

SOME BENEFITS OF THE WCF APPROACH

1. **CUSTOMER SERVICE**--It eliminates the need to deal with the state for coverage in high-risk areas. This means one company, one agent, one policy and one adjuster. It means policyholders can shop again, for the company and agent they desire to cover *all* of their homeowner insurance needs, including wind. By applying only to HRA areas Citizens could still exist to provide coverage for those homes that are uninsurable for reasons other than wind.
2. **ADMINISTRATIVE SAVINGS**--By immediately and dramatically reducing costs associated with administering Citizens HRA it allows over \$100 million additional dollars to go to surplus annually.
3. **MORE COMPETITION**--The FAIA proposal could bring some competition to the high risk areas. In coastal areas some companies are still willing to write "some" wind (just not the more catastrophic category 3, 4 or 5 solvency impairing hurricanes). But, they are prohibited from doing so. FAIA's proposal allows companies to profit from writing as much wind as they wish.
4. **NO ASSESSMENTS**--The WCF makes it possible to entirely eliminate assessments. If FAIA's proposal had been in "full" effect a number of years prior to the 2004 season, there would not have been a deficit in Citizens of \$515 million. Even if FAIA's approach hadn't been implemented until immediately after the 2004 season, there would not have been an assessment of 6.8% to pay for the Citizens deficit.
5. **DEPOPULATION**--The FAIA approach creates 100% depopulation upon implementation and eliminates all of the costs and hassles related to removing "individual" policies. It encourages WCF development of incentives for carriers to take on more of the wind exposure. There are tremendous administrative, legal and actuarial costs associated with paying bonuses to carriers to take policies out of Citizens. There's also the cost of the bonuses which is in the neighborhood of \$71 million for the HRA alone.
6. **REDUCED EXPOSURE**--If just a few of the exposure reduction recommendations were implemented HRA exposure could be reduced untold billions of dollars. The retention of wind by carriers could reduce it in excess of \$4 billion; layering of Commercial Residential risks limited to 50% could save \$10 billion.