a claim and was it resolved to your satisfaction?**
  - ◆ *one out of 23 insured respondents who have filed a claim for hurricane damage in the past three years said it was **resolved to their satisfaction**, in Pensacola;*
  - ◆ *one out of 23 insured respondents who have filed a claim for hurricane damage in the past three years said it was **not resolved to their satisfaction**, in Pensacola*
    - *Not asked in Jacksonville*
  
- ❖ Participants were asked: **Do you think that there are measures you can take as a homeowner that will reduce your property insurance costs?**
  - ◆ 26 out of 37 insured participants **have not taken on mitigation efforts;**
  - ◆ three out of 37 insured respondents who have taken on mitigation efforts have seen a **Decrease** in their premiums
  
- ❖ Participants were asked: **What do you think is the biggest obstacle for homeowners to take measures to protect their homes against hurricanes?**
  - ◆ *all of the 20 participants agreed that the biggest obstacle is **“Financial Reasons”***
    - *Not asked in Jacksonville and Pensacola*

- ❖ Participants were asked: **In recent years there has been a trend among homeowners who have paid off their mortgage to cancel their homeowner insurance policies. Would you consider it if your mortgage was paid off?**
  - ◆ 35 out of 37 insured respondents who are insured would **still keep their homeowners insurance**
  
- ❖ Participants were asked:
 

**There is a legislative bill that has been going through the Senate approval process (SB 1770) which affects homeowner insurance rates. According to Citizens President Barry Gilway, insurance bills for new homeowners could soar up to more than “60%” under the Senate bill in certain areas of the state, including South Florida and Tampa Bay, and that would make the policies “actuarially sound.” Do you support this bill?\***

  - ◆ ***all of the participants said they would not support this bill***
    - *Question was modified for the Pensacola focus group*

In general, across the first three focus groups none of the participants were pleased with this bill finding it insensitive towards Floridians still facing many economic hardships. In fact, none of the participants across focus group had even heard of this bill in the first place. One of the Tampa participants said that this effort would “throw a wrench” into Florida’s recovery efforts concerning the housing market. Another Tampa participant wondered if there would even be a vote or referendum on the bill. One of the Hollywood participants challenged the group as a whole saying that their “job to do” is to engage their elected officials so they oppose this bill in the Florida Legislature. For one of the participants in the Jacksonville focus group the fact that this bill exists reaffirmed her belief in that “the state should not be in the insurance business.”

Another important sentiment that spanned across all focus groups was the question of why it was so difficult to attract private insurers into Florida in the first place. Even if Citizens was able to depopulate where would these homeowners go for insurance that was at a “fair” price based on the limited market out there for homeowners to “shop around.”

The question was slightly modified for the Pensacola focus group due to the bill in two separate versions actually being passed through the Senate and House of the Florida Legislature. The participants were read both bills. None of the Pensacola group would approve of the Senate bill but when they were read the House bill, the majority would support it as it qualified as the “lesser of two evils.” Even though they tepidly supported the House bill they still qualified both versions as not doing “anything” for them.

- ❖ Following the last question, participants were asked:  
**If rates are not “actuarially sound” to cover hurricane losses, then Citizens is authorized to levy assessments, or “hurricane taxes,” on consumers across the state to cover a shortfall. According to Citizens, a 1-in-100 year “mega-storm” would result in assessments of about \$280 for non-Citizens policyholders. Does this fact make you more likely to support the bill?**
- ◆ **the majority, 25 out of 32 participants, would still not support the bill**
  - Question was modified for the Pensacola focus group

In general, all of the participants across the first three focus groups were still reticent to support the bill even with this added consequence. Several of the participants across the focus groups had serious misgivings towards the money being in fact “needed” and how future losses would be calculated. One of the Tampa participants wondered aloud just “How can anybody really predict what future losses will be?” However, Another Tampa participant argued that within their lifetime they most likely would not see the “mega-storm” comes and if they “had to choose” would agree with the losses being spread out over homeowners and residents thus supporting the bill. Within the Hollywood group the majority argued that Citizens policyholders should be expected to pay towards their own losses. Within the Jacksonville focus group, the majority of participants said the “money has to come from somewhere” and it shouldn’t be from non-Citizens policyholders.

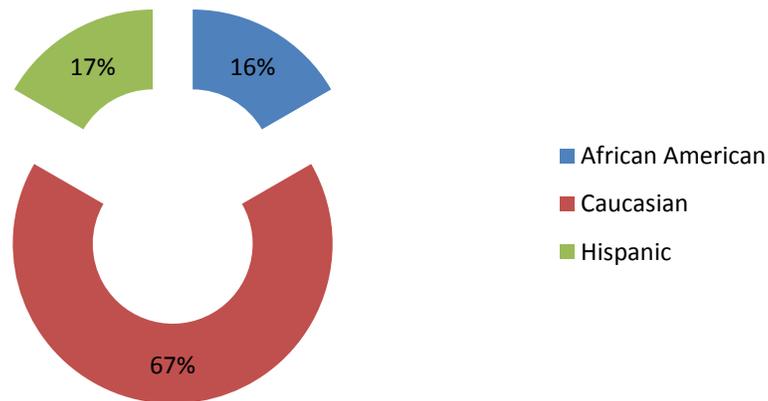
The question was again slightly modified for the Pensacola focus group due to the bill in two separate versions actually being passed through the Senate and House of the Florida Legislature. The Pensacola group held constant in their disagreement with of the Senate bill and were unchanged in their support of the House bill, the majority again would support it as it qualified as the “lesser of two evils.” Once again, serious misgivings over just how the money was going to be spent were raised: make sure they are really going to do [with the money] what they say they’re going to do.” Another participant of the Pensacola group rationalized that the \$280 assessment would be a small price to pay based on the fact that communities and neighborhoods are “too intertwined. If my neighbor needs help re-building...what would happen if it was my house?”

INTRODUCTIONS AND HISTORY

On April 23, 2013 the MC held a focus group on homeowners insurance at the Plaza Research facility in Tampa, Florida. The focus group began at 6:30 pm and lasted approximately one hour and forty minutes. The focus group consisted of twelve participants, seven females and five males. The participants had the following characteristics:

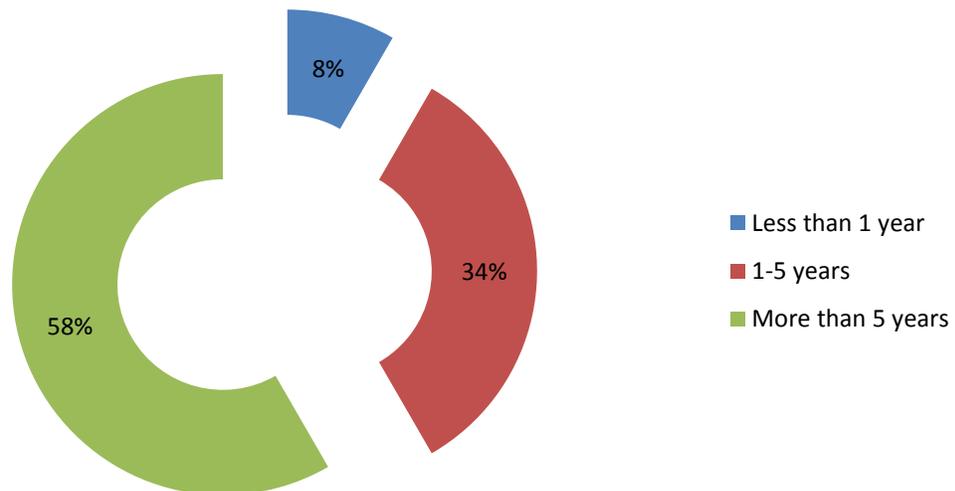
- ◆ a White female, aged 50;
- ◆ an African-American female, aged 57;
- ◆ a White female, aged 23;
- ◆ a White female, aged 36;
- ◆ a Hispanic female, aged 26;
- ◆ a White female, aged 64;
- ◆ a White female, aged 72;
- ◆ an African-American male, aged 69;
- ◆ a White male, aged 34;
- ◆ a Hispanic male, aged 29;
- ◆ a White male, aged 51;
- ◆ a White male, aged 61

Figure 10: Focus Groups: Race Composition (Tampa Focus Group)



- ❖ In terms of the **type of home owned**, the participants are divided as follows:
  - ◆ three out of twelve participants own a **Condo**;
  - ◆ one out of twelve participants owns a **Mobile Home**;
  - ◆ seven out of twelve participants own a **Single Family Home**;
  - ◆ one out of twelve participant owns a **Multi-Family Home**
  
- ❖ In terms of the **length of time as a homeowner**, the participants are divided as follows:
  - ◆ one out of twelve participants said **Less than 1 year**;
  - ◆ four out of twelve participants said **1-5 years**;
  - ◆ seven out of twelve participants said **More than 5 years**

*Figure 11: Focus Groups: Length of Homeownership (Tampa Focus Group)*



- ❖ In terms of the **length of time living in the area**, the participants are divided as follows:
  - ◆ one out of twelve participants said **Less than 1 year**;
  - ◆ three out of twelve participants said **1-5 years**;
  - ◆ eight out of twelve participants said **More than 5 years**

## GENERAL ATTITUDES

- ❖ Participants were asked: **Do you feel the state of Florida is headed in the right direction or in the wrong direction?**

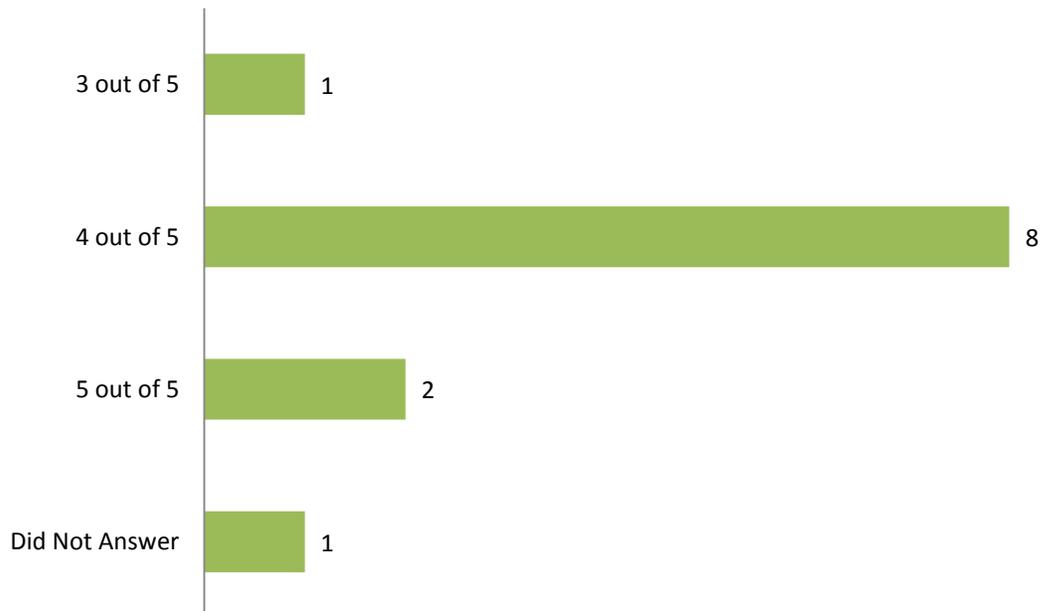
- ◆ one out of twelve participants said the state is headed in the **Right** direction;
- ◆ three out of twelve participants identified as **Neutral**;
- ◆ six out of twelve participants said the state is headed in the **Wrong** direction;
- ◆ two participants *Did Not Answer*

"When I first moved here ten years ago I would have said Florida was moving in the right direction but not anymore."

- ❖ Participants were asked: **Generally speaking, on a scale of 1-5 (1 being the lowest and 5 being the highest), how would you rate the quality of life in Florida?**

- ◆ one out of twelve participants rated their quality of life a **3**;
- ◆ eight out of twelve participants rated their quality of life a **4**;
- ◆ two out of twelve participants rated their quality of life a **5**;
- ◆ one participant *Did Not Answer*

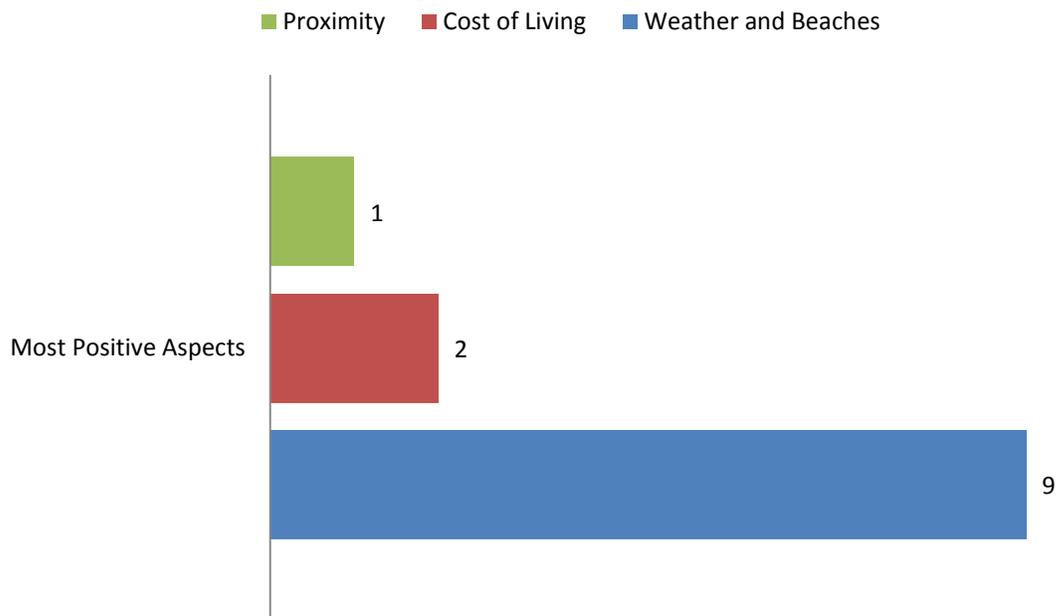
Figure 12: Focus Groups: Quality of Life- Florida (Tampa Focus Group)



❖ Participants were then asked: **What do you think is the most positive aspect of living in Florida?**

- ◆ one out of twelve participants said the **“Proximity to Other Cities”** was the most positive;
- ◆ two out of twelve participants said the **“Cost of Living”** was the most positive;
- ◆ nine out of twelve participants said the **“Weather and Beaches”** were the most positive

Figure 13: Focus Groups: Most Positive Aspects- Living in Florida (Tampa Focus Group)



❖ Participants were then asked: **What do you think is the most negative aspect of living in Florida?**

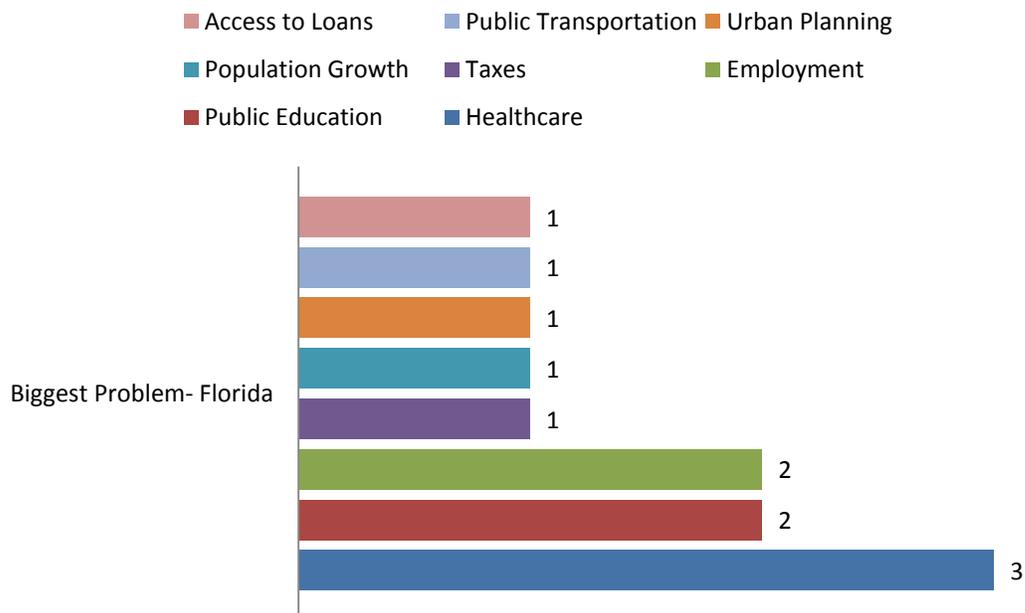
- ◆ one out of twelve participants said the dull **“Scenery/Landscape”** was the most negative;
- ◆ one out of twelve participants said the lack of **“Urbanization/City Life”** was the most negative;
- ◆ one out of twelve participants said that the faltering **“Public Education System”** was the most negative;
- ◆ one out of twelve participants said that **“Hurricane Season”** was the most negative;
- ◆ one out of twelve participants said that **“Taxes”** was the most negative;
- ◆ two out of twelve participants said that the **“Traffic”** was the most negative aspect;
- ◆ four out of twelve participants said that the **“Weather”** was the most negative;
- ◆ one participant *Did Not Answer*

❖ Participants were asked: **What is the biggest problem facing the state of Florida?**

- ◆ one out of twelve participants identified a lack of **“Access to Loans”** as the biggest problem;
- ◆ one out of twelve participants identified inadequate **“Public Transportation”** as the biggest problem;
- ◆ one out of twelve participants identified poor **“Urban Planning”** as the biggest problem;
- ◆ one out of twelve participants identified lagging **“Population Growth”** as the biggest problem;
- ◆ one out of twelve participants identified increasing **“Taxes”** as the biggest problem;
- ◆ two out of twelve participants identified a lack of quality **“Employment Opportunities”** as the biggest problem;
- ◆ two out of twelve participants identified the faltering **“Public Education System”** as the biggest problem;
- ◆ three out of twelve participants identified rising **“Healthcare Costs”** as the biggest problem

"People aren't moving here like they used to be, there's a real lack of growth now."

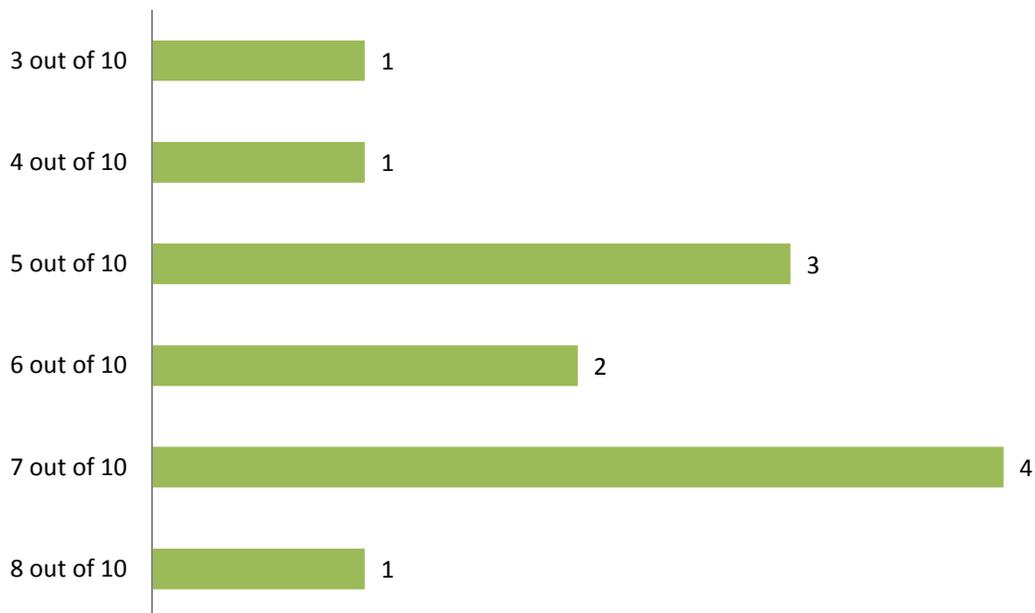
Figure 14: Focus Groups: Biggest Problem- Facing Florida (Tampa Focus Group)



## ECONOMIC ISSUES

- ❖ Participants were asked: **On a scale of 1-10, 1 being poor and 10 being excellent how would you rate the economy in Florida?**
  - ◆ one out of twelve participants rated the economy a **3 out of 10**;
  - ◆ one out of twelve participants rated the economy a **4 out of 10**;
  - ◆ three out of twelve participants rated the economy a **5 out of 10**;
  - ◆ two out of twelve participants rated the economy a **6 out of 10**;
  - ◆ four out of twelve participants rated the economy a **7 out of 10**;
  - ◆ one out of twelve participants rated the economy an **8 out of 10**

*Figure 15: Focus Groups: Rate the Economy- Florida (Tampa Focus Group)*



- ❖ Participants were asked: **Over the last two years has your personal financial situation improved or worsened?**
  - ◆ one out of twelve participants said their financial situation **Improved**;
  - ◆ three out of twelve participants said their financial situation **Remained the Same**;
  - ◆ eight out of twelve participants said their financial situation **Worsened**
  
- ❖ Participants were asked: **Which of the following expenses do you think is the most unreasonable?**
  - ◆ one out of twelve participants identified **“Taxes”** as the most unreasonable;
  - ◆ four out of twelve participants identified **“Healthcare”** as the most unreasonable;
  - ◆ seven out of twelve participants identified **“Insurances”** as the most unreasonable

- ❖ Participants were asked: **The Governor and many legislators are aiming to “depopulate” Citizens and to bring its rates closer to actuarial rates, which are more realistic estimates of the expected value of future loss.**

Do you agree or disagree with these measures?

- ◆ *the majority, ten out of twelve participants, disagreed with the depopulation of Citizens;*
- ◆ *the majority, ten out of twelve participants, agreed with Citizens raising premiums in order to make rates “actuarially sound”*

Within the ensuing discussion about future depopulation efforts and prospective Citizens insurance rate increases there were a handful of participants who were indeed familiar with the nuances of home insurance in regards to Citizens. A couple of the participants did express their unfamiliarity regarding the issue. Just three of the participants were currently insured by Citizens. One of the participants clearly voiced his opposition towards increasing rates believing that, during the lull in hurricane activity, they should have “socked the money away.” Regarding depopulation this same participant was more reserved expressing their hesitancy over how it would “affect the insurance market.”

“...the more privatization we can get...that would help lower prices...the more competition the better.”

One of the participants did clearly voice his opinion towards increasing rates saying that “you need to collect enough money to cover your risk—that’s what it’s all about.” As a whole there was also a general unfamiliarity with just how active the government is concerning rate increases which private insurers can charge their customers.

Another of the participants expressed his befuddlement over how he was switched from a private insurer over to Citizens, saying that there was “no other choice.” Yet another participant found themselves in a similar situation but took advantage of the opportunity to “shop around”. However, they found that their options were quite limited, told that his only option was “to go with Citizens.”

"Increasing the rates I disagree with...insurance companies should have planned for a rainy day."

One of the participants was highly incredulous in regards to the use and purpose of homeowners insurance wondering “how are they helping me—they’re not.” This participant believed that she “might as well save [the money] myself, and pay for it myself” instead of paying increasing insurance rates. However, she did believe that depopulation was a good idea but not when coupled with raising the rates for homeowners.

#### **PERSONAL ACTIONS- HURRICANE MITIGATION**

- ❖ Participants were asked: **By a show of hands, have you ever experienced any damage from a hurricane in the past?**

- ◆ *none of the participants have experienced any significant damage from a hurricane in the past three years*

"We've seen our rates increase, and then increase again, and increase again. The lack of options really stinks."

- ❖ Participants were asked: **Do you currently have homeowners insurance?**

- ◆ three out of twelve participants have **homeowner insurance through Citizens;**
- ◆ four out of twelve participants have **homeowners insurance through a private company;**
  - five out of twelve participants are **Uninsured**

- ❖ Participants were asked: **What has your experience been dealing with your insurance company—has it been positive or negative?**

- ◆ all seven of the respondents who are insured had **minimal experiences with their homeowner insurance company**, with a handful of positive opinions intermixed with responses;
- ◆ all seven of the insured respondents have had their rates **Increase**

"Citizens sent me a letter that they were [increase my rates]... I'm considering not even having homeowners insurance."

- ❖ Participants were asked: **Have you ever filed a claim and was it resolved to your satisfaction?**

- ◆ *none of the insured respondents have filed a claim for hurricane damage in the past three years*

- ❖ Participants were asked: **Do you think that there are measures you can take as a homeowner that will reduce your property insurance costs?**

- ◆ three out of seven insured participants **have taken on mitigation efforts;**
  - two out of three respondents who have taken on mitigation efforts have seen their rates **Decrease**

- ❖ Participants were asked: **What do you think is the biggest obstacle for homeowners to take measures to protect their homes against hurricanes?**

- ◆ *all of the participants agreed that the biggest obstacle is "Financial Reasons"*

- ❖ Participants were asked: **In recent years there has been a trend among homeowners who have paid off their mortgage to cancel their homeowner insurance policies. Would you consider it if your mortgage was paid off?**

- ◆ six out of seven respondents who are insured would **still keep their homeowners insurance**
- ❖ Participants were asked:  
**There is a legislative bill that has been going through the Senate approval process (SB 1770) which affects homeowner insurance rates. According to Citizens President Barry Gilway, insurance bills for new homeowners could soar up to more than “60%” under the Senate bill in certain areas of the state, including South Florida and Tampa Bay, and that would make the policies “actuarially sound.” Do you support this bill?**
  - ◆ *all of the participants said they would not support this bill*

In general, all of the participants were quite discouraged at the fact that this bill would be considered considering the present economic hardships faced by Floridians. One participant said this effort would “throw a wrench” into Florida’s recovery efforts in the housing market. Another participant wondered if there would even be a vote or referendum on the bill, while another participant expressed his total frustration with the bill saying it should be “burned” and outright dismissing it as “a lot of words that have no meaning.” The group of participants was slightly relieved that their local elected officials have opposed the proposed efforts up to now. However, the group as a whole had not heard of this bill previously.

“It’s punitive, that kind of increase... private insurers are going to see that and going to want [to increase their rates] as well—they’re creating more of a monster than they already have.”

- ❖ Following the last question, participants were asked:  
**If rates are not “actuarially sound” to cover hurricane losses, then Citizens is authorized to levy assessments, or “hurricane taxes,” on consumers across the state to cover a shortfall. According to Citizens, a 1-in-100 year “mega-storm” would result in assessments of about \$280 for non-Citizens policyholders. Does this fact make you more likely to support the bill?**
  - ◆ *the majority, eleven out of twelve participants, would not support the bill*
    - *one respondent changed their initial opinion in support of the bill*

In general, all of the participants were still reticent to support the bill even with this added consequence. Several of the participants had misgivings towards the money being in fact “needed” and just how these future losses would be calculated. One of the participants wondered aloud just “How can anybody really predict what future losses will be?” Another participant also expressed his frustration over how Citizens has the capability to levy assessments against non-Citizens policyholders in the event of their reserves being exhausted. Another participant looked at the odds of being hit with a “mega-storm” within their lifetime as not likely and if they “had to choose” would agree with the losses being spread out over homeowners and residents.

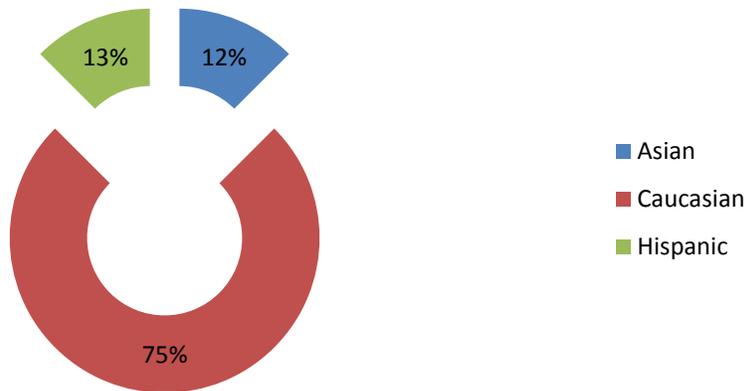
“The people getting the benefit need to pay for it.”

INTRODUCTIONS AND HISTORY

On April 25, 2013 the MC held a focus group on homeowners insurance at the Plaza Research facility in Hollywood, Florida. The focus group began at 6:30 pm and lasted approximately one hour and forty-five minutes. The focus group consisted of 8 participants, four females and four males. The participants had the following characteristics:

- ◆ a White female, implementation manager (computer software), aged 46;
- ◆ a White female, retired, aged 73;
- ◆ a White female, housewife, aged 45;
- ◆ a Hispanic female, general physician assistant, aged 55;
- ◆ a White male, graduate student, aged 28;
- ◆ a White male, clinical quality consultant, aged 41;
- ◆ an Asian male, information technology analyst, aged 36;
- ◆ a White male, check casher, aged 63

Figure 16: Focus Groups: Race Composition (Hollywood Focus Group)



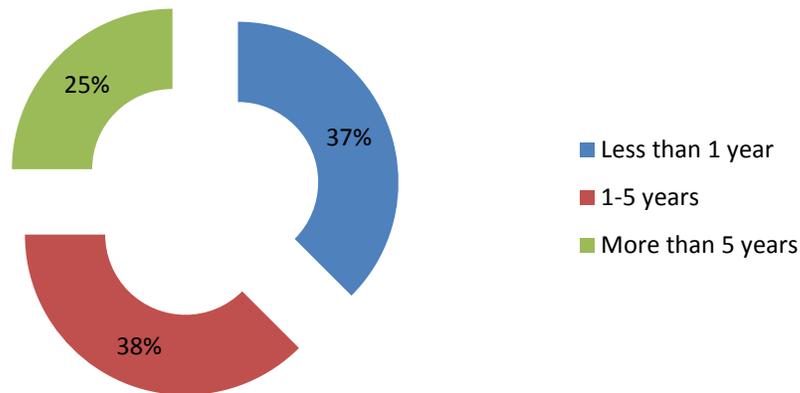
In terms of the **type of home owned**, the participants are divided as follows:

- ◆ two out of eight participants own a **Condo**;
- ◆ six out of eight participants own a **Single Family Home**

In terms of the **length of time as a homeowner**, the participants are divided as follows:

- ◆ three out of eight participants said **Less than 1 year**;
- ◆ three out of eight participants said **1-5 years**;
- ◆ two out of eight participants said **More than 5 years**

Figure 17: Focus Groups: Length of Homeownership (Hollywood Focus Group)



- ❖ In terms of **the length of time living in the area**, the participants are divided as follows:
  - ◆ one out of eight participants said **Less than 1 year**;
  - ◆ two out of eight participants said **1-5 years**;
  - ◆ five out of eight participants said **More than 5 years**

### GENERAL ATTITUDES

- ❖ Participants were asked: **do you feel the state of Florida is headed in the right direction or in the wrong direction**,
    - ◆ two out of eight participants said the state is headed in the **Right** direction;
    - ◆ two out of eight participants identified as **Neutral**;
    - ◆ four out of eight participants said the state is headed in the **Wrong** direction
- “It’s not going backwards at least.”
- ❖ Participants were asked: **generally speaking, on a scale of 1-5 ( 1 being the lowest and 5 being the highest), how would you rate the quality of life in Florida**,
    - ◆ one out of eight participants rated their quality of life a **3**;
    - ◆ three out of eight participants rated their quality of life a **4**;
    - ◆ four out of eight participants rated the quality of life a **5**
  - ❖ Participants were then asked: **what do you think is the most positive aspect of living in Florida**,
    - ◆ *all of the participants said the “Weather and Beaches” were the most positive aspect*

❖ Participants were then asked: **what do you think is the most negative aspect of living in Florida,**

- ◆ one out of eight participants said the faltering **“Public Education System”** was the most negative;
- ◆ three out of eight participants said that increasing **“Crime”** was the most;
- ◆ four out of eight participants said that the abundance of **“Transients and Migrants”** was the most negative

“It’s too transient here you just don’t have enough people...who are planting roots here...and that affects the community.”

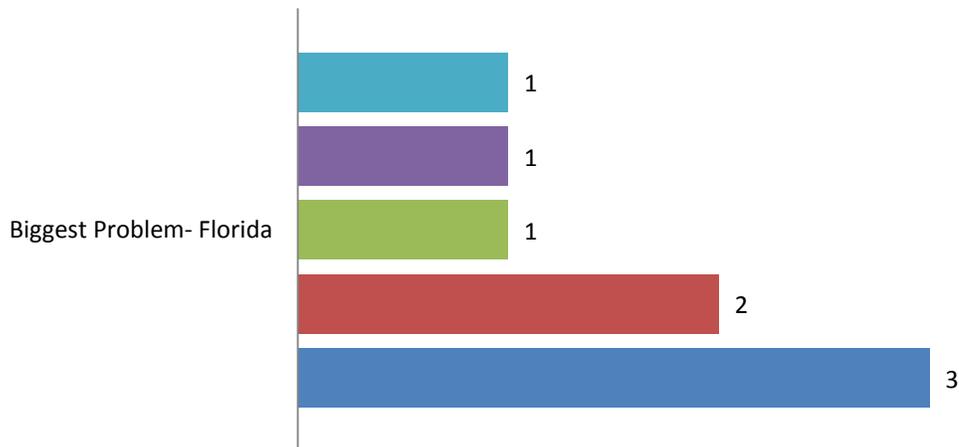
❖ Participants were asked: **what is the biggest problem facing the state of Florida,**

- ◆ one out of eight participants said the rising **“Cost of Living”** was the biggest problem;
- ◆ one out of eight participants said that the faltering **“Public Education System”** was the biggest problem;
- ◆ one out of eight participants said that the **“Transient Population”** was the biggest problem;
- ◆ two out of eight participants said that the increasing **“Crime”** was the biggest problem;
- ◆ three out of eight participants said that **“Over-Population”** was the biggest problem

“Too many people that are coming in that maybe don’t adapt so much to America rather than keeping their own customs and creating situations where there isn’t enough togetherness and community as there could be.”

Figure 18: Focus Groups: Biggest Problem- Facing Florida (Hollywood Focus Group)

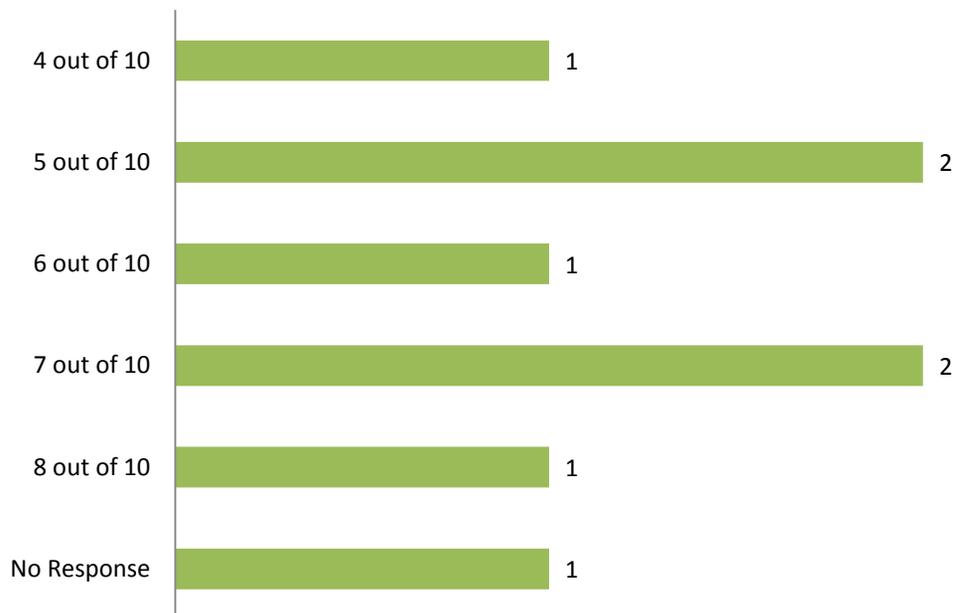
■ Cost of Living ■ Public Education ■ Transients ■ Crime ■ Over-Population



## ECONOMIC ISSUES

- ❖ Participants were asked: **on a scale of 1-10, with 1 being poor and 10 being excellent, how would you rate the economy in Florida,**
  - ◆ one out of eight participants rated the economy a **4 out of 10**;
  - ◆ two out of five participants rated the economy a **5 out of 10**;
  - ◆ one out of eight participants rated the economy a **6 out of 10**;
  - ◆ two out of eight participants rated the economy a **7 out of 10**;
  - ◆ one out of eight participants rated the economy an **8 out of 10**;
  - ◆ one participant *Did Not Answer*

Figure 19: Focus Groups: Rate the Economy- Florida (Hollywood Focus Group)



- ❖ Participants were asked: **Which of the following expenses do you think is the most unreasonable?**
  - ◆ one out of eight participants identified **“Transportation”** as the most unreasonable;
  - ◆ seven out of eight participants identified **“Insurances”** as the most unreasonable

- ❖ Participants were asked: **The Governor and many legislators are aiming to “depopulate” Citizens and to bring its rates closer to actuarial rates, which are more realistic estimates of the expected value of future loss.**

**Do you agree or disagree with these measures?**

- ◆ *the majority, six out of the eight participants, agreed with the depopulation of Citizens;*
- ◆ *the majority, six out of the eight participants, agreed with Citizens raising premiums in order to make rates “actuarially sound”*

Within the ensuing discussion about future depopulation efforts and prospective Citizens insurance rate increases, just two of the participants were currently insured by Citizens. One of the participants clearly voiced her discomfort with still being with Citizens and is in the process of switching over to a private insurer, unsure of how Citizens would “respond” after a disaster. This participant also described these proposed efforts as being needed to ensure losses are covered but in the end are a “double-edged sword” for consumers.

“What are the people who are with Citizens supposed to do?”

Another participant was leery of rate hikes for homeowners in any event, considering them “upsetting, regardless of the necessity towards rates becoming more ‘actuarially sound’.” A handful of the participants were quite cautious in fully being in opposition of the proposed measures and mainly disagreed with the concept of “rate increases.” One participant admitted that they were not very knowledgeable, “not knowing a thing about Citizens.”

Regarding the current insurance market, one of the participants was irritated at the perceived “unfairness” of the options out there. The participant shared that when they bought their home they had “no choice” in choosing their homeowners insurance so they were compelled to go with Citizens.

“Government has no business of being in business.”

## PERSONAL ACTIONS- HURRICANE MITIGATION

- ❖ Participants were asked: **By a show of hands, have you ever experienced any damage from a hurricane in the past?**
    - ◆ *none of the participants have experienced any significant damage from a hurricane in the past three years*
  
  - ❖ Participants were asked: **Do you currently have homeowners insurance?**
    - ◆ two out of eight participants have **homeowner insurance through Citizens;**
    - ◆ five out of eight participants have **homeowners insurance through a private company;**
    - ◆ one participant is **Uninsured**
- “If you can afford [homeowners insurance], have it.”
- 
- ❖ Participants were asked: **Have you ever filed a claim and was it resolved to your satisfaction?**
  - ◆ *none of the insured respondents have filed a claim for hurricane damage in the past three years*
- 
- ❖ Participants were asked: **Do you think that there are measures you can take as a homeowner that will reduce your property insurance costs?**
  - ◆ six out of seven insured respondents **have taken on mitigation efforts;**
    - *none of the respondents who have taken on mitigation efforts have seen their rates favorably change*
- 
- ❖ Participants were asked: **What do you think is the biggest obstacle for homeowners to take measures to protect their homes against hurricanes?**
  - ◆ *all eight of the participants agreed that the biggest obstacle is “Financial Reasons”*
- 
- ❖ Participants were asked: **In recent years there has been a trend among homeowners who have paid off their mortgage to cancel their homeowner insurance policies. Would you consider it if your mortgage was paid off?**
  - ◆ *all of the insured respondents would still keep their homeowners insurance*
- “For me it’s strictly financial... I just pray for the best.”
- 
- ❖ Participants were asked:  
**There is a legislative bill that has been going through the Senate approval process (SB 1770) which affects homeowner insurance rates. According to Citizens President Barry Gilway, insurance bills for new homeowners could soar up to more than “60%” under the Senate bill in certain areas of the state, including South Florida and Tampa Bay, and that would make the policies “actuarially sound.” Do you support this bill?**
  - ◆ *all of the participants said they would not support this bill as a whole*

In general, the group of participants thought the bill was insensitive towards Florida's homeowners. A few of the participants laughed out loud after being read the question response to the proposed rate increases. One participant dismissed the bill and its latent effects on homeowners as "blackmail." The group as a whole was unaware of the bill's existence.

The fact was brought up, by one of the participants, that during this years-long respite from hurricane activity, Citizens could have built up their reserves to cover future losses. Therefore, it's "not my problem and that's not your problem" when it comes to Citizens being able to pay out claims.

"To me it just seems like people have it hard enough just paying their mortgage here...so now you're talking about increasing [insurance rates]..."

One of the participants, after a series of back-and-forth comments with the group, insinuated how the group knows "its job to do is [to now]" engage their elected officials to oppose this bill in the Florida Legislature.

❖ Following the last question, participants were asked:

**If rates are not "actuarially sound" to cover hurricane losses, then Citizens is authorized to levy assessments, or "hurricane taxes," on consumers across the state to cover a shortfall. According to Citizens, a 1-in-100 year "mega-storm" would result in assessments of about \$280 for non-Citizens policyholders. Does this fact make you more likely to support the bill?**

- ◆ *the majority, seven out of eight participants, support the bill*
  - *seven respondents changed their initial opinion in support of the bill*

Initially, most of the group began rationalizing that a potential assessment of \$280 or "less than a dollar a day" would be too much to bear. One of the participants further went on to say that "we would have come out of pocket in some shape, way or form." However as the conversation continued the majority of the group began to argue that Citizens policyholders should be expected to pay towards their own losses. Once again, the problem of a non-competitive marketplace with limited options was raised by a couple of the participants. The strange dichotomy of doing the "good thing" versus doing the "right thing" was raised by one of the participants—while lending a helping hand to your "neighbor" is certainly admirable, it shouldn't be done at the expense of subsidizing Citizens.

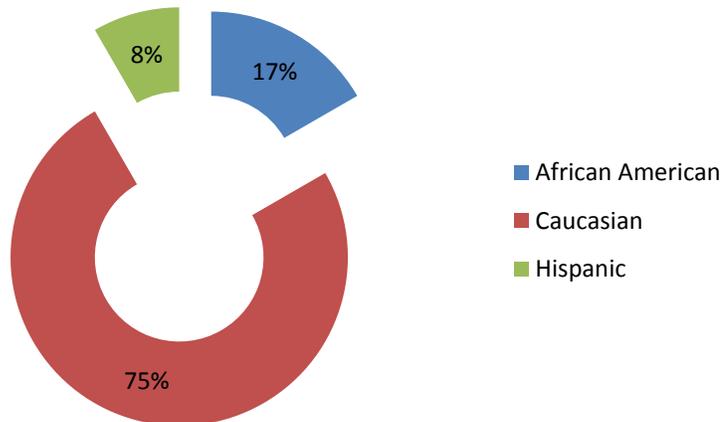
"There are two ways of approaching [the problem]: to resolve it or kick the can down the road."

INTRODUCTIONS AND HISTORY

On April 29, 2013 the MC held a focus group on homeowners insurance at the Irwin Research facility in Jacksonville, Florida for approximately two hours. The focus group consisted of twelve participants, six females and six males. The participants had the following characteristics:

- ◆ a White female, surgery scheduler, aged 25;
- ◆ a White female, realtor, aged 68;
- ◆ a White female, *none given*, aged 29;
- ◆ a White female, nutritionist, aged 50;
- ◆ an African-American female, nurse, aged 36;
- ◆ an African-American female, healthcare insurance representative, aged 50;
- ◆ a White male, retired, aged 62;
- ◆ a White male, information technology analyst, aged 59;
- ◆ a White male, retired, aged 72;
- ◆ a White male, clergyman, aged 57;
- ◆ a White male, retired, aged 49;
- ◆ a Hispanic male, municipal worker, aged 51;

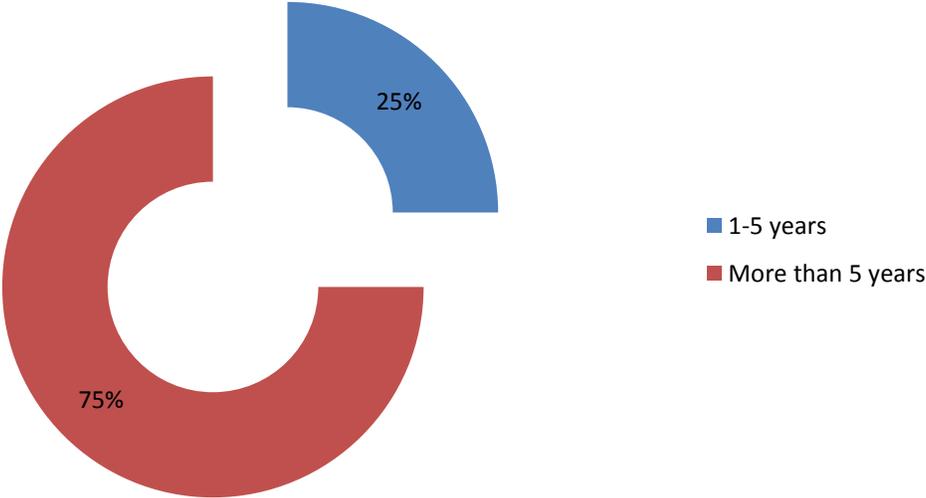
Figure 20: Focus Groups: Race Composition (Jacksonville Focus Group)



- ❖ In terms of the **type of home owned**, the participants are divided as follows:
  - ◆ one out of twelve participants owns a **Condo**;
  - ◆ two out of twelve participants own a **Mobile Home**;
  - ◆ nine out of twelve participants own a **Single Family Home**

- ❖ In terms of the **length of time as a homeowner**, the participants are divided as follows:
  - ◆ three out of twelve participants said **1-5 years**;
  - ◆ nine out of twelve participants said **More than 5 years**

Figure 21: Focus Groups: Length of Homeownership (Jacksonville Focus Group)



- ❖ In terms of the **length of time living in the area**, the participants are divided as follows:
  - ◆ *all twelve participants said **More than 5 years***

## GENERAL ATTITUDES

- ❖ Participants were asked: **Do you feel the state Florida is headed in the right direction or in the wrong direction?**

- ◆ four out of twelve participants said the state is headed in the **Right** direction;
- ◆ four out of twelve participants identified as **Neutral**;
- ◆ four out of twelve participants said the is headed in the **Wrong** direction

“I thought we were going in the right direction, but I just closed a house today and it sold for half of what it was valued at 1 year ago.”

of

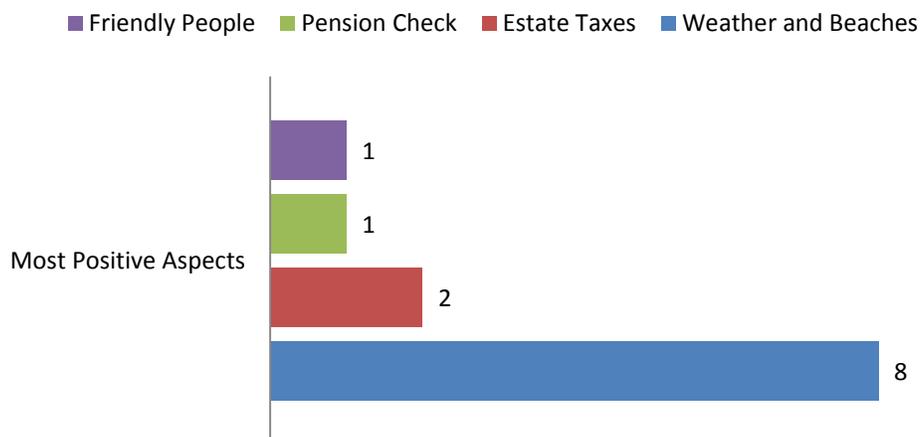
- ❖ Participants were asked: **Generally speaking, on a scale of 1-5 (1 being the lowest and 5 being the highest), how would you rate the quality of life in Florida?**

- ◆ ten out of twelve participants rated their quality of life a 5;
- ◆ one out of twelve participants rated their quality of life a 6;
- ◆ one participant Did Not Answer

- ❖ Participants were then asked: **What do you think is the most positive aspect of living in Florida?**

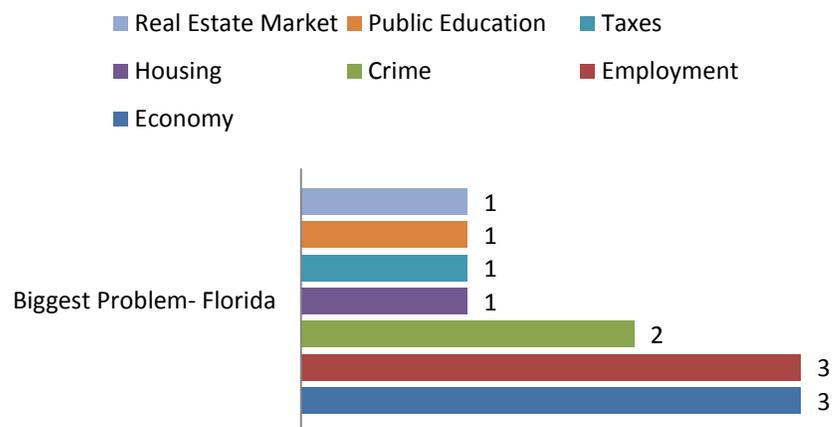
- ◆ one out of twelve participants said the “**Friendly People**” was the most positive;
- ◆ one out of twelve participants said “**Getting a Monthly Pension Check**” was the most positive;
- ◆ two out of twelve participants said the low “**Taxes**” was the most positive;
- ◆ eight out of twelve participants said the “**Weather and Beaches**” were the most positive

Figure 22: Focus Groups: Most Positive Aspects- Living in Florida (Jacksonville Focus Group)



- ❖ Participants were then asked: **What do you think is the most negative aspect of living in Florida?**
  - ◆ one out of twelve participants said the **“Economy”** was the most negative;
  - ◆ one out of twelve participants said that the **“Hurricane Season”** was the most negative;
  - ◆ one out of twelve participants said that **“Urban Sprawl”** was the most negative;
  - ◆ two out of twelve participants said that **“Over-Population”** was the most negative;
  - ◆ two out of twelve participants said that the **“Weather”** was the most negative;
  - ◆ three out of twelve participants said that the increasing **“Crime”** was the most negative;
  - ◆ two participants *Did Not Answer*
  
- ❖ Participants were asked: **What is the biggest problem facing the state of Florida?**
  - ◆ one out of twelve participants identified the fluctuating **“Real Estate Market”** as the biggest problem;
  - ◆ one out of twelve participants identified the faltering **“Public Education System”** as the biggest problem;
  - ◆ one out of twelve participants identified increasing **“Taxes”** as the biggest problem;
  - ◆ one out of twelve participants identified a lack of affordable **“Housing”** as the biggest problem;
  - ◆ two out of twelve participants identified increasing **“Crime”** as the biggest problem;
  - ◆ three out of twelve participants identified a lack of quality **“Employment Opportunities”** as the biggest problem;
  - ◆ three out of twelve participants identified the **“Economy”** as the biggest problem

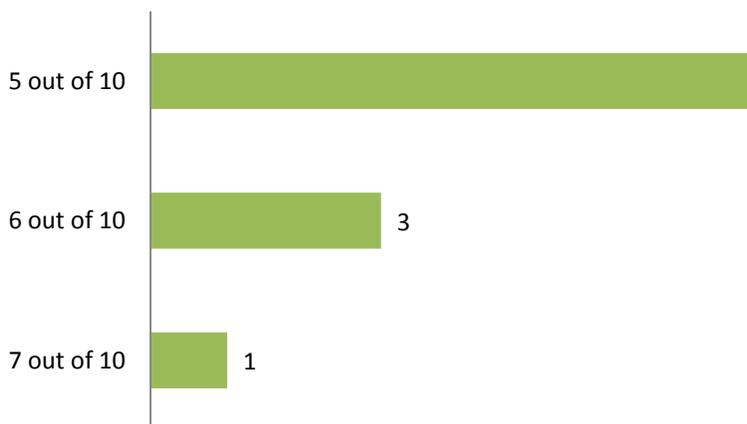
Figure 23: Focus Groups: Biggest Problem- Facing Florida (Jacksonville Focus Group)



## ECONOMIC ISSUES

- ❖ Participants were asked: **On a scale of 1-10, with 1 being poor and 10 being excellent, how would you rate the economy in Florida?**
  - ◆ eight out of twelve participants rated the economy a **5 out of 10**;
  - ◆ three out of twelve participants rated the economy a **6 out of 10**;
  - ◆ one out of twelve participants rated the economy a **7 out of 10**

Figure 24: Focus Groups: Rate the Economy- Florida  
(Jacksonville Focus Group)



“The state [of Florida] should not be in the insurance business.”

- ❖ Participants were asked: **Over the last two years has your personal financial situation improved or worsened?**
  - ◆ seven out of twelve participants said their financial situation **Improved**;
  - ◆ three out of twelve participants said their financial situation **Remained the Same**;
  - ◆ two out of twelve participants said their financial situation **Worsened**
- ❖ Participants were asked: **Which of the following expenses do you think is the most unreasonable?**
  - ◆ one out of twelve participants identified **“Housing”** as the most unreasonable;
  - ◆ four out of twelve participants identified **“Insurances”** as the most unreasonable;
  - ◆ seven out of twelve participants identified **“Healthcare”** as the most unreasonable
- ❖ Participants were asked: **The Governor and many legislators are aiming to “depopulate” Citizens and to bring its rates closer to actuarial rates, which are more realistic estimates of the expected value of future loss.**  
**Do you agree or disagree with these measures?**
  - ◆ the majority, seven out of twelve participants, disagreed with the depopulation of Citizens;
  - ◆ the majority, seven out of twelve participants, disagreed with Citizens raising premiums

Within the ensuing discussion about prospective Citizens insurance rate increases and future depopulation efforts, quite a few participants admitted they were “not really educated on the issue.” None of the participants were currently insured by Citizens. However, there were a handful of participants that were insured by Citizens at one time before they were either 1) shifted to another insurer; or 2) left ahead of their policies being shifted and “shopped around”. Still others voiced a persistent opinion towards the lack of competitiveness which exists in the present insurance market—one participant shared that they believe “the more competition you get the better prices you get.” A few others who agreed with the opinion that the insurance market should be “opened up” also made it a point to remind the rest of the group that “prices should be fair.”

One of the participants did share with the group his hesitancy in allowing for Citizens to increase their rates since “if they raise these rates they’ll just use [the money] for something else.” Another one of the participants who agreed with the belief in a more competitive market cautioned that new entrants into the insurance market should be “responsible regarding their reserves.” Extending that idea further one of the participants stressed how important it was for companies to charge “enough” to not only make a profit as businesses but also be prepared to pay out once a disaster strikes.

“Why should we have to pay for those people who want to live down there...if I wanted to live down there then I should have to suffer the cost of it...[all] because some multi-millionaire wants to live by the water.”

Another participant shared a personal story about how in his hometown in Australia which had suffered through “a catastrophic hurricane—the city was decimated. When the government stepped in to help rebuilding efforts they made everyone build to withstand a Category 5 hurricane. What’s wrong with American thinking?” The participant who shared this story had open concerns about the preferences of American homebuyers wanting to live next to the water compared to the chronic threat of hurricanes in areas found along “hurricane alley”, Florida being one of them.

## PERSONAL ACTIONS- HURRICANE MITIGATION

- ❖ Participants were asked: **By a show of hands, have you ever experienced any damage from a hurricane in the past?**
  - ◆ *none of the participants have experienced any significant damage from a hurricane in the past three years*
- ❖ Participants were asked: **Do you currently have homeowners insurance?**
  - ◆ *all of the participants have homeowners insurance through a private company*
- ❖ Participants were asked: **Have you ever filed a claim and was it resolved to your satisfaction?**
  - ◆ *none of the participants have filed a claim for hurricane damage in the past three years*
- ❖ Participants were asked: **Do you think that there are measures you can take as a homeowner that will reduce your property insurance costs?**
  - ◆ *none of the participants have taken on mitigation efforts*
- ❖ Participants were asked: **In recent years there has been a trend among homeowners who have paid off their mortgage to cancel their homeowner insurance policies. Would you consider it if your mortgage was paid off?**
  - ◆ *none of the participants would consider not having homeowners insurance*
- ❖ Participants were asked: **Do you have a “self-insurance” fund in the form of a home equity line or savings account dedicated for post-disaster recovery?**
  - ◆ *none of the participants had a “self-insurance” fund for post-disaster recovery*

“Homeowners insurance covers a lot of things...you need it for more than just hurricanes.”

“You couldn’t save enough money.”

- ❖ Participants were asked:

**There is a legislative bill that has been going through the Senate approval process (SB 1770) which affects homeowner insurance rates. According to Citizens President Barry Gilway, insurance bills for new homeowners could soar up to more than “60%” under the Senate bill in certain areas of the state, including South Florida and Tampa Bay, and that would make the policies “actuarially sound.” Do you support this bill?**

- ◆ all of the participants said they would not support the bill

In general, the group of participants thought the bill would do more harm than good as one of the participants quickly dismissed the bill as “not helping anybody.” However, one participant did have mixed feelings about the bill agreeing with the idea that “the state should not be in the insurance business” and that rates should be “actuarially sound.” With that said rate increases upon homeowners were still viewed as excessive and compared to a “pyramid scheme.” One of the participants described the bill as a “useless rip-off” as a whole and believed that it would not help homeowners. Another participant also compared the bill to a “bait-and-switch.” Another pressing concern was the fear that homeowners wouldn’t be able to find insurance with anyone else after being switched from Citizens over to a private insurer who may raise rates to unaffordable prices.

“Somebody has to pick-up the bill and I don’t know about you but I don’t really want to pick it up for somebody else.”

- ❖ Following the last question, participants were asked:

**If rates are not “actuarially sound” to cover hurricane losses, then Citizens is authorized to levy assessments, or “hurricane taxes,” on consumers across the state to cover a shortfall. According to Citizens, a 1-in-100 year “mega-storm” would result in assessments of about \$280 for non-Citizens policyholders. Does this fact make you more likely to support the bill?**

- ◆ the majority, seven out of twelve participants, support the bill
  - seven respondents changed their initial opinion in support of the bill

Almost immediately, the group was in complete opposition towards the potential assessments for non-Citizens policyholders. One participant especially began to rationalize to the group that the “money has to come from somewhere” and that if rates aren’t “actuarially sound” then that would be the consequence. Therefore, the majority of the group in essence switched from their previous unfavorable opinions towards the bill to actually supporting it. However, there were still a handful of participants which still did not agree with the lack of “fairness” in the bill.

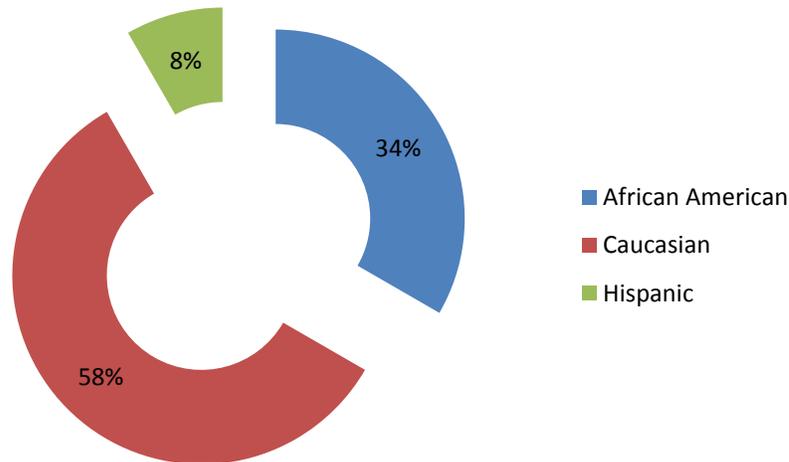
“We don’t know how many hurricanes could hit. You don’t know...I don’t want to pay \$280 a year.”

INTRODUCTIONS AND HISTORY

On April 30, 2013 the MC held a focus group on homeowners insurance at the Graham and Associates research facility in Pensacola, Florida. The focus group began at 6:30 pm and lasted approximately one hour and thirty minutes. The focus group consisted of twelve participants, seven females and five males. The participants had the following characteristics:

- ◆ an African-American female, *none given*, aged 50-60
- ◆ a Hispanic female, food service worker, aged 50-60
- ◆ a White female, real estate title examiner, aged 40-50
- ◆ an African-American female, state employee, aged 30-40
- ◆ a White female, unemployed, aged 20-30
- ◆ an African-American female, education technician, aged 30-40
- ◆ an African-American female, state employee, aged 30-40
- ◆ a White male, social worker, aged 40-50
- ◆ a White male, used car salesman, aged 50-60
- ◆ a White male, computer technician, aged 30-40
- ◆ a White male, import/export and shipping worker, aged 40-50
- ◆ a White male, college student, aged 20-30

Figure 25: Focus Groups: Race Composition (Pensacola Focus Group)



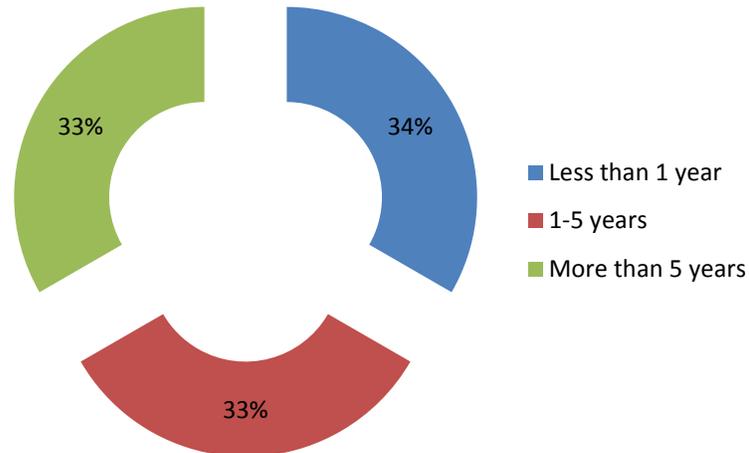
In terms of the type of home owned, the participants are divided as follows:

- ◆ *all twelve participants own a **Single Family Home***

In terms of the length of time as a homeowner, the participants are divided as follows:

- ◆ four out of twelve participants said **Less than 1 year**
- ◆ four out of twelve participants said **1-5 years**
- ◆ four out of twelve participants said **More than 5 years**

Figure 26: Focus Groups: Length of Homeownership (Pensacola Focus Group)



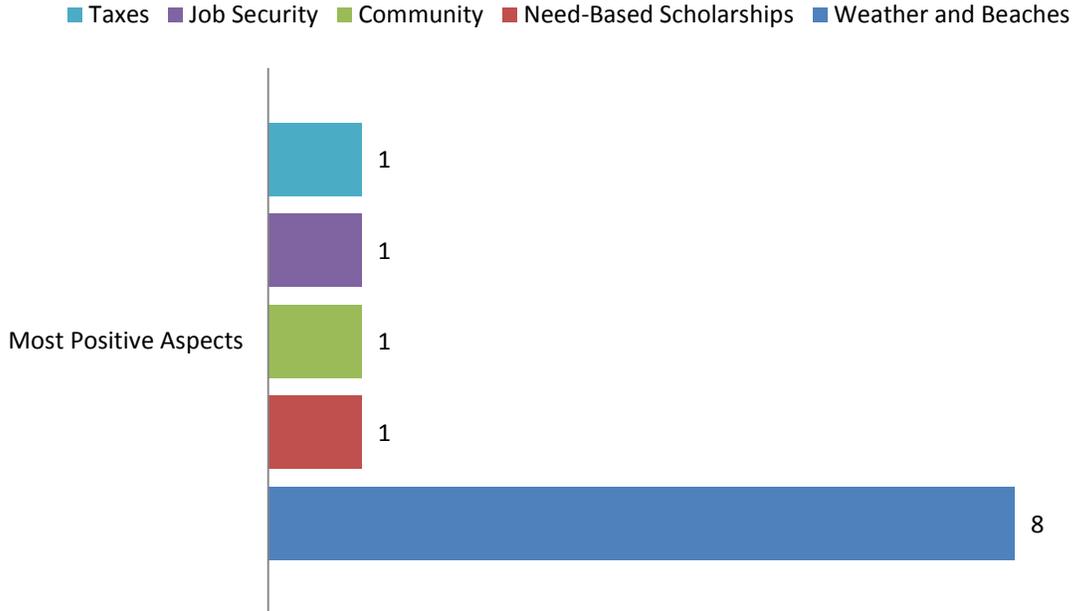
In terms of the length of time living in the area, the participants are divided as follows:

- ◆ *all twelve participants said **More than 5 years***

## GENERAL ATTITUDES

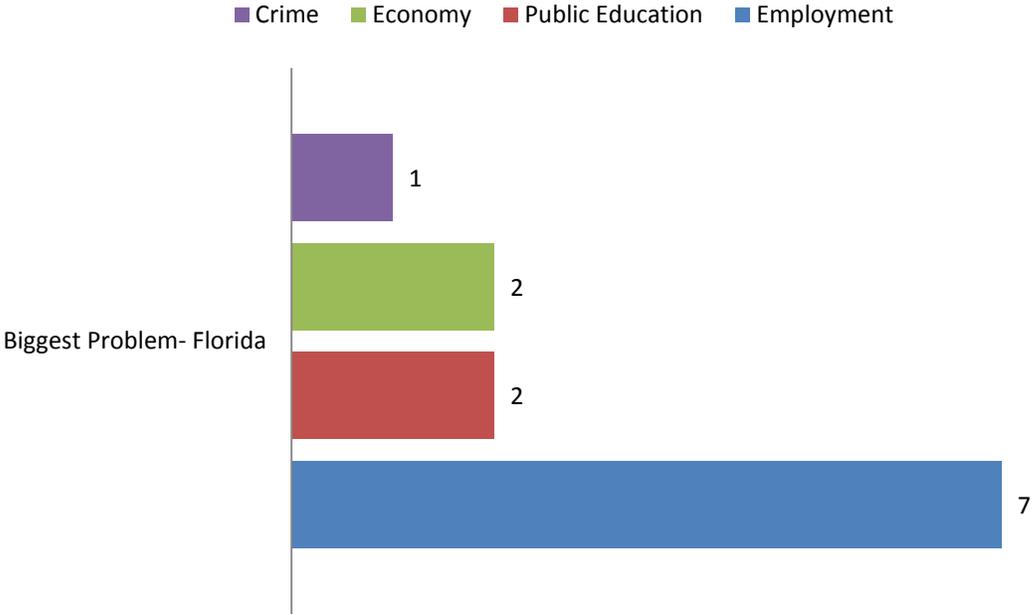
- ❖ Participants were asked: **Do you feel the state of Florida is headed in the right direction or in the wrong direction?**
  - ◆ four out of twelve participants said the state is headed in the **Right** direction;
  - ◆ five out of twelve participants identified as **Neutral**;
  - ◆ three out of twelve participants said the state is headed in the **Wrong** direction;
- ❖ Participants were asked: **What do you think is the most positive aspect of living in Florida?**
  - ◆ one out of twelve participants said the low **"Taxes"** was the most positive;
  - ◆ one out of twelve participants said their **"Personal Job Security"** was the most positive;
  - ◆ one out of twelve participants said their **"Community (Church and Neighbors)"** was the most positive;
  - ◆ one out of twelve participants said the existence of **"Need-Based Scholarships (Bright Futures)"** was the most positive;
  - ◆ eight out of twelve participants said the **"Weather and Beaches"** were the most positive

Figure 27: Focus Groups: Most Positive Aspects- Living in Florida (Pensacola Focus Group)



- ❖ Participants were then asked: **What do you think is the most negative aspect of living in Florida?**
  - ◆ one out of twelve participants said the lack of **“State Funding”** was the most negative;
  - ◆ one out of twelve participants said the entirety of **“Florida (Economy, Education, Politics)”** was the most negative;
  - ◆ two out of twelve participants said that stifling **“State Regulations”** were the most negative;
  - ◆ three out of twelve participants said that the faltering **“Public Education System”** was the most negative;
  - ◆ three out of twelve participants said that a lack of **“Employment Opportunities”** was the most negative;
  - ◆ two participants *Did Not Answer*
  
- ❖ Participants were asked: **What is the biggest problem facing the state of Florida?**
  - ◆ one out of twelve participants identified increasing **“Crime”** as the biggest;
  - ◆ two out of twelve participants identified the struggling **“Economy”** as the biggest problem;
  - ◆ two out of twelve participants identified the faltering **“Public Education System”** as the biggest problem;
  - ◆ seven out of twelve participants identified a lack of quality **“Employment Opportunities”** as the biggest problem

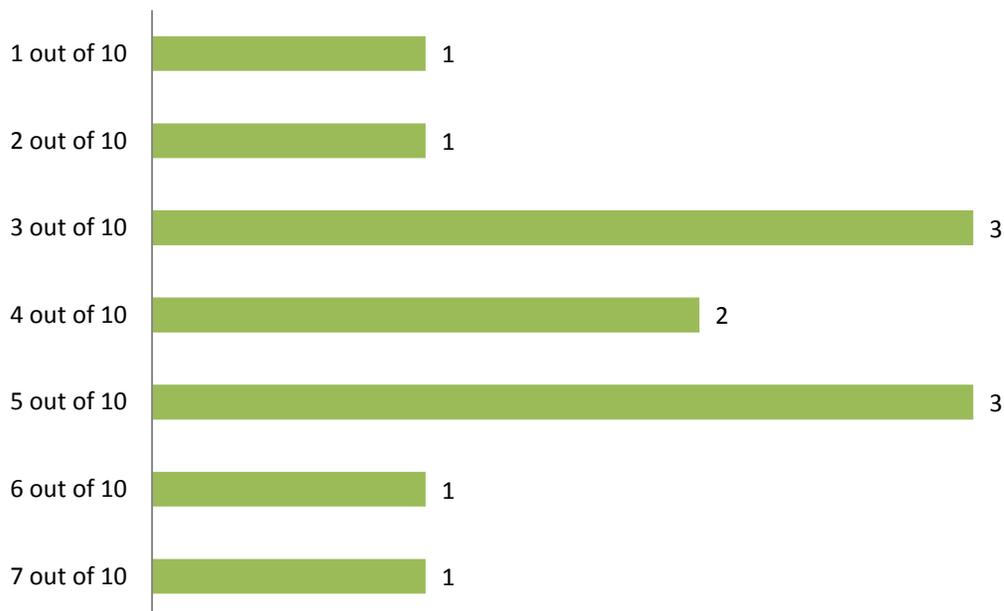
Figure 28: Focus Groups: Biggest Problem- Facing Florida (Pensacola Focus Group)



## ECONOMIC ISSUES

- ❖ Participants were asked: **On a scale of 1-10, with one being poor and 10 being excellent, how would you rate the economy in Florida?**
  - ◆ one out of twelve participants rated the economy a **1 out of 10**;
  - ◆ one out of twelve participants rated the economy a **2 out 10**;
  - ◆ three out of twelve participants rated the economy a **3 out 10**;
  - ◆ two out of twelve participants rated the economy a **4 out of 10**;
  - ◆ three out of twelve participants rated the economy a **5 out 10**;
  - ◆ one out of twelve participants rated the economy a **6 out of 10**;
  - ◆ one out of twelve participants rated the economy a **7 out of 10**

*Figure 29: Focus Groups: Rate the Economy- Florida (Pensacola Focus Group)*



- ❖ Participants were asked: **Over the last two years has your personal financial situation improved or worsened?**
  - ◆ five out of twelve participants said their financial situation **Improved**;
  - ◆ seven out of twelve participants said their financial situation **Worsened**
  
- ❖ Participants were asked: **Which of the following expenses do you think is the most unreasonable?**
  - ◆ one out of twelve participants identified **“Housing”** as the most unreasonable;
  - ◆ two out of twelve participants identified **“Taxes”** as the most unreasonable;
  - ◆ four out of twelve participants identified **“Healthcare”** as the most unreasonable;
  - ◆ five out of twelve participants identified **“Insurances”** as the most unreasonable

- ❖ Participants were asked: **The Governor and many legislators are aiming to “depopulate” Citizens and to bring its rates closer to actuarial rates, which are more realistic estimates of the expected value of future loss.**

**Do you agree or disagree with these measures?**

- ◆ *the majority, eleven out of twelve participants, disagreed with the depopulation of Citizens;*
- ◆ *all of the participants disagreed with Citizens raising premiums*

Within the ensuing discussion about prospective Citizens insurance rate increases and future depopulation efforts the vast majority of participants wholly disagreed with both measures. One of the participants dismissed these proposed efforts as “laughable.” However, one participant brought up the idea that Citizens was intended to be the “policy of last resort” for many homeowners and should “depopulate.” With that said another participant, an employee of Citizens and Allstate insurance companies in the past, affirmed that Citizens is indeed the insurer of “last resort” because for arbitrary reasons such as “their house being too old, [having] an angled roof instead of a flat roof” homeowners consequently don’t qualify for the private market. This same participant shared that “most people who go to Citizens go there because they have no other place to go.”

Yet another participant rallied against these measures and described them as “dumb wrapped up in stupidity.” Furthermore, the same participant share a personal story about how “in late 2006, there was [only] one company writing policies in Florida. It’s not like I went, ‘Who do I want? Who has the best commercials or the neatest slogan?’ No, it was [all] about who could give me insurance.” Another participant argued that depopulation was the wrong answer because “the more people in the pool then the cheaper everybody’s rates should be.”

Several participants mentioned that they had been dropped and have had rate increases so high that they’ve been forced to “shop around” for more affordable options in a limited market. One participant bemoaned that they “are [only] paying for a disaster that might happen.” Another participant also argued that private insurers “shouldn’t be allowed to cherry-pick our environment. That’s why we have to have this conversation.”

“..It’s like when people have waterfront property and the hurricanes came and they couldn’t get insurance so they went to Citizens. If you are going to buy property in a high risk area and have [all] this luxurious stuff, get out there with the rest of us. You should be able to afford the insurance on it.”

## **PERSONAL ACTIONS- HURRICANE MITIGATION**

- ❖ Participants were asked: **By a show of hands, have you ever experienced any damage from a hurricane in the past?**

- ◆ two out of twelve participants have experienced significant damage from a hurricane in the past three years

- ❖ Participants were asked: **Do you currently have homeowners insurance?**

- ◆ eleven out of twelve participants have homeowner insurance through a private company;
  - one out of twelve participants are Uninsured

“The roof caved in in my daughter’s room. We had water damage in every room...because our roof leaked. I was pregnant at the time and we lived in [an] RV in our driveway for six months until my husband got the house fixed.”

- ❖ Participants were asked: **What has your experience been dealing with your insurance company—has it been positive or negative?**

- ◆ all eleven insured respondents had minimal experiences with their homeowner insurance company;
- ◆ nine out of eleven respondents have had their rates Increase

- ❖ Participants were asked: **Have you ever filed a claim and was it resolved to your satisfaction?**

- ◆ *just one respondent was satisfied with the resolution of their claim*

- ❖ Participants were asked: **Do you think that there are measures you can take as a homeowner that will reduce your property insurance costs?**

- ◆ two out of eleven insured respondents have taken on mitigation efforts;
  - one out of two respondents who have taken on mitigation efforts have seen their rates Decrease

- ❖ Participants were asked: **In recent years there has been a trend among homeowners who have paid off their mortgage to cancel their homeowner insurance policies. Would you consider it if your mortgage was paid off?**

- ◆ ten out of eleven insured respondents would still keep their homeowners insurance

- ❖ Participants were asked:

“I wouldn’t drop my insurance, I need that peace of mind I don’t need to empty out my bank account in the event that I have a loss. It’s not an option for me.”

There is a legislative bill that has been recently passed through the Senate on Thursday and the House on Tuesday. Within the Senate bill, the provisions are as follows: 1.) It caps any increases for Citizens's policy holders at ten percent. 2.) It allows for higher insurance rates for new Citizens's policy holders, at some cases up to eighty percent higher. 3.) It creates a clearinghouse for all Citizens's policy holders from which private insurers can select policies. If a Citizens's policy holder is offered a rate no more than fifteen percent higher than their existing rates, they would then be forced to switch over to a private insurer. **The House bill is very consistent with the Senate bill; however, there is one important exception: There would be no higher rates for new Citizens's policy holders. With that being said, which bill do you agree or not agree with, the Senate or the House bill?**

- ◆ *the majority, nine out of twelve participants, said they would support the House bill*
- ◆ *none of the participants would support the Senate bill*

The vast majority of the group said they would agree with the House bill but qualified it as a “lesser of the two evils.” One participant further went on to say that in regards to rate increases “it’s a worse deal than you may have had but it’s a better deal than the one they could give you.” Yet another participant who disagreed with both House and Senate versions of the bill described the proposal as “a dead horse [that] doesn’t do anything for us.”

“That’s like me saying: ‘I need to break up with my girlfriend and go get a wife.’ I need to drop this insurance company and hope like Hell these other ones will pick me up.”

The growing sentiment within the group discussion also centered on why there had to be so much effort into attracting private insurers into the state of Florida in the first place. There was also a feeling apprehension towards who exactly would these new insurance companies would be—whether they would be reputable companies who would stay and fulfill future claims our companies who in the event of a disaster quickly leave the state and homeowners with the bill. However, one the participants rationalized that for private insurers it’s a “losing proposition” as these companies would need to pay out unreasonable claims such as “million dollar home[s] on Pensacola Beach.”

“There shouldn’t be anything on the beach but outhouses and snow cone stands. You shouldn’t be allowed to have a home on the beach...”

- ❖ Following the last question, participants were asked:  
If rates are not “actuarially sound” to cover hurricane losses, then Citizens is authorized to levy assessments, or “hurricane taxes,” on consumers across the state to cover a shortfall. According to Citizens, a 1-in-100 year “mega-storm” would result in assessments of about \$280 for non-Citizens policyholders. Does this fact make you more likely to support the bill?

- ◆ *the majority, nine out of twelve participants, said they would still support the House bill*
- ◆ *none of the participants would change their minds and support the Senate bill*

The opinions of the group remained unchanged, with the overarching sentiment being that the House bill was again the “lesser of two evils.” However, there were some concerns over just how the \$280 assessment for non-Citizens policyholders would be collected and in turn managed by the state of Florida and Citizens as one participant expressed her worry: “make sure they are really going to do what they say they are going to do; if they have that kind of money, who knows what they are going to do with it?”

“It’s such a weird idea for me to pay money for someone else’s ...I guess I’d pay it if it was only \$280 and it goes to help someone rebuild their house. It doesn’t change whether or not I’d go with the Senate or House bill...”

One participant confessed they were actually in favor of an assessment if it would mean that their neighbors could handily rebuild their homes since they are all “too intertwined. If my neighbor needs help re-building their house, I don’t exactly see the problem with it. What would happen if it was my house?” Another participant echoed those comments and said that “...the property around your property helps determine your value. If my neighbor’s house got knocked down and I’m trying to sell my house but it won’t sell because their house is knocked down, then yes I’ll pay the \$280 just to ensure that the houses around me are protected.”

“I don’t like either bill but I like the tax. I’m probably the only person at the table to say this. I like it because I understand that if six of my neighbors have trashed homes then my house will be worth less.”

## SOURCES

*About the Florida Hurricane Catastrophe Fund.* Florida State Board of Administration. Retrieved from <http://www.sbafla.com/fhcf/AbouttheFHCF/tabid/278/Default.aspx>

Batten, B. *One word explanation for growth of Citizens Insurance – politics.* Naplesnews.com. 3 June 2012. Retrieved from <http://www.naplesnews.com/news/2012/jun/03/brent-batten-one-word-explanation-for-growth-of/>

Company Directory Search. Florida Office of Insurance Regulation. Retrieved from [www.floir.com/CompanySearch/](http://www.floir.com/CompanySearch/)

*Florida Hurricane Insurance: Fact File.* Insurance Information Institute. Retrieved from <http://www.insuringflorida.org>

*Florida looks to restructure its hurricane fund; Federal option proposed.* Insurance Journal. 18 January 2013. Retrieved from <http://www.insurancejournal.com/news/southeast/2013/01/18/277912.htm>

Goodnough, A. *After Hurricane Charley, a new look at stiffer building codes.* New York Times. 20 August 2004. Retrieved from <http://www.nytimes.com/2004/08/20/national/20build.html>

Grace, M.F. & Klein, R.W. (2009). The perfect storm: Hurricanes, insurance, and regulation, *Risk Management and Insurance Review*, 12 (1), 81-124.

*History of the Florida Building Commission.* Florida Department of Business & Professional Regulation. Retrieved from [www.floridabuilding.org](http://www.floridabuilding.org)

[Hurricane Andrew's legacy seen in new building codes.](http://www.consumerinsuranceguide.com/home_insurance/hurricane-andrews-legacy-seen-in-new-building-codes/) Consumer Insurance Guide. 23 August 2012. Retrieved from [http://www.consumerinsuranceguide.com/home\\_insurance/hurricane-andrews-legacy-seen-in-new-building-codes/](http://www.consumerinsuranceguide.com/home_insurance/hurricane-andrews-legacy-seen-in-new-building-codes/)

Hurricane Summary Data. Florida Office of Insurance Regulation. Retrieved from <http://www.floir.com/siteDocuments/HurricaneSummary20042005.pdf>

Kleinberg, E. *Florida's building codes rated best in hurricane protection.* The Palm Beach Post. 29 March 2012.

Lehmann, E. *Fla. Stumbles in effort to harden homes against hurricanes.* E & E Publishing, LLC. 12 February 2010. Retrieved from <http://www.eenews.net/public/>

Lehrer, E. & Lehmann, R.J. (2012). Workable solutions for Florida's challenging insurance problems. *The James Madison Institute Backgrounder*, 70.

Marlett, D.C. (1999). The expansion of the public sector's involvement in Florida's residential property insurance market. *Chartered Property and Casualty Underwriters Journal*, 52 (2), 106-114.

Rohrer, G. *Senate panel seeks consensus on Citizens, but political divide flares up*. The Florida Current. 16 January 2013. Retrieved from <http://www.thefloridacurrent.com/article.cfm?id=31128569>

St. John, P. *Special report: Weak insurers put Floridians at risk*. The Herald-Tribune. 1 March 2010. Retrieved from <http://www.heraldtribune.com/article/20100301/ARTICLE/303019999>

*Twenty years of progress: Advances in the property insurance industry since Hurricane Andrew*. PCI Special Report. 2012. Property Casualty Insurers Association of America.