

Update on the Florida Property Market



10-06-2009

Kevin M. McCarty, Commissioner

National Property and Casualty Market --1st Half 2009

- The global economic difficulties have impacted property and casualty insurers along with the rest of the economy
- Impact has been felt by both admitted carriers and surplus lines companies
- First Quarter of 2009 seems to be, so far, the bottom; second quarter Results are improving
- Serious strains on the industry remain
- **Nationally, surplus has fallen** from \$521.8 billion in the second quarter of 2007 to \$437.1 billion by 1st quarter 2009, an \$84.7 billion decline. By 2nd quarter, had increased to \$463 billion

National Drivers

- **Reduced Investment Earnings** – low rates
reduced dividends
- **Increased Losses** – even with lower than
normal catastrophe losses, rise in
questionable claims
- **Overall Decline in Property and Casualty
Insurance Demand**

Residual Markets

Across the country, companies are pulling away from catastrophe-exposed areas and residual markets are growing.

Nationally, total catastrophe exposure to residual markets at year end 2007 was over \$670 billion, covering nearly 2.9 million policyholders, nearly **triple** the number from 2000.

❖ Alabama: As of June 2009, pool covered 12,500 policies with insured value of \$2.2 billion, up from 7,800 properties in 2007 (37% increase).

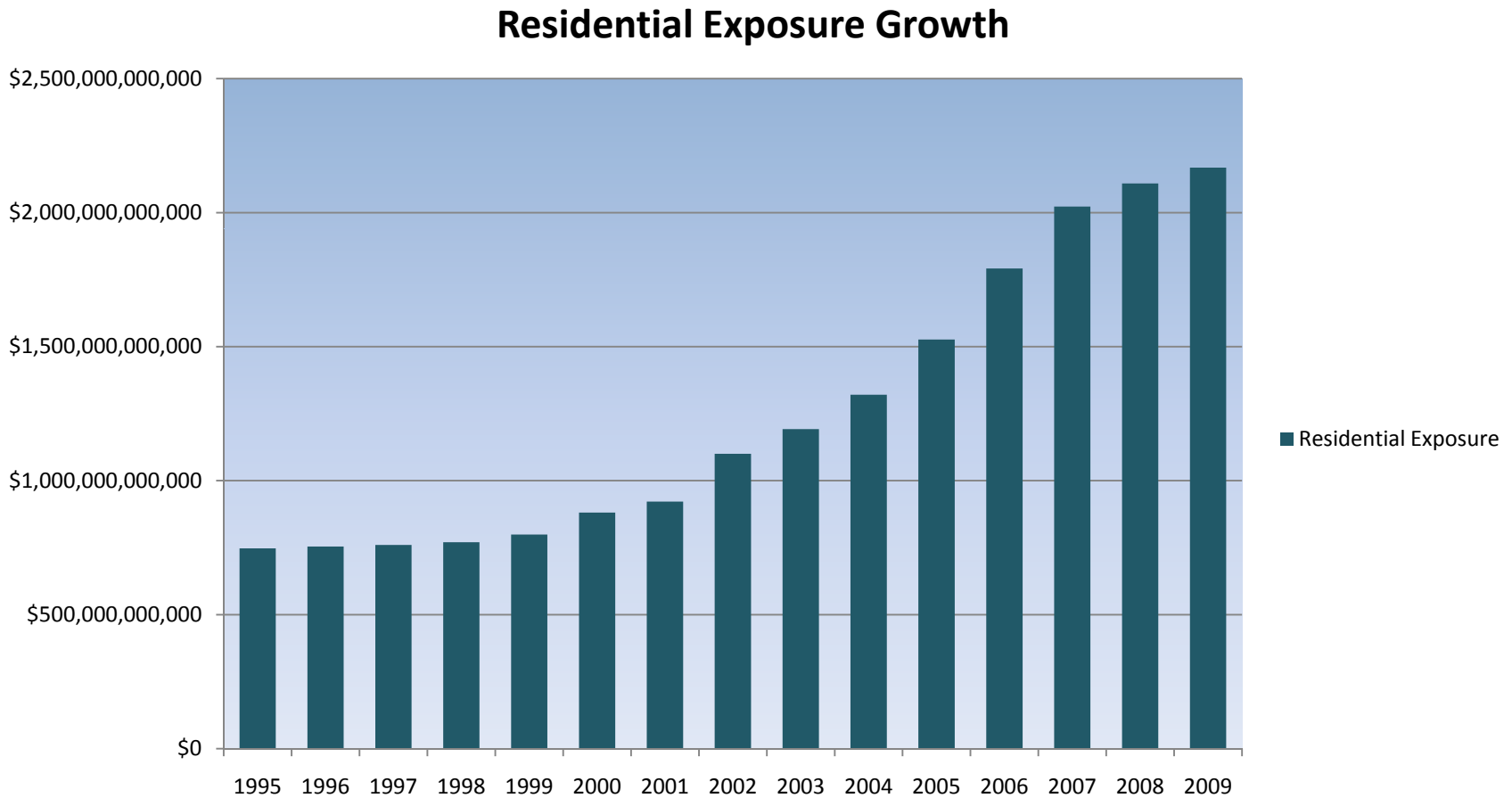
❖ Massachusetts: FAIR plan covers 40% of market on the catastrophe exposed Cape.

❖ Mississippi: Wind pool up from 1,600 policies in 2006 to over 42,000 policies currently.

❖ North Carolina: Last year about \$72 billion in exposure, about \$2.4 billion in claims capacity. Legislature capped plan at \$1 billion this year. Currently has 176,000 properties.

❖ Texas: Policy count has grown from 69,000 policies at end of 2001 to over 215,000 policies by year end 2008. Half of the exposure is in Galveston county. As of the end of 2008, TWIA had total liabilities of \$58.6 billion.

Florida Residential Property Exposure is Increasing



Source: FHCF Ratemaking Report, 2009

Florida Residential Property Writers : 2nd Quarter 2009 Results

Of the 210 companies with a significant presence in the Florida residential property market (some are not Florida-domiciled companies)

150 have shown increases in policyholder surplus (surplus is reported for the whole insurance company, nationally) , while

60 have reported declines in policyholder surplus

Of those same 210 companies, for 2nd quarter:

84 posted underwriting gains

102 posted underwriting losses

The list is provided in your materials and is posted on our website as part of the package presented to the Financial Services Commission on September 15, 2009.

Florida Industry Reported Cost Drivers

- Increased Reinsurance Costs
- Premium reductions from the full implementation of mitigation discounts
- Fraud and Inflated Claims
- Replacement cost methodology
- Reported sinkhole claims

The companies have indicated the majority of these problems have been exacerbated by the weakening economy.

Implementation of HB 1495

In order to comply with the expedited rate filings associated with the purchase of private reinsurance, the Office updated its electronic filing system in July of 2009.

The Office conducted an industry webinar to provide information to the industry on the new filing component as well as any questions related to these filings.

To date 13 insurance companies have filed using this provision.

Seven of those filings are approved. The rest are very recent.

The rate impact for these filings ranges from 3.4% to 10%.

The Office anticipates several more of these filings in the coming months.

Questions?

