

Property Insurance in Florida: *General Overview, Regulatory Framework & State of Marketplace*

FLORIDA OFFICE OF INSURANCE REGULATION

David Altmaier, Insurance Commissioner

December 8, 2022

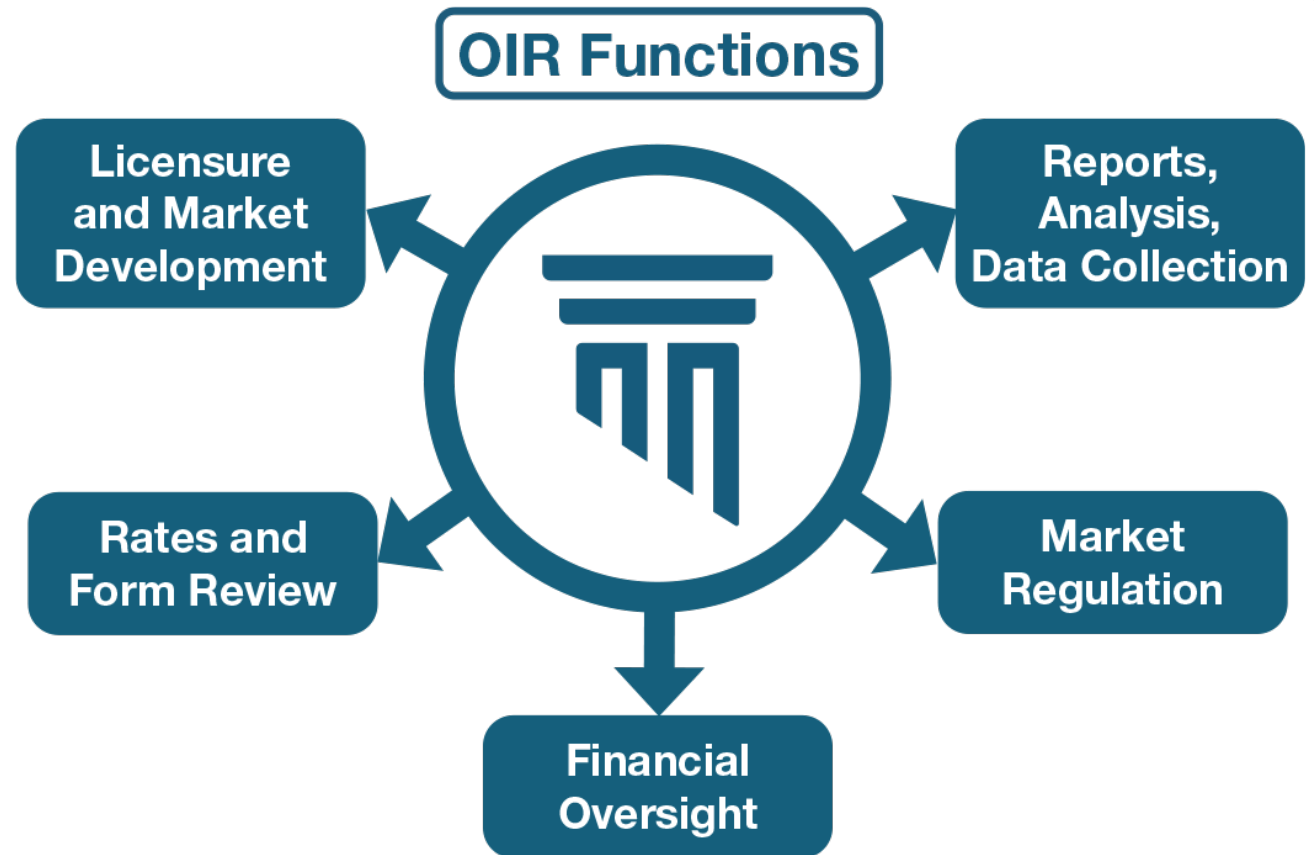
Florida Office of Insurance Regulation (OIR) Overview

Mission

To promote a stable and competitive insurance market for consumers.

Vision

OIR envisions a robust and competitive insurance market while maintaining protections for the insurance-buying public.





Florida Insurance Market

OIR is the lead regulatory agency overseeing Florida's insurers, which make up one of the largest and most complex insurance industries in the world.

\$189B

Insurance Industry

(Direct Written Premium)

4,630

Insurance Related
Entities in Florida

3.1%

Florida GDP
generated by
Insurance Industry,
2019

203.9k

Florida Insurance
Industry Jobs



Insurance Regulation in Florida: OIR & DFS

OIR is housed within the Florida Department of Financial Services (DFS) for administrative, personnel, and technology support. OIR works alongside DFS to serve and protect Floridians.

Department of Financial Services	Office of Insurance Regulation
<ul style="list-style-type: none">• Insurance agents and agencies• Insurance consumer services• Insurance fraud• Workers' compensation administration• Rehabilitation and liquidation	<ul style="list-style-type: none">• Certificates of authority• Product review to include policy forms and rates• Market regulation• Financial oversight

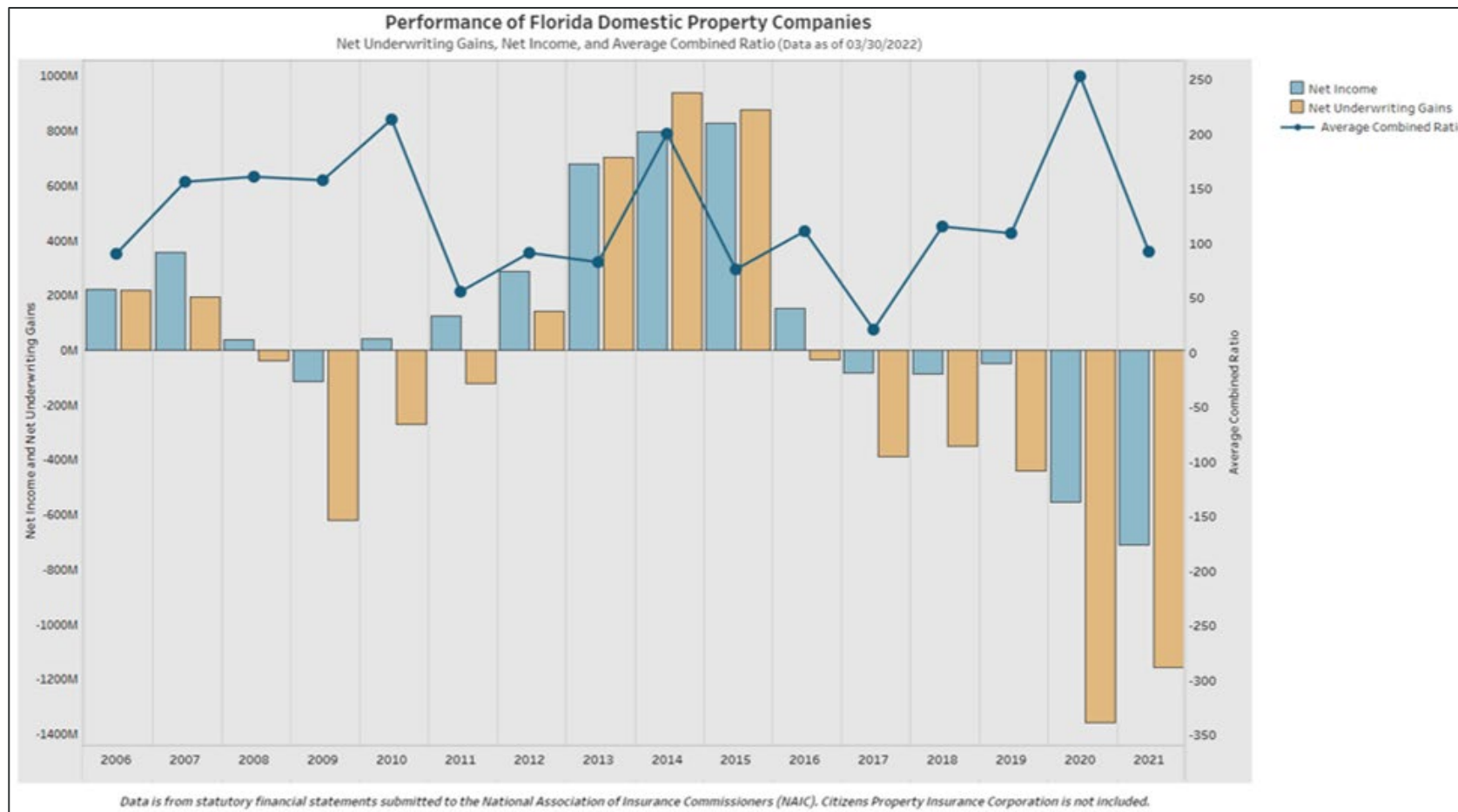
Property Market Overview



- **7.23 million** residential insurance policies in force in the Florida property market.
- Almost **84%** of those policies are in the admitted market, as opposed to Surplus Lines or Citizens Property Insurance Corporation Policies.
- Recent Legislative Reforms:
 - SB 2-D (2022)
 - SB 76 (2021)
 - HB 7065 (2019)

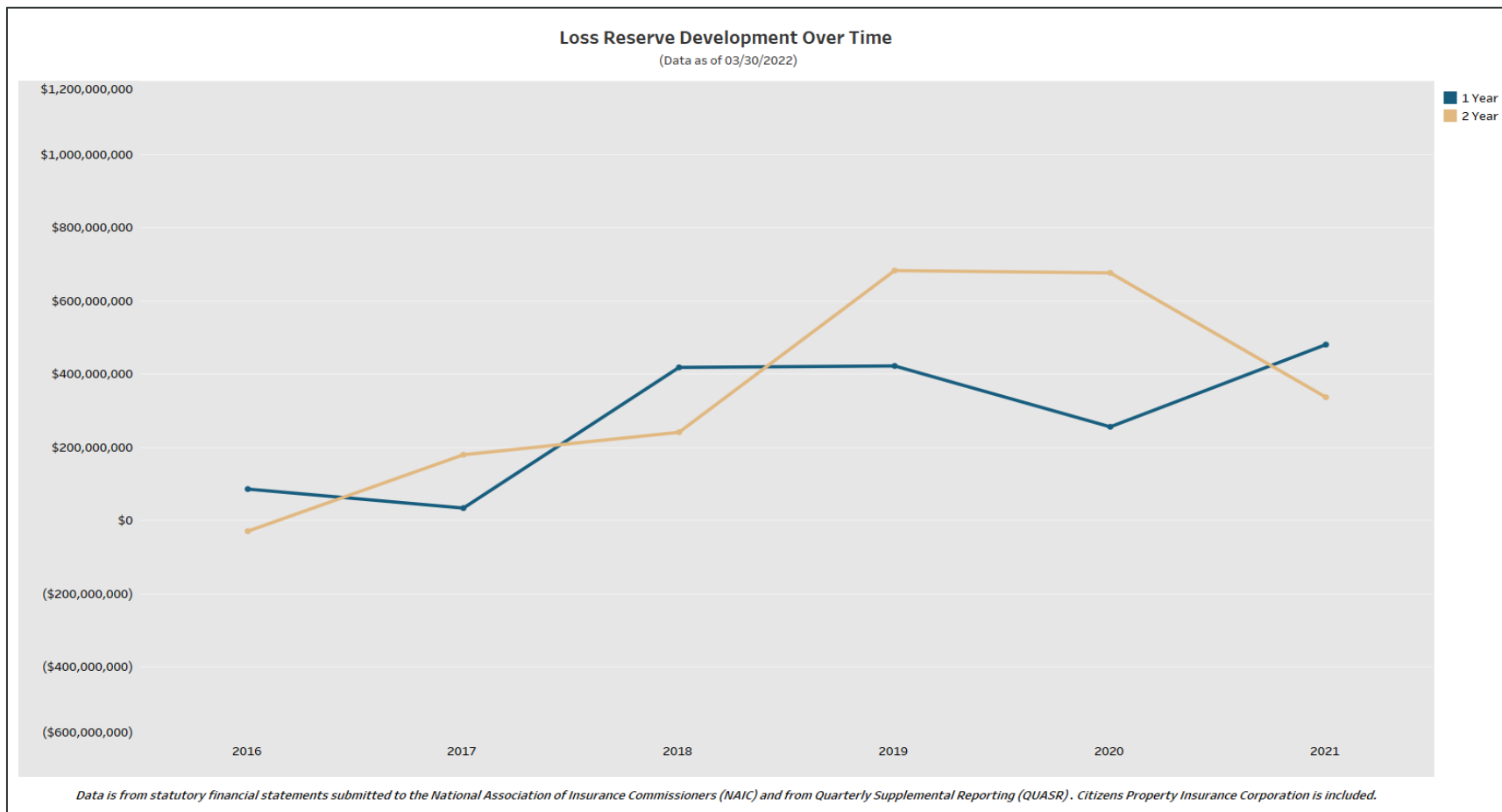


Performance of Florida Domestic Property Companies





Loss Reserve Development Over Time





Reinsurance Requirements & Levels of Reinsurance

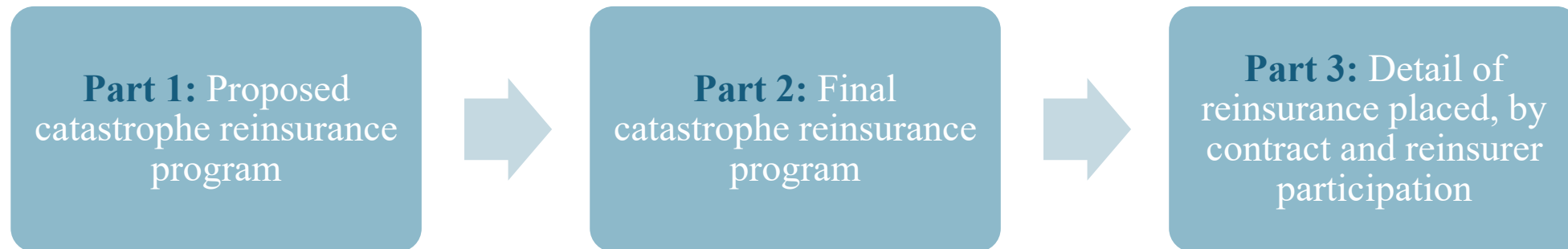
- Florida is the most catastrophe-prone region in the United States with 8,436 miles of shoreline.
- Florida's domestic property insurance industry is especially reliant on reinsurance to finance the payment of catastrophe losses and is sensitive to hardening reinsurance market conditions.
- Insurers are not required to purchase private reinsurance coverage, but insurers are required to demonstrate their ability to cover losses estimated from accepted catastrophe computer models.



Annual Reinsurance Data Call (ARDC)

- Allows OIR to evaluate the reinsurance programs insurers have in place to respond to catastrophic events.
- Performed annually, beginning in April, for insurers identified as reporting significant exposure to catastrophic events.

Three parts of the ARDC:





Current State of Reinsurance

Florida's domestic property insurance is especially reliant on reinsurance to finance the payment of catastrophe losses and is sensitive to hardening reinsurance market conditions.

Based on findings from ARDC (2022-2023):

- 2022 Reinsurance Coverage purchased by insurers **increased 17%** from 2021.
- 2022 Reinsurance Cost **increased 52%** from 2021.

Based on findings from ARDC (2021-2022):

- 2021 Reinsurance Coverage purchased by insurers **increased 19%** from 2020.
- 2021 Reinsurance Cost **increased 28%** from 2020.



Catastrophe Stress Test

- The Catastrophe Stress Test supplements OIR's review of the ARDC.
- Each year, OIR selects historical hurricane scenarios insurers run through their current exposure data using the same model selected in the ARDC.
- Models incorporate an aggregation of historical events that produce a reasonable expectation of risk associated with future events.
- Scenarios are chosen based on storm track, dollar amount of losses, and number of events.

2022 CST Storm Scenarios

Scenario 1	Scenario 2	Scenario 3
<ul style="list-style-type: none">• 1928 Lake Okeechobee Hurricane	<ul style="list-style-type: none">• 1921 Tampa Bay Hurricane, followed by 2004 Hurricane Frances	<ul style="list-style-type: none">• 1960 Hurricane Donna, followed by 2004 Hurricane Jeanne

Florida Hurricane Catastrophe Fund & the Florida Guaranty Association



- The Florida Hurricane Catastrophe Fund (FHCF) is a tax-exempt state trust fund that provides reimbursements to residential property insurance companies for a portion of their catastrophic hurricane losses in Florida.
- The FHCF is under the direction and control of the State Board of Administration and operates exclusively for the purpose of protecting and advancing the state's interest in maintaining insurance capacity in Florida.
- The Florida Guaranty Association (FIGA), created by legislation, handles the claims of insolvent property and casualty companies.
- FIGA's membership is composed of all Florida licensed direct writers of property or casualty insurance. Property and casualty insurers with a certificate of authority issued by OIR are members of FIGA.





FHCF Coverage

Participation in the FHCF is mandatory for Florida residential property insurers.

- The coverage provided by the FHCF is similar to private reinsurance, but at a lower cost than private market prices.
- In general, the FHCF covers a percentage of the company's insurance losses in excess of their "retention" (similar to a deductible), up to a maximum payout.
- An insurer's coverage percentage is **90%, 75%, or 45%**, as selected by the insurer when it executes its FHCF reimbursement contract.
- The insurer's retention is based on its share of the FHCF's total retention and the maximum payout is the insurer's share of the statutory coverage limit.



FIGA Assessments

- Assessments are used to secure funds, typically for the payment of covered claims related to new insolvencies.
- FIGA's assessments are computed and billed based on the immediate needs of the guaranty association that has claims it needs to pay.
- Assessments are approved by the FIGA Board of Directors. OIR reviews the assessment and issues the assessment levy via Consent Order.
- FIGA's assessments are capped at **2%** of a company's net direct premium for regular assessments, and an additional **2%** for emergency assessment for insolvencies relating to hurricanes, on premium written in similar lines of business in Florida.

Hurricanes Ian & Nicole



- OIR instituted a data call for the purpose of collecting catastrophe claims data related to Hurricanes Ian and Nicole.
- Catastrophe reporting provides valuable information to OIR and the state of Florida regarding the impact of a hurricane or other event.
- Insurers began submitting Hurricane Ian claims data on September 30, 2022.
- Insurers began submitting Hurricane Nicole claims data on November 14, 2022.



Hurricane Ian Claims

Total Estimated Insured Losses: \$10,153,877,514

Lines of Business	Number of Claims Reported	Number of Open Claims with Payment	Number of Open Claims without Payment	Number of Claims Closed with Payment	Number of Claims Closed without Payment	Percent of Claims Closed
Residential Property	449,170	51,711	141,562	145,754	110,147	57.0%
<i>Homeowners</i>	358,555	40,614	110,812	112,444	94,689	57.8%
<i>Dwelling</i>	48,926	5,262	17,501	15,831	10,332	53.5%
<i>Mobile Homeowners</i>	38,937	5,650	11,496	16,994	4,797	56.0%
<i>Commercial Residential</i>	2,752	185	1,753	485	329	29.6%
Commercial Property	26,817	1,993	18,386	2,576	3,862	24.0%
Private Flood	3,260	241	1,923	725	371	33.6%
Business Interruption	439	71	147	174	47	50.3%
Other Lines of Business*	168,256	30,618	25,700	94,353	17,583	66.5%
TOTALS	647,942	84,634	187,718	243,582	132,010	58.0%

Data as of 11/30/22



Hurricane Nicole Claims

Total Estimated Insured Losses: \$386,322,230

Lines of Business	Number of Claims Reported	Number of Open Claims with Payment	Number of Open Claims without Payment	Number of Claims Closed with Payment	Number of Claims Closed without Payment	Percent of Claims Closed
Residential Property	32,176	912	9,930	12,468	8,866	66.3%
<i>Homeowners</i>	29,162	850	8,091	11,866	8,355	69.3%
<i>Dwelling</i>	1,954	30	1,081	428	415	43.1%
<i>Mobile Homeowners</i>	1,022	32	722	173	95	26.2%
<i>Commercial Residential</i>	38	0	36	1	1	5.3%
Commercial Property	660	7	616	5	32	5.6%
Private Flood	43	2	37	2	2	9.3%
Business Interruption	5	0	2	2	1	60.0%
Other Lines of Business*	12,186	2,571	2,051	6,539	1,025	62.1%
TOTALS	45,070	3,492	12,636	19,016	9,926	64.2%

Data as of 11/28/22



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