PROPERTY INSURANCE STABILITY REPORT

July 1, 2022

FLORIDA OFFICE OF
Insurance Regulation

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Insurance Commissioner

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Purpose and Scope

On May 26, 2022, Governor Ron DeSantis signed Senate Bill 2-D (SB 2-D) into law which makes important reforms designed to stabilize Florida's property market. The majority of the bill became effective May 26, 2022. SB 2-D states, pursuant to section 627.7154, Florida Statutes, the Florida Office of Insurance Regulation (OIR) shall:

On January 1 and July 1 of each year, provide a report on the status of the homeowners' and condominium unit owners' insurance market to the Governor, the President of the Senate, the Speaker of the House of Representatives, the Minority Leader of the Senate, the Minority Leader of the House of Representatives, and the chairs of the legislative committees with jurisdiction over matters of insurance showing:

1. *Litigation practices and outcomes of insurance companies.*
2. *Percentage of homeowners and condominium unit owners who obtain insurance in the voluntary market.*
3. *Percentage of homeowners and condominium unit owners who obtain insurance from the Citizens Property Insurance Corporation.*
4. *Profitability of the homeowners' and condominium unit owners' lines of insurance in this state, including a comparison with similar lines of insurance in other hurricane-prone states and with the national average.*
5. *Average premiums charged for homeowners' and condominium unit owners' insurance in each of the 67 counties in this state.*
6. *Results of the latest annual catastrophe stress tests of all domestic insurers and insurers that are commercially domiciled in this state.*
7. *The availability of reinsurance in the personal lines insurance market.*
8. *The number of property and casualty insurance carriers referred to the insurer stability unit for enhanced monitoring, including the reason for the referral.*
9. *The number of referrals to the insurer stability unit which were deemed appropriate for enhanced monitoring, including the reason for the monitoring.*
10. *The name of any insurer against which delinquency proceedings were instituted, including the grounds for rehabilitation pursuant to s. 631.051 and the date that each insurer was deemed impaired of capital or surplus, as the terms impairment of capital and impairment of surplus are defined in s. 631.011, or insolvent, as the term insolvency is defined in s. 631.011; a concise statement of the circumstances that led to the insurer's delinquency; and a summary of the actions taken by the insurer and the office to avoid delinquency.*
11. *Recommendations for improvements to the regulation of the homeowners' and condominium unit owners' insurance market and an indication of whether such improvements require any change to existing laws or rules.*
12. *Identification of any trends that may warrant attention in the future.*

Organization of the Report

The primary data used to construct this report is obtained from the National Association of Insurance Commissioners (NAIC) InsData financial database, the Quarterly and Supplemental Reporting System – Next Generation (QUASRng), the Florida Department of Financial Services (DFS), internal reviews of company data, annual data calls with insurers, the Catastrophe Stress Tests, the internal "CORE" system data, and OIR legislative reports. Legislative changes which may have impacted data points are indicated within the report. Each of the statutorily required elements of the report are also addressed in order throughout the report.

Prior OIR updates are available here.

Insurer Litigation Practices

Litigation practices and outcomes of insurance companies.

One of the primary challenges for Florida's property market is an increase in the frequency and severity of litigated claims. In 2019, Florida passed legislation curbing excessive litigation associated with the use of Assignment of Benefits (AOBs). In 2021, the Florida Legislature passed SB 76 which restructures litigation rules for disputed insurance claims. In 2022, SB 2-D provided further litigation reforms by limiting the assignment of attorney's fees to third parties in property insurance cases, and disincentivizing frivolous claims. OIR uses several data points to track insurer litigation practices in the market. Those data points are listed below.

NAIC MCAS Data

The NAIC Market Conduct Annual Statement (MCAS) is a regulatory tool developed in 2002 by state insurance regulators to collect information from insurers on a uniform basis to identify concerns regarding claims and underwriting. Homeowners' insurance companies report data via MCAS using uniform definitions and reporting requirements across all states. The MCAS data below contains the percentage of nationwide homeowners' claims and suits opened in Florida.

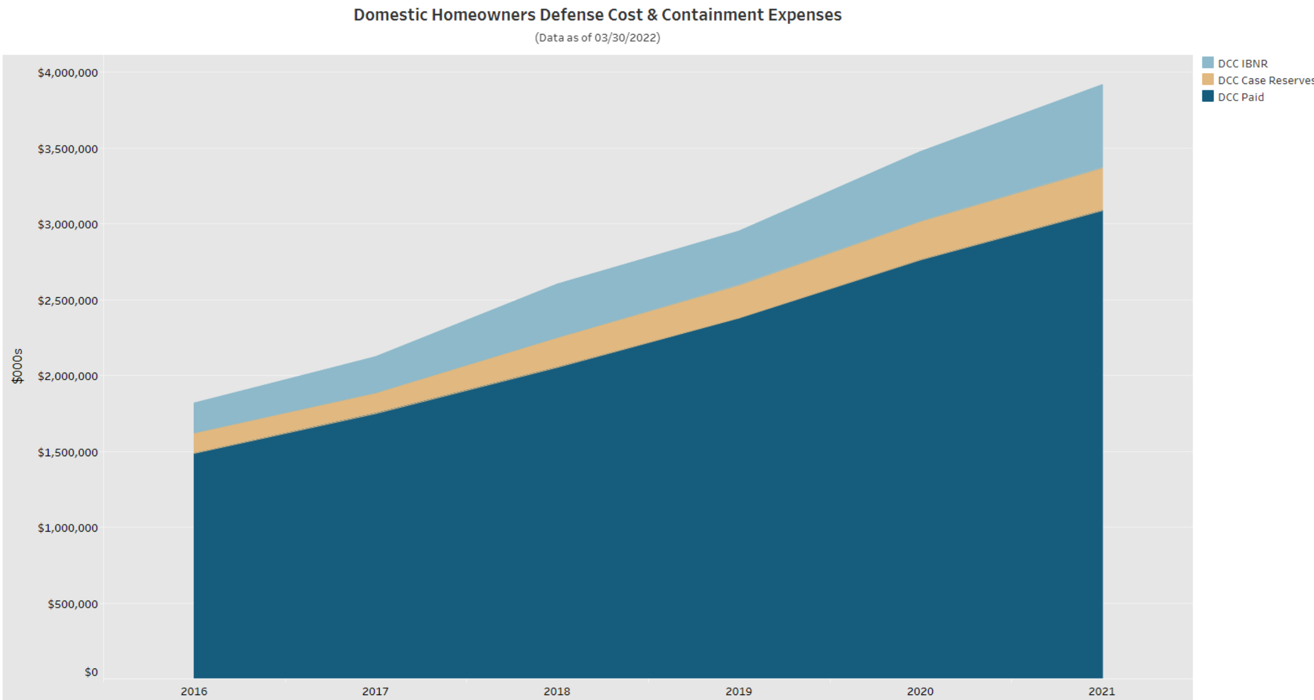
Year	Percent of Nationwide Homeowners' Claims Opened in Florida	Percent of Nationwide Homeowners' Suits Opened in Florida
2016	7.75%	64.43%
2017	16.46%	68.07%
2018	11.85%	79.91%
2019	8.16%	76.45%
2020	8.81%	79.16%
2021*	7.03%	76.32%

**Data as of May 20, 2022. 2021 MCAS data not considered finalized until July 2022.*

Domestic Homeowners Defense Cost & Containment Expenses

OIR tracks defense cost and containment expenses (DCC) through the NAIC annual financial statement data.

In 2021, insurers paid approximately $3,087,242,000 in direct domestic homeowners' DCC expenses. The DCC includes defense, litigation, and medical cost containment expenses, whether internal or external. It includes attorney fees owe to a duty to defend.



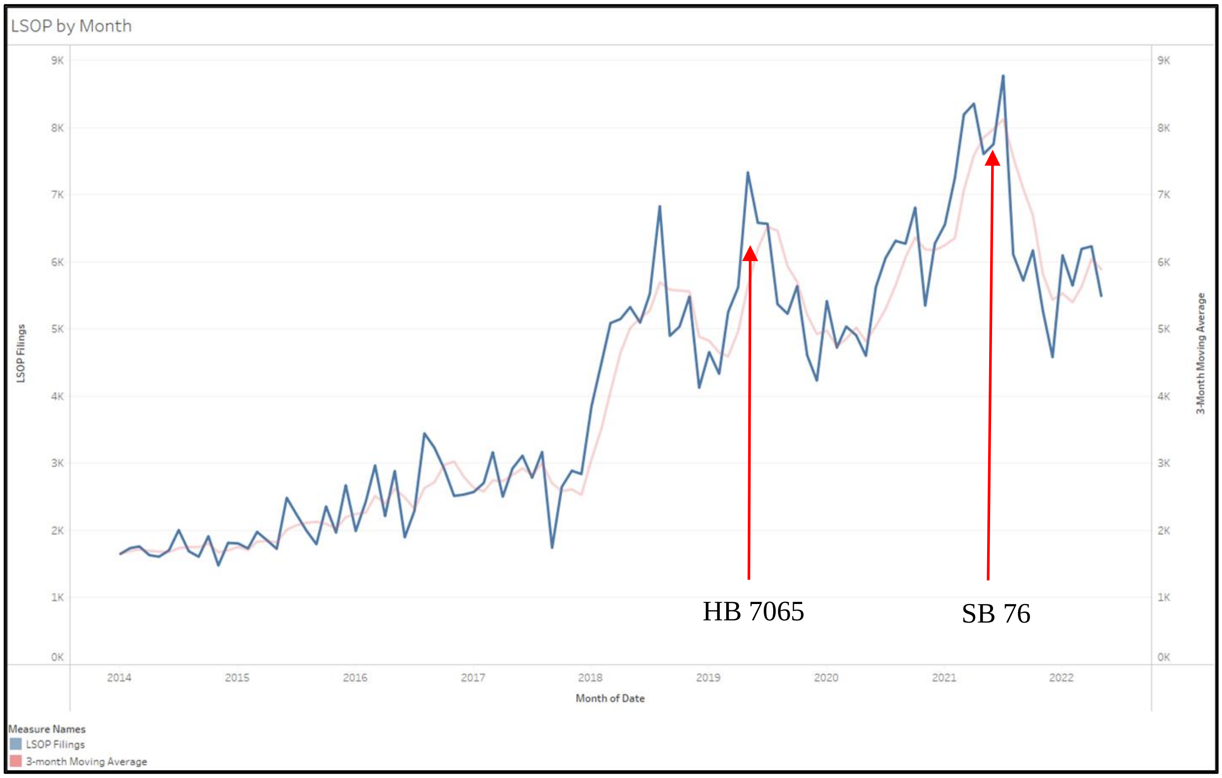
Data is from statutory financial statements submitted to the National Association of Insurance Commissioners (NAIC). Citizens Property Insurance Corporation is included.

DFS Legal Service of Process

Pursuant to section 48.151(3), Florida Statutes (2021), all authorized insurers (insurance companies) registered to do business in the state of Florida are required to designate the Chief Financial Officer of Florida as their statutory Registered Agent for service of process.

Using data from the DFS Legal Service of Process database, OIR matched lawsuits against known property insurers using key terms.

Personal Residential Legal Service of Process filings

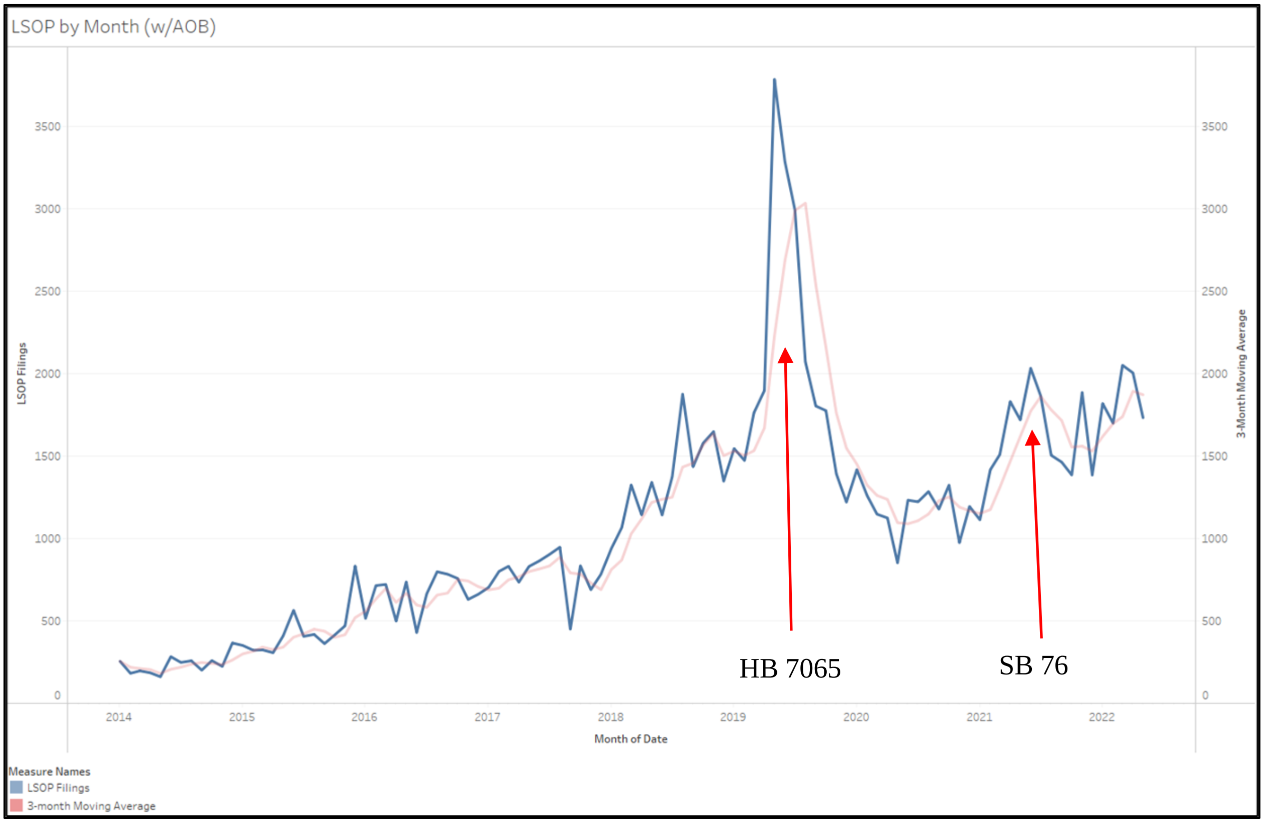


The total number of Personal Residential Legal Service of Process filings is identified in blue with the 3-month average identified in red, as of May 31, 2022.[1]

[1] Data collected from https://apps.fldfs.com/lsopreports/reports/report.aspx. Data as of May 31, 2022.

DFS Legal Service of Process Cont.

Personal Residential Legal Service of Process filings that contained AOBs



The total number of Personal Residential Legal Service of Process filings that contained AOBs is identified in blue with the 3-month moving average identified in red, as of May 31, 2022.[2]

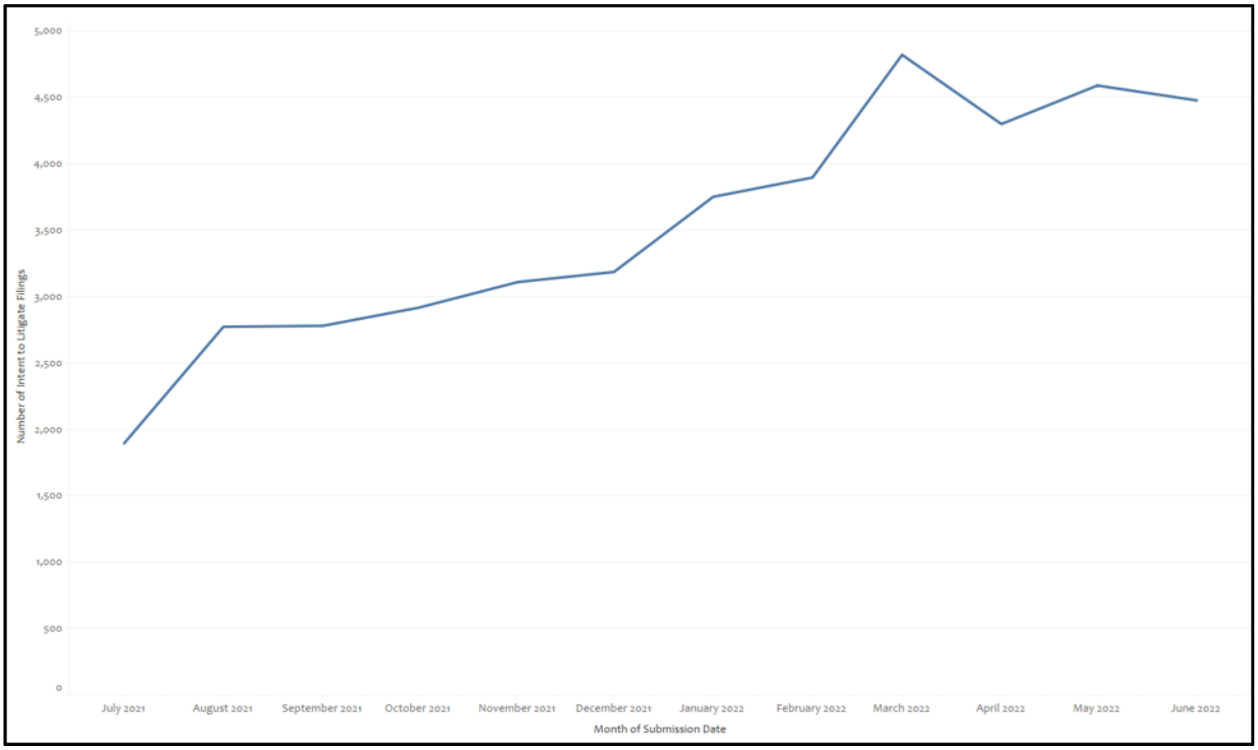
[2] Data collected from https://apps.fldfs.com/lsopreports/reports/report.aspx. Data as of May 31, 2022.

DFS Notice of Intent to Litigate

Following the passage of SB 76, when a party reaches the point of filing legal actions against an insurer related to a property insurance policy, they must first submit notice of their intent to initiate litigation pursuant to the process prescribed in section 627.70152, Florida Statutes. OIR has closely tracked the number of notices of intent to litigate since it was implemented in 2021.

SB 2-D provided that a defendant insurer may obtain attorney fees and costs associated with securing a dismissal without prejudice for the plaintiff's failure to provide the required Notice of Intent to Initiate Litigation at least 10 days before filing a suit against a property insurer and clarifies the requirement to provide a Notice of Intent to Initiate Litigation before filing suit.

Property Insurance Intent to Initiate Litigation filings



The total number of property insurance intent to initiate litigation filings as of June 29, 2022.[3]

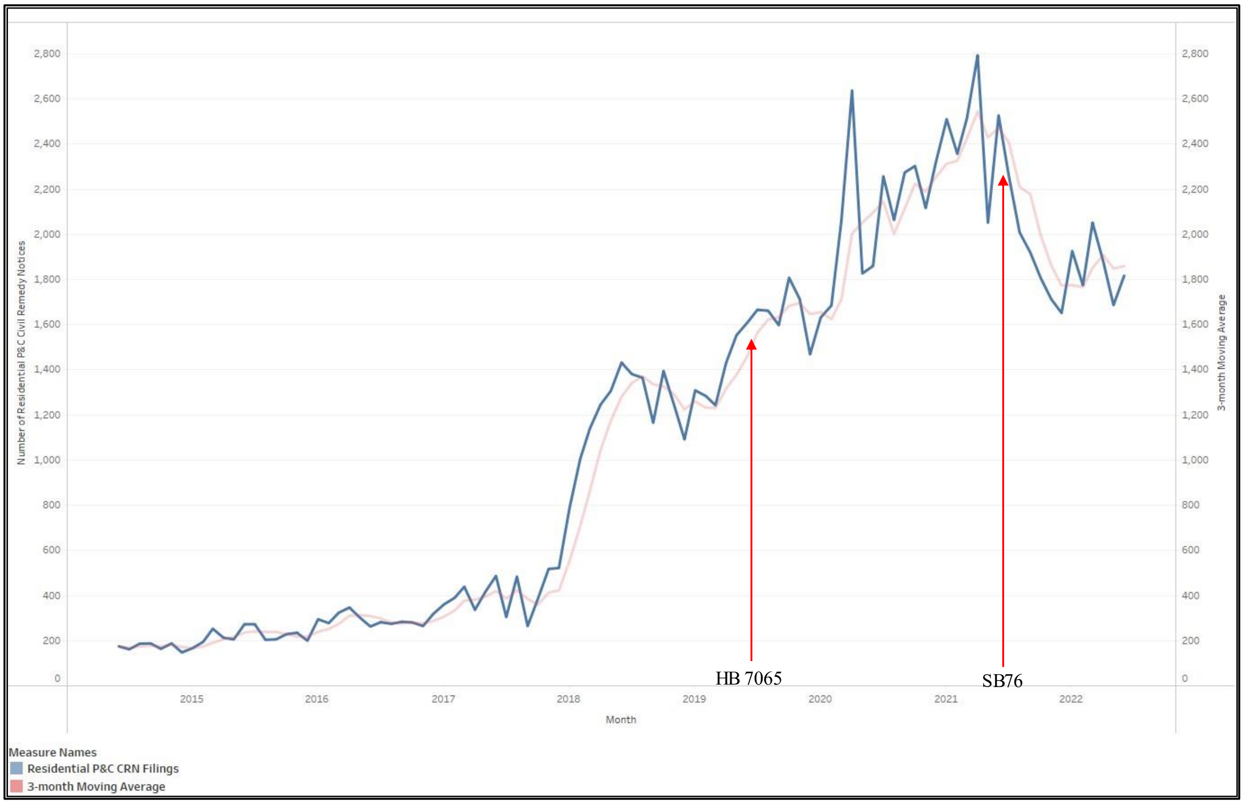
DFS Civil Remedy Notices

The Civil Remedy Notice is intended for use by parties who are beginning the process of filing suit against an insurer, when a party feels they have been damaged by specific acts of the insurer. The Notice is intended to meet a portion of legal requirements set forth in section 624.155, Florida Statutes, which requires a party to file Notice with the DFS via the online Civil Remedy filing system at least 60 days prior to bringing an action against the insurer.

[3] Data collected from https://piitil.myfloridacfo.gov/. Data as of June 29, 2022.

Using data from the DFS Civil Remedy Notice database, OIR tracks the number notices filed on personal residential insurers.

Personal Residential Civil Remedy Notice of Insurer Violations filed



The total number of Personal Residential Civil Remedy Notice of Insurer Violations filed with the 3-month moving average[4].

Homeowners and Condominium Unit Owners Policies in the Voluntary Market

Percentage of homeowners and condominium unit owners who obtain insurance in the voluntary market. Percentage of homeowners and condominium unit owners who obtain insurance from the Citizens Property Insurance Corporation.

Through OIR's QUASRng, insurers report the number of homeowners and condominium unit owner policies issued in the voluntary market, including the number of homeowners and condominium unit policies from Citizens Property Insurance Corporation (Citizens).

For the purposes of this report, the voluntary market includes all homeowners' insurers writing homeowners' and condominium unit owners policies in Florida, not including Citizens or surplus lines. Additional information for the surplus lines market is available through the Florida Surplus Lines Service Office at www.fslso.com.

[4] Data collected from https://apps.fldfs.com/civilremedy/. Data as of June 29, 2022.

Homeowner Policies

For Homeowners policies (excluding tenants and condominium), the market share for voluntary insurers was 88.55 percent and the market share for Citizens was 11.45 percent, as of March 31, 2022.[5] These total market share figures represent Homeowners Multi-Peril policies and Homeowners Wind Only policies combined. The tables below show the market share for each type of policy.

Homeowners Multi-Peril	# Policies - Q1 2022	% Policies – Q1 2022
Voluntary Market	3,635,750	89.44
Citizens	429,237	10.56
Total	**4,064,987**	**100%**

Homeowners Wind Only	# Policies - Q1 2022	% Policies – Q1 2022
Voluntary Market	31,078	40.78
Citizens	45,135	59.22
Total	**76,213**	**100%**

Condominium Unit Owner Policies

For Condominium Unit Owner policies, the market share for voluntary insurers was 93.09 percent and the market share for Citizens was 6.91 percent as of March 31, 2022. These total market share figures represent Condominium Unit Owners Multi-Peril policies and Condominium Unit Owners Wind Only policies combined. The tables below show the market share for each type of policy.

Condominium Unit Owners Multi-Peril	# Policies - Q1 2022	% Policies - Q1 2022
Voluntary Market	889,114	94.17
Citizens	55,068	5.83
Total	**944,182**	**100%**

Condominium Unit Owners Wind Only	# Policies - Q1 2022	% Policies - Q1 2022
Voluntary Market	12,386	51.20
Citizens	11,806	48.80
Total	**24,192**	**100%**

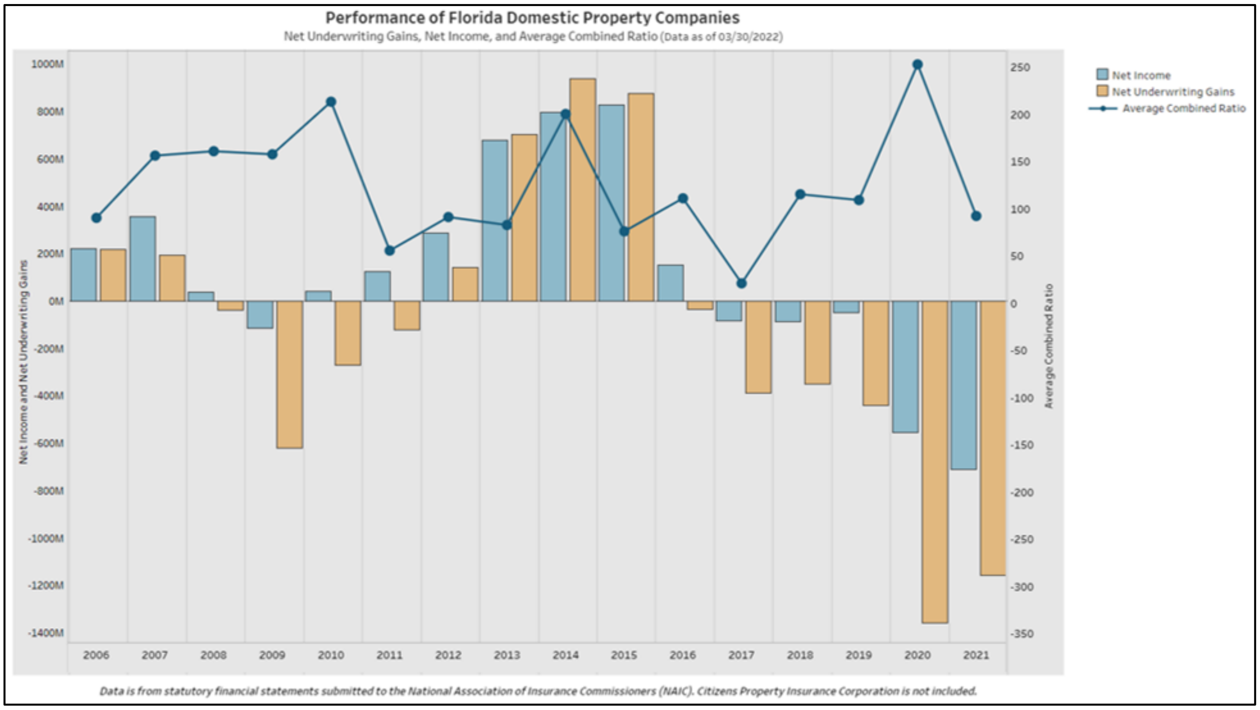
Profitability

Profitability of the homeowners' and condominium unit owners' lines of insurance in the state, including a comparison with similar lines of insurance in other hurricane-prone states and with the national average.

OIR tracks the performance of Florida's domestic property insurers, including net underwriting gains, net income, and average combined ratio.

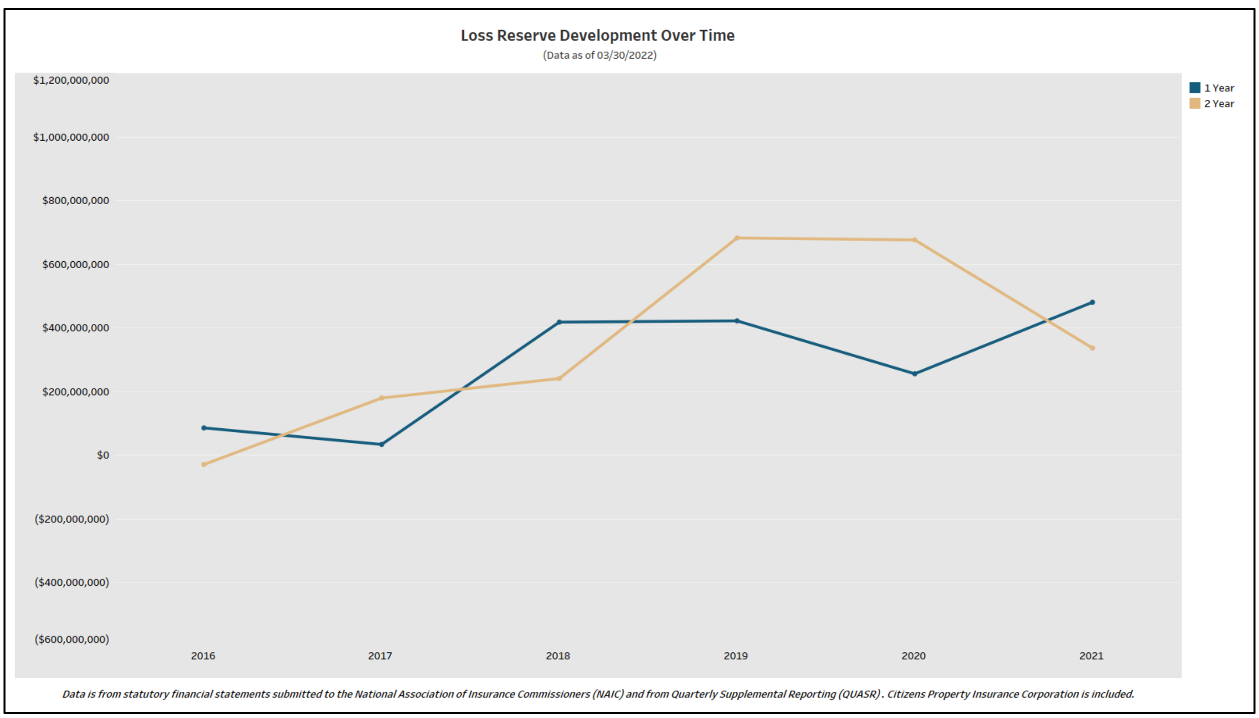
[5] QUASRng data as of June 30, 2022 is submitted to OIR on August 15, 2022

Performance of Florida Domestic Property Companies



The orange bar depicts the domestic industry's underwriting gain or loss. Underwriting gains or losses represent how much an insurance company has either made or lost from their operations. The blue bar indicates the domestic industry's net income.

Loss Reserve Development Over Time



The chart depicts loss reserve development for Florida domestic insurers. The blue line shows the one-year loss reserve development, and the orange line shows the two-year loss reserve development.

Upon the filing of a claim, or an anticipated claim, insurers establish a loss reserve, or the amount the insurer believes that claim will cost. At periodic points in time, an insurer goes back and evaluates how much those claims actually cost and uses that information to inform reserves going forward. If claims cost less than projected, reserve redundancies exist. If claims cost more than projected, reserves are said to have developed adversely.

If an insurers' claims being paid out are more than what the company has reserved, then the amount originally determined to be set aside is deficient. If market trends including but not limited to unexpected catastrophe losses, litigation, or social inflation, result in increased claims payments of more than what was originally reserved, the actuary may recommend increasing the companies' reserves for future claims payments.

To quantify, when carriers looked back one year later on their claims in 2020, the claims were about $256M more expensive than what the insurer originally estimated, and the two-year look back was approximately $676M more than the original estimate. In 2021, claims were approximately $481M more than estimated, and $337M at the two-year mark. These numbers reflect the high degree of uncertainty which exists in the property insurance market, which in turn impacts reinsurance capacity and reinsurance rates for insurers. In the simplest of terms, the greater the uncertainty that exists on future claims, the more reinsurers will tend to hedge their willingness to offer capacity, and the capacity that is available will cost more as a result. This loss reserve development trend has continued since 2018.

The insurance industry is inherently uncertain; for this reason, it is not expected that the established loss reserve will always exactly equal the ultimate cost of claims. However, it is also not expected that the ultimate cost of claims will be double or triple the estimated loss reserve. This uncertainty impacts an insurer's ability to set adequate rates, secure reinsurance, and attract investors.

As OIR continues to develop data elements within the report, the office will continue to define and refine data points for other hurricane-prone states.

Premiums

Average premiums charged for homeowners' and condominium unit owners' insurance in each of the 67 counties in this state.

Through QUASRng, OIR collects information on policies in force by county and the total amount of premium collected. To determine the average premium by county for this report, OIR calculated the total premium divided by the policies in force with wind coverage by county.

Actual charged premium will vary based upon company, insured value, deductibles, and the policy terms.

The average premiums charged for homeowners' and condominium unit owners' insurance is listed in the following chart. The following information represents data reported in QUASRng as of Quarter 1 – 2022. Quarter 2 – 2022 data will be submitted to OIR by August 15, 2022. Boxes labeled "N/A" indicate no policies in force.

Average Premiums Charged for Homeowners and Condominium Unit Owners		
County	**Homeowners**	**Condominium Unit Owners**
Alachua	$1,733	$691
Baker	$1,542	N/A
Bay	$2,519	$1,061
Bradford	$1,750	$707
Brevard	$2,568	$1,140
Broward	$4,802	$1,472
Calhoun	$2,317	$3,171
Charlotte	$2,201	$1,026
Citrus	$1,711	$893
Clay	$1,787	$711
Collier	$3,928	$1,699
Columbia	$1,712	$838
Desoto	$2,296	$737
Dixie	$2,031	$808
Duval	$1,943	$802
Escambia	$2,681	$1,386
Flagler	$1,847	$1,053
Franklin	$3,849	$1,128
Gadsden	$1,869	$749
Gilchrist	$1,734	$1,792
Glades	$2,528	$805
Gulf	$2,787	$1,297
Hamilton	$1,805	N/A
Hardee	$2,273	$778
Hendry	$2,342	$1,082
Hernando	$1,646	$823
Highlands	$1,897	$789
Hillsborough	$2,320	$1,004
Holmes	$2,092	N/A
Indian River	$3,144	$1,553
Jackson	$2,039	N/A
Jefferson	$2,013	N/A
Lafayette	$2,088	N/A
Lake	$1,731	$817
Lee	$2,515	$1,064
Leon	$1,832	$650
Levy	$1,938	$1,190
Liberty	$2,093	N/A
Madison	$1,934	N/A
Manatee	$2,144	$1,086
Marion	$1,585	$776
Martin	$4,373	$1,323

Miami-Dade	$5,093	$2,296
Monroe	$6,729	$3,352
Nassau	$2,122	$1,482
Okaloosa	$2,782	$1,316
Okeechobee	$2,528	$1,068
Orange	$2,440	$886
Osceola	$2,005	$821
Palm Beach	$4,811	$1,824
Pasco	$1,859	$772
Pinellas	$2,728	$1,075
Polk	$1,945	$854
Putnam	$1,765	$803
Santa Rosa	$2,535	$1,382
Sarasota	$2,470	$1,378
Seminole	$2,459	$847
St. Johns	$2,135	$1,060
St. Lucie	$2,509	$1,203
Sumter	$1,438	$758
Suwannee	$1,887	$397
Taylor	$1,935	$842
Union	$1,815	$602
Volusia	$2,036	$928
Wakulla	$1,749	$1,142
Walton	$3,603	$1,523
Washington	$2,093	$1,335

Annual Reinsurance Data Call and Catastrophe Stress Test

Results of the latest annual catastrophe stress tests of all domestic insurers and insurers that are commercially domiciled in this state.

OIR conducts the Annual Reinsurance Data Call (ARDC) and Catastrophe Stress Test (CST) pursuant to section 624.316, Florida Statutes, to evaluate the reinsurance programs that companies have in place to respond to catastrophic events that may occur during the Atlantic hurricane season. OIR requires all Florida domestic companies and other selected companies participating in the ARDC to model their losses for the CST assuming a historical event or series of events occur. Through the CST insurance companies are required to model a historical storm scenario, or a series of historical storm scenarios, and apply its purchased reinsurance program to the associated modeled loss.

The results of the CST are used by OIR to estimate the insurer's surplus amounts after the simulated event and assist in determining if each company would continue to meet its minimum surplus requirement after each storm scenario.

2022 CST

For the 2022 Hurricane Season, the CST is required to be submitted by domestic property insurers, commercially domiciled insurers, and other selected companies. The 2022 CST storm scenarios are:

- Scenario 1 – 1928 Lake Okeechobee Hurricane
- Scenario 2 – 1921 Tampa Bay Hurricane, followed by 2004 Hurricane Frances
- Scenario 3 – 1960 Hurricane Donna, followed by 2004 Hurricane Jeanne

As of June 27, 2022, 92 percent of insurers have filed the ARDC and 93 percent of insurers have filed the CST. The results from the 2022 CST will be finalized August 1, 2022.

2021 CST

The most recent results are from the 2021 CST. A total of 67 insurers were required to file the 2021 CST. The 2021 CST storm scenarios were:

- Scenario 1 – 1992 Hurricane Andrew
- Scenario 2 – 1960 Hurricane Donna, followed by 1995 Hurricane Opal
- Scenario 3 – 2004 Hurricane Frances, followed by 2016 Hurricane Hermine, followed by 1944 Hurricane Pinar del Rio

Based on the results of the CST scenarios, only two insurers were projected to fall below the minimum surplus requirement. One of those insurers was placed in liquidation in Louisiana and the other insurer infused additional capital to increase its surplus and meet any projected shortfalls in minimum surplus requirements.

Scenario 1: 1992 Hurricane Andrew

Based on modeling information provided by insurers, Hurricane Andrew (1992) would have caused approximately $17.1 billion in insured losses during the 2021 Atlantic Hurricane Season. After recognizing the impact of reinsurance, net losses to insurer are projected to be reduced to approximately $3.2 billion.

Scenario 2: Hurricane Donna (1960) and Hurricane Opal (1995)

Based on modeling information provided by insurers, Hurricane Donna (1960) and Hurricane Opal (1995) would have caused approximately $22.2 billion in insured losses during the 2021 Atlantic Hurricane Season. After recognizing the impact of reinsurance, net losses to insurer are projected to be reduced to approximately $4.3 billion.

Scenario 3: Hurricane Frances (2004), Hurricane Hermine (2016), Hurricane Pinar del Rio (1944)

Based on modeling information provided by insurers, Hurricane Frances (2004), Hurricane Hermine (2016), and Hurricane Pinar Del Rio (1944) would have caused approximately $18.5 billion in insured losses during the 2021 Atlantic Hurricane Season. After recognizing the impact of reinsurance, net losses to insurer are projected to be reduced to approximately $3.9 billion.

Reinsurance

The availability of reinsurance in the personal lines insurance market.

Florida is the most catastrophe-prone region in the United States with 8,436 miles of shoreline. To spread that catastrophic risk outside of Florida's borders, insurers turn to the global reinsurance market. 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. When the supply of reinsurance is readily available and affordable, the capacity of domestic property insurers to write and retain business is enhanced, and the premium impact to consumers is modest.

OIR conducts the ARDC to assess insurers' financial viability in covering catastrophic losses with respect to their catastrophic reinsurance programs. The ARDC consists of three stages:

- Stage 1 – Collect estimate of what insurers plan to purchase for reinsurance.
- Stage 2 – Collect the actual amount of reinsurance purchased by insurers.
- Stage 3 – Collect information on the reinsurers utilized.

Based on findings from the ARDC for the 2020-2021 year, the amount of 2020 reinsurance coverage purchased by insurers has increased an average of 15 percent from 2019. However, the cost of that reinsurance has increased by 54 percent from 2019 figures. Based on findings from the ARDC for the 2021-2022 year, the amount of 2021 reinsurance coverage purchased by insurers has increased an average of 19 percent from 2020. However, the cost of that reinsurance has increased by 28 percent from 2020 figures.

The results from the 2022 ARDC will be finalized August 1, 2022; however, it has been reported reinsurers are pulling back from, or raising prices in, the Florida property market.[6]

The Florida Hurricane Catastrophe Fund (FHCF) was created in November 1993 during a special legislative session after Hurricane Andrew. The purpose of the FHCF is to protect and advance the state's interest in maintaining insurance capacity in Florida by providing reimbursements to insurers for a portion of their catastrophic hurricane losses. Following the passage of SB 2-D, the Reinsurance to Assist Policyholders (RAP) program was created for the 2022-2023 and 2023-2024 storm season. RAP provides a non-recurring total of $2 billion in coverage for a portion of RAP insurers' hurricane losses. The program requires participation for almost all insurers participating in the FHCF.

[6] https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/florida-property-insurers-wrestle-with-lower-capacity-higher-reinsurance-costs-70510577

Property Insurer Stability Unit Referrals

The number of property and casualty insurance carriers referred to the insurer stability unit for enhanced monitoring, including the reason for the referral. The number of referrals to the insurer stability unit which were deemed appropriate for enhanced monitoring, including the reason for the monitoring.

In 2022, in accordance with section 627.7154, Florida Statutes, the property insurer stability unit (stability unit) was created within the OIR to aid in the detection and prevention of insurer insolvencies in the homeowners' and condominium unit owners' insurance market. The stability unit, a collaboration among multiple business units throughout the office, provides enhanced monitoring whenever OIR identifies significant concerns about an insurer's solvency, rates, proposed contracts, underwriting rules, market practices, claims handling, consumer complaints, litigation practices and outcomes, and any other issue related to compliance with the insurance code.

In accordance with section 627.7154(4), Florida Statutes, any of the following events trigger a referral to the stability unit:

- Consumer complaints related to homeowners' insurance or condominium unit owners' insurance under s. 624.307(10), F.S., if the complaints, in the aggregate, suggest a trend within the marketplace and are not an isolated incident.
- There is reason to believe that an insurer who is authorized to sell homeowners' or condominium unit owners' insurance in this state has engaged in an unfair trade practice under part IX of Chapter 626.
- A market conduct examination determines that an insurer has exhibited a pattern or practice of willful violations of an unfair insurance trade practice related to claims-handling which caused harm to policyholders, as prohibited by s. 626.9541(1)(i), F.S.
- An insurer authorized to sell homeowners' or condominium unit owners' insurance in this state requests a rate increase that exceeds 15 percent, in accordance with s. 627.0629(6), F.S.
- An insurer authorized to sell homeowners' or condominium unit owners' insurance in this state violates the ratio of actual or projected annual written premiums required by s. 624.4095(4)(a), F.S.
- An insurer authorized to sell homeowners' or condominium unit owners' insurance in this state files a notice pursuant to s. 624.4305, F.S., advising the office that it intends to nonrenew more than 10,000 residential property insurance policies in this state within a 12-month period.
- A quarterly or annual financial statement required by ss. 624.424 and 627.915, F.S. demonstrates that an insurer authorized to sell homeowners' or condominium unit owners' insurance in this state is in an unsound condition, as defined in s. 624.80(2), F.S.; has exceeded its powers in a manner as described in s. 624.80(3), F.S.; is impaired, as defined in s. 631.011(12) or (13), F.S.; or is insolvent, as defined in s. 631.011, F.S.
- An insurer authorized to sell homeowners' or condominium unit owners' insurance in this state files a quarterly or annual financial statement required by ss. 624.424 and 627.915, F.S., which is misleading or contains material errors.

- An insurer authorized to sell homeowners' or condominium unit owners' insurance in this state fails to timely file a quarterly or annual financial statement required by ss. 624.424 and 627.915, F.S.
- An insurer authorized to sell homeowners' or condominium unit owners' insurance in this state files a risk-based capital report that triggers a company action level event, regulatory action level event, authorized control level event, or mandatory control level event, as those terms are defined in s. 624.4085, F.S.
- An insurer selling homeowners' or condominium unit owners' insurance in this state that is subject to the own-risk solvency assessment requirement of s. 628.8015, F.S., and fails to timely file the own-risk solvency assessment.
- A reinsurance agreement creates a substantial risk of insolvency for an insurer authorized to sell homeowners' or condominium unit owners' insurance in this state, pursuant to s. 624.610(13), F.S.
- An insurer authorized to sell homeowners' or condominium unit owners' insurance in this state is party to a reinsurance agreement that does not create a meaningful transfer of risk of loss to the reinsurer, pursuant to s. 624.610(14), F.S.
- Citizens Property Insurance Corporation is required to absorb policies from an insurer that participated in the corporation's depopulation program authorized by s. 627.3511, F.S., within 3 years after the insurer takes policies out of the corporation.

The stability unit's supervisors review all referrals triggered by the statutory provisions to determine whether enhanced scrutiny of the insurer is appropriate.

Insurers Referred for Enhanced Monitoring

OIR closely monitors the financial condition and operating results of insurers. Many, if not all, of the articulated reasons for referral to the stability unit were already causes for OIR to initiate enhanced monitoring of an insurer. Since the passage of SB 2-D (2022), OIR reviewed insurers which were already subject to enhanced monitoring and formally referred those insurers to the stability unit, along with any insurer which triggered one of the listed events subsequent to the passage of SB 2-D (2022). As a result, there were 27 referrals to the stability unit for enhanced monitoring. This number includes actions taken from January 1 through June 30, 2022 and includes insurers OIR was closely monitoring before the passage of the bill.

The reason for the referral appears in the list below:

- One referral for failure to timely file a quarterly or annual financial statement (s. 627.7154(4)(i), F.S.);
- Two referrals for filing a quarterly or annual financial statement which demonstrated that the insurer is in an unsound condition (s. 627.7154(4)(g), F.S.);
- 10 referrals for filing a notice with OIR that it intends to nonrenew more than 10,000 residential property insurance policies in this state within a 12-month period (s. 627.7154(4)(f), F.S.); and
- 14 referrals for requesting a rate increase that exceeds 15 percent (s. 627.7154(4)(d), F.S.).

Companies Referred for the Initiation of Delinquency Proceedings

The name of any insurer against which delinquency proceedings were instituted, including the grounds for rehabilitation pursuant to s. 631.051 and the date that each insurer was deemed impaired of capital or surplus, as the terms impairment of capital and impairment of surplus are defined in s. 631.011, or insolvent, as the term insolvency is defined in s. 631.011; a concise statement of the circumstances that led to the insurer's delinquency; and a summary of the actions taken by the insurer and the office to avoid delinquency.

OIR closely and consistently monitors the financial condition and operational results of insurers doing business in Florida, including domestic property insurers. When a company is referred for delinquency proceedings, OIR and DFS work closely with companies to ensure consumer coverage is maintained through the transition of policies to another insurer.

Since January 1, 2022, three property and casualty insurers were referred to the Florida Department of Financial Services (DFS) for the purpose of initiating delinquency proceedings. The insurers are listed below.

St. Johns Insurance Company

- St. Johns Insurance Company (St. Johns) was a property and casualty insurance company in Orlando, Florida. The company was licensed in Florida in 2004 and authorized to write homeowners multi-peril, commercial multi-peril, fire, allied lines, and inland marine coverage in Florida and South Carolina.
- Grounds for receivership: Insolvency

DATE OF INSOLVENCY: February 22, 2022

- St. Johns, through a resolution of its Board of Directors dated February 22, 2022, admitted it was insolvent as that term is defined pursuant to section 631.011(14), Florida Statutes, and consented to the appointment of DFS as Receiver of St. Johns.
- February 23, 2022, St. Johns was referred to DFS by OIR with the determination that one or more grounds existed for the initiation of delinquency proceedings.
- February 25, 2022, St. Johns was ordered into a receivership for purposes of liquidation by the Second Judicial Circuit Court in Leon County, Florida. DFS became the court appointed Receiver of St. Johns. The company had approximately 147,000 in-force policies at the time of receivership.

St. Johns had experienced continued adverse loss reserve development since 2018, attributable largely to Hurricane Irma. The company was required to file monthly financial statements and participate in regular up-date calls with OIR. During this period, the company funded the loss reserve development. However, in 2021, the company suffered accelerated adverse loss reserve development which they were unable to fund.

Under the liquidation order, all St. Johns' Florida policies were canceled effective March 1, 2022, unless otherwise terminated prior to March 1, 2022. DFS entered into an agreement with Slide Insurance Company to transition St. Johns' policies to Slide Insurance Company. Under the transition plan, Slide Insurance Company began providing replacement coverage effective

March 1, 2022, and there were no gaps in coverage. Policyholders' coverage and premium policies were identical before and after the transition.

Under the transition, any unearned premium due back from St. Johns and payable by the Florida and South Carolina guaranty associations was sent to Slide Insurance Company and applied to the transition policy.

Avatar Property and Casualty Insurance Company

- Avatar Property and Casualty Insurance Company (Avatar) was a property and casualty insurance company in Tampa, Florida. The company was licensed in Florida in 2008 and authorized to write homeowners multi-peril, commercial multi-peril, fire and flood coverage in Florida.
- Grounds for receivership: Insolvency

DATE OF INSOLVENCY: March 2, 2022

- Avatar, through a resolution of its Board of Directors dated March 2, 2022, admitted it was insolvent as that term is defined pursuant to section 631.011(14), Florida Statutes, and consented to the appointment of DFS as Receiver of Avatar.
- March 2, 2022, Avatar was referred to DFS by OIR with the determination that one or more grounds existed for the initiation of delinquency proceedings.
- March 14, 2022, Avatar was ordered into receivership for the purposes of liquidation by the Second Judicial Circuit Court in Leon County, Florida. DFS became the court appointed Receiver of Avatar. The company had approximately 37,000 in-force policies at the time of receivership.
- Under the liquidation order, Avatar's policies were canceled effective April 13, 2022.

Avatar had experienced several years of adverse loss reserve development and had been monitored closely by OIR, including monthly reporting and regularly scheduled calls with OIR. Notwithstanding the implementation of rate increases and changes in management, they were not able to fund the adverse loss reserve development attributable largely to Hurricane Irma and more frequent, smaller storms.

Southern Fidelity Insurance Company

- Southern Fidelity Insurance Company (Southern Fidelity) was a property and casualty insurance company in Tallahassee, Florida. The company was licensed in Florida in 2005 and authorized to write homeowners multi-peril, commercial multi-peril, inland marine, allied lines, fire, and other liability in Florida, Louisiana, Mississippi, and South Carolina.
- Grounds for receivership: Insolvency

DATE OF INSOLVENCY: June 9, 2022

Southern Fidelity was unable to place its 2022 reinsurance program, fund a solvent runoff, and address its reserve inadequacy. Without a plan to manage their Florida losses, and with Louisiana losses exhausting their surplus, the company was declared insolvent.

Southern Fidelity was part of a holding company system which also included Southern Fidelity Property and Casualty Insurance Company and Capital Preferred Insurance Company (Capital Preferred). Beginning in 2019, the companies embarked on a plan to address poor financial results stemming from underwriting losses, by merging and consolidating the companies. Over the course of the next year, notwithstanding the implementation of rate increases and a corporate reorganization, the companies continued to post poor operating results and were required to file monthly financial statements and risk-based capital estimates with OIR and participate in monthly call updates. In May of 2020, as results continued to deteriorate, OIR approved the request by Capital Preferred to cancel approximately 23,800 policies to protect remaining policyholders.

On September 4, 2020, OIR approved the proposed merger of Capital Preferred with and into Southern Fidelity and required a capital infusion by November 1, 2020. With continued losses reflected on its August monthly statement field in September, Southern Fidelity was placed in Administrative Supervision on October 26, 2020. On November 16, 2020, Southern Fidelity was acquired by Gulf & Atlantic Insurance Companies, Inc., which is ultimately owned by Hudson Capital Management, LP, a Bermuda limited partnerships whose general partner is HSCM GP, LLC, a Delaware limited liability company. As a result, Southern Fidelity was provided $50 million of capital, $45 million of which was reported on the September 30, 2020 financial statement and the remaining $5 million was reported on the October 2020 financial statement.

Southern Fidelity's underwriting losses continued into early 2021 and 2022. Despite the implementation of significant rate increases in those years and the nonrenewal of a block of policies experiencing outsized claims activity, Southern Fidelity's surplus continued to deteriorate. On May 26, 2022, Southern Fidelity notified its agents it was suspending new business and renewals until the completion of securing its reinsurance coverage for the 2022 Atlantic Hurricane Season. On June 2, 2022, Southern Fidelity notified the OIR that it could not place its reinsurance program for 2022. Southern Fidelity was unable to provide a plan by June 8, 2022, to demonstrate, at a minimum, its ability to quickly provide for a successful transition of its policies to another insurer, fund a solvent run-off of its current and incurred-but-not reported liabilities, address potential reserve inadequacy issues and manage its non-Florida policies and losses.

On June 9, 2022, with the development of its Louisiana losses attributable to Hurricane Ida exhausting its surplus, Southern Fidelity, through a resolution of its Board of Directors dated June 9, 2022, admitted it was insolvent as that term is defined pursuant to section 631.011(14), Florida Statutes, and consented to the appointment of DFS as Receiver.

On June 10, 2022, Southern Fidelity was referred to DFS by OIR with the determination that one or more grounds existed for the initiation of delinquency proceedings, including that it was impaired, it was insolvent, its continued operation was hazardous to policyholders and the public and it had consented to receivership. Southern Fidelity was ordered into liquidation on June 15, 2022.

Recommendations and Trends

Recommendations for improvements to the regulation of the homeowners' and condominium unit owners' insurance market and an indication of whether such improvements require any change to existing laws or rules and the identification of any trends that may warrant attention in the future.

In February 2021, at the request of the Florida House Commerce Committee, OIR compiled a report identifying primary cost drivers for property insurance rates in Florida, trends in the property market and legislative recommendations. Under the leadership of Governor Ron DeSantis, the Florida Cabinet and the Florida Legislature, many of these legislative recommendations were implemented through SB 76 (2019) and SB 2-D (2022).

In consideration of the recent 2022 Special Session on property insurance, OIR will continue to monitor trends and impacts from SB 76 and SB 2-D and propose additional recommendations for the next Property Insurance Stability Unit report due January 1, 2023.

The Florida House Commerce Committee report is available here. The Florida House Commerce Committee report supplemental letter is available here.

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