

2015

Report of the
**Catastrophe
Stress Test**

October 2015



FLORIDA OFFICE OF
INSURANCE REGULATION

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Executive Summary

- The Florida Office of Insurance Regulation (Office) routinely monitors the financial strength of property insurance companies operating within the state of Florida.
- One element of this monitoring is the collection of a series of information regarding companies' catastrophe reinsurance. In past years, the primary focus has rested on the amount and cost of reinsurance purchased by property insurance companies operating in the state of Florida. The information is collected during an annual industry data call. Reviewing the amount of reinsurance purchased gives the Office insight into companies' ability to cover catastrophic losses without compromising their own financial viability.
- A vast majority of the property casualty insurance companies writing business predominantly in the state of Florida are required to participate in the Annual Reinsurance Data Call (Data Call). Each of the participating companies demonstrated that their surplus and reinsurance was sufficient to cover a 1-in-100 year event.
- Three years ago, in an effort to provide additional information regarding companies' abilities to withstand catastrophic storm losses, an additional test was constructed. This test, known as the Catastrophe Stress Test, examines property insurance companies' ability to respond to the impact of specific historical storm scenarios.
- Developed in consultation with insurance companies, reinsurance brokers, and economists, the Catastrophe Stress Test is a modeled projection using the best science and technology available. Actual results for an insurance company may be very different. In order to pass the Catastrophe Stress Test, companies must carry post-event surplus above a minimum amount set forth in Florida law. Traditionally, two single event storm scenarios were used. This year, a third multi-storm scenario was added to the test.
- The Catastrophe Stress Test was required to be submitted by any Florida-based insurance company that participated in the Data Call. This includes any company participating in a Citizens take-out. Additionally, four other insurance companies were directed to participate because of their significant market share: United Services Automobile Association, USAA Casualty Insurance Company, Castle Key Indemnity Company, and Castle Key Insurance Company. Citizens Property Insurance Corporation (Citizens) also participated due to their significant market share.

- All these insurance companies were required to model three historical storm scenarios: the 1947 Fort Lauderdale hurricane, the 1921 Tampa Bay hurricane, and the 2004 sequence of hurricanes Charley, Frances, Ivan, and Jeanne. The third scenario is the first time the Office has included a scenario with four events.
- The Catastrophe Stress Test required insurance companies to use the same hurricane model utilized in both Part 2¹ of the Office's Data Call and in the most recent rate filings. All hurricane models used by insurance companies in connection with the Catastrophe Stress Test have been accepted for use by the Florida Commission on Hurricane Loss Projection Methodology (Commission). However, there is still a risk of model volatility.
- The Office enhanced this year's Catastrophe Stress Test to assess this risk. The Office compared modeled losses, equally weighted between the insurance company's chosen model and the Florida Public Hurricane Model, to existing reinsurance programs. In addition to utilizing the Florida Public Hurricane Model, the Office also increased each participant's modeled losses by 25% and compared those modeled losses to existing reinsurance programs.
- To determine if an insurance company ultimately passed the Catastrophe Stress Test, the Office calculated the insurance company's minimum required surplus as of June 30, 2015 under Florida law. The Office deducted the modeled net loss provided by each insurance company from its actual June 30, 2015 surplus to obtain a projected post-event surplus amount. The insurance company successfully passed the test if the projected post-event surplus amount was higher than the minimum required surplus amount.
- All 67 insurance companies taking part in the Catastrophe Stress Test ultimately passed each scenario, with one company electing to purchase additional reinsurance to satisfy all components of the Catastrophe Stress Test. Successful completion of the Catastrophe Stress Test does not guarantee the performance of any insurance company, but it is an indication of its ability to withstand catastrophic losses.

¹ The Data Call consists of three parts, with Part 2 requiring information about the reinsurance program placed by each participant upon renewal. For more discussion on the three parts of the Data Call, see the body of this report.

- It is important to recognize there are other options available to companies to shore up their financial situation in the event of a catastrophic event. The companies could and likely would take these additional steps; therefore, because there is no certainty around these measures pre-event, these options were not considered in the calculation of this test. The modeled net loss provided by each insurance company was deducted directly from its most recently filed surplus position. This methodology does not consider prospective capital contributions, the purchase of additional reinsurance, potential tax benefits, or any other measure that may be taken by insurance companies that would serve to reduce losses or increase surplus after an event.
- The projections, assumptions and modeled losses reported by insurance companies for this report are NOT expected outcomes. Rather, they are modeled projections generated using the best science and technology available. Actual results for an insurance company may be very different, including exceeding projected losses.
- As hurricane models, regulatory tools and the science of predictive catastrophe projections are further developed and refined, the Catastrophe Stress Test will be modified, augmented and strengthened by these new analytical tools so that the Office continues to utilize the most advanced and reliable tools available to assess the financial condition and resiliency of Florida's property insurance companies.

Introduction

The Florida Office of Insurance Regulation (Office) regularly conducts analyses of the financial condition of insurance companies operating in the state of Florida. This analysis is in large part based on the Risk-Focused Surveillance process adopted by state insurance regulators across the United States. While this analysis is robust, Florida has the unique characteristic of having the largest exposure to catastrophic hurricane risk of any state in the U.S. This characteristic puts Florida's property insurance companies at a heightened level of risk and requires that Florida insurance regulators take a more in-depth look at the financial condition of insurance companies in this context.

As a result, the Office undertakes additional measures to review how property insurance companies mitigate this additional risk. These measures include the Annual Reinsurance Data Call (Data Call) and, more recently, the Catastrophe Stress Test. While these two functions are developed and conducted primarily by staff of the Office, they are completed through consultation with economists, insurance companies, reinsurance brokers, and other interested stakeholders.

Most property insurance companies mitigate the risk of catastrophic losses resulting from hurricanes through the purchase of catastrophe reinsurance. Reinsurance provides a critical risk-sharing mechanism for insurance companies writing property insurance in Florida. Insurance companies, large or small, do not bear the full risk of hurricane losses by themselves, but have access to billions of dollars in capital via reinsurance and other risk-transfer mechanisms, such as catastrophe bonds.

Property insurance companies utilize hurricane models to estimate losses that could arise from catastrophes such as hurricanes. The management team of the insurance company uses these estimates to determine how much of this risk should be retained by the insurance company and how much should be reinsured. Through this process, the potential risk of loss due to hurricanes affecting individual insurance companies is diversified across multiple reinsurance entities. Because of this reliance on reinsurance, a significant emphasis of the Data Call and the Catastrophe Stress Test was the adequacy of the reinsurance program purchased by property insurance companies.

Annual Reinsurance Data Call

The Office selects insurance companies in the Data Call beginning with the receipt of the Annual Financial Statement and Quarterly and Supplemental Reporting System – Next Generation (QUASRng) data, which occurs each March 1. The criteria for participating in the Data Call are:

- Any property insurance company, excluding Citizens Property Insurance Corporation, that ranks in the top 50 in terms of policies in force² as filed in QUASRng.
- Any Florida-based property insurance company that ranks in the top 100 in terms of policies in force³ as filed in QUASRng.
- Any company whose Florida written premium in the property lines of business⁴ exceeds 25% of the company's surplus.
- Any property insurance company whose Florida total insured value as filed in QUASRng exceeds 300% of the company's surplus.
- Any newly licensed Florida-based property insurance company.
- Any property insurance company with significant Florida exposure or operations that justifies inclusion in the Data Call.

The Data Call collects information from participating insurance companies over the course of several months and in three distinct parts.

Part 1 is conducted during the latter part of April and requires insurance companies to submit:

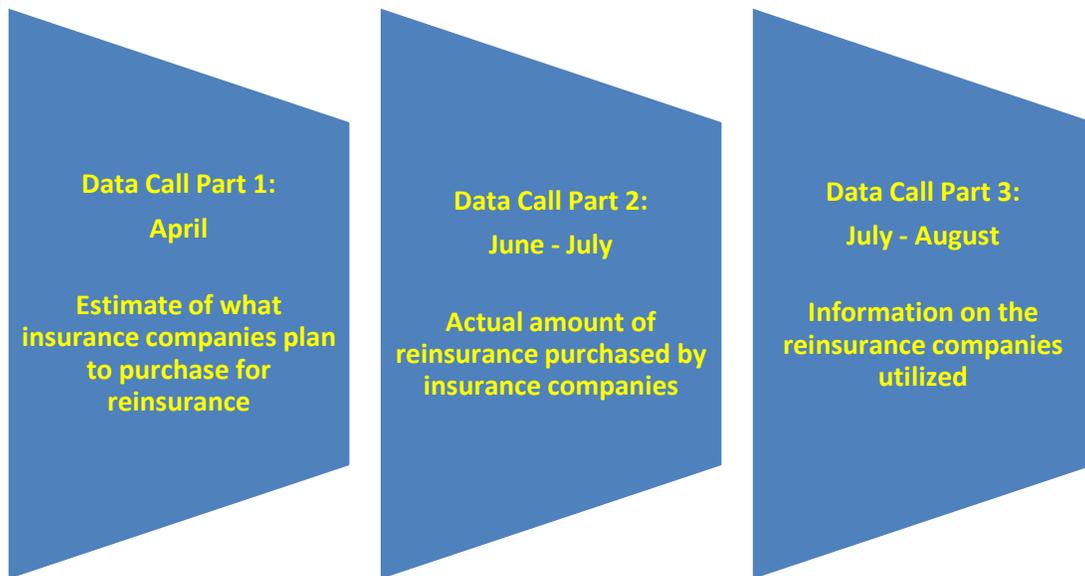
- Probable Maximum Losses (PML) at various return time levels;
- The amount and type of reinsurance the insurance company plans to purchase in order to mitigate losses at these return time levels; and
- The anticipated cost associated with such a purchase.

Part 2 is conducted after each insurance company has renewed or placed its catastrophe reinsurance program. Since this typically occurs on June 1, Part 2 is due for submission to the Office on June 15. However, some insurance companies renew their programs on July 1, so Part 2 is submitted to the Office on July 15. Part 2 requires insurance companies to disclose to the Office the actual amount of reinsurance purchased for the upcoming hurricane season.

² Policies in Force include all policy types filed in QUASRng.

³ Ibid.

⁴ For purposes of calculating this figure, property lines of business means Fire, Allied Lines, Homeowners Multiple Peril, Inland Marine, and Commercial Multiple Peril.



In addition, Part 3 is submitted to the Office on July 15 (August 15 for July 1 renewals) and contains information about the reinsurance companies being utilized on the insurance company's program. By law, Florida-based insurance companies that enter into reinsurance contracts, whether property catastrophe reinsurance contracts or other reinsurance contracts, are required to provide to the Office a summary statement outlining provisions of the contract⁵. Part 3 requires similar information to be submitted.

During the 2015 Data Call, 112 companies were directed to participate. Because many of these companies participate in consolidated programs, the Office ultimately reviewed 90 reinsurance programs through the Data Call process.

The Data Call provides important information to the Office regarding the cost of reinsurance purchased, the type of reinsurance purchased, and, importantly, the return time level of reinsurance purchased. The return time of reinsurance purchased is the amount of reinsurance purchased compared to the modeled losses at given exceedance probabilities, which is referred to as a Probable Maximum Loss, or PML. An exceedance probability is the probability that a given loss will be exceeded. An example that is commonly referred to is the 100 year PML. When an insurance company indicates it has a 100 year PML of a certain amount, that means there is a 1% chance losses from an event could exceed that amount. An insurance company with reinsurance and excess surplus sufficient to cover losses associated with its 100 year PML is said to have purchased reinsurance to a 1-in-100 year level. While there is no provision

⁵ Section 624.610(11), Florida Statutes

requiring a given amount of reinsurance to be purchased⁶, the 1-in-100 year standard is commonly used throughout the industry when assessing the adequacy of the amount of catastrophe reinsurance purchased.

As discussed later in this report, it is important to note the loss estimates generated by the hurricane models are not certain, but are estimates only. While the science and technology essential to the creation and maintenance of a hurricane model is robust, multi-disciplinary and continuously evolving, actual losses resulting from a hurricane could be much different.

Of the 112 insurance companies that participated in the Data Call, all demonstrated the purchase of reinsurance to a 1-in-100 year level or higher. Results from the Data Call for each company are included in Exhibit 2 of this report.

Catastrophe Stress Test

The Catastrophe Stress Test, which was designed to enhance the Office's analysis and review of the Data Call results, is required to be submitted by selected insurance companies at the same time as Part 2 of the Data Call. The criteria for participating in the Catastrophe Stress Test are:

- Any Florida-based insurance company that participated in the Data Call was directed to participate in the Catastrophe Stress Test.
- Because of their significant market share, the following companies were also directed to participate in the Catastrophe Stress Test: United Services Automobile Association, USAA Casualty Insurance Company, Castle Key Indemnity Company, and Castle Key Insurance Company.
- Citizens Property Insurance Corporation was also directed to participate because of its significant market share.

A full listing of companies that participated in the Catastrophe Stress Test appears as Exhibit 1 of this report.

The Catastrophe Stress Test uses information obtained in the Data Call to simulate how an insurance company's financial position would be impacted by a specific, historical hurricane. It requires insurance companies to model a historical storm scenario, or a series of historical storm scenarios, and apply its purchased reinsurance program to the associated modeled loss. This loss is then used by the Office to estimate the surplus of the insurance company after the occurrence of the event. Essentially, the Catastrophe Stress Test determines whether each

⁶ With the exception of insurance companies that have surplus notes through the State Board of Administration's Capital Build Up Program, which are required to purchase reinsurance to a 1-in-100 year level.

insurance company would continue to meet its minimum surplus requirement after each storm scenario. The 2015 Catastrophe Stress Test consisted of three storm scenarios to include:

Storm Scenario 1 - 1947 Fort Lauderdale Hurricane

The Office selected the 1947 Fort Lauderdale storm as the first Catastrophe Stress Test scenario. This storm was selected to assess the impact of a historical southeastern Florida storm. The 1947 Fort Lauderdale hurricane formed on September 9, 1947 and made landfall as a category 4 storm in Fort Lauderdale on September 17, 1947, with maximum sustained winds of approximately 130 miles per hour.



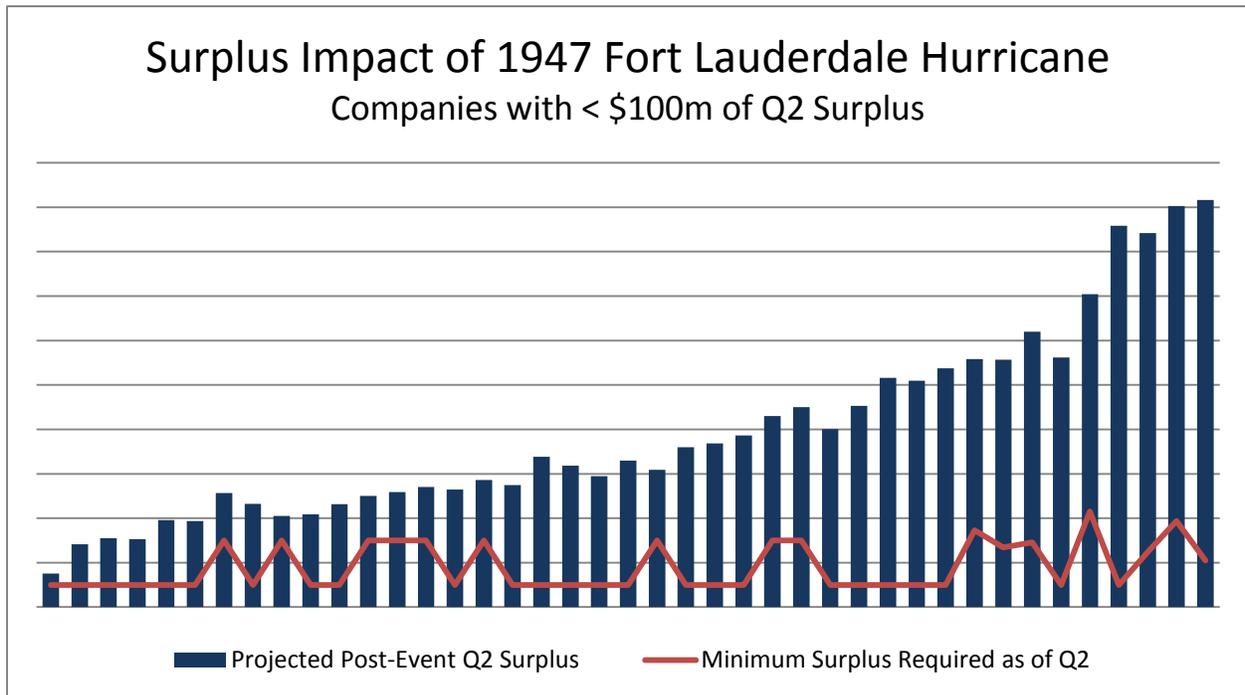
While estimates indicate this storm caused \$147 million⁷ in damage when it originally struck, a report⁸ completed by Karen Clark & Company in August 2012 estimated if this storm had occurred during the present day, it could cause losses of \$50 billion. As a comparison, the same

⁷ 1947 U.S. Dollars.

⁸ "Historical Hurricanes that Would Cause \$10 Billion or More of Insured Losses Today", Karen Clark & Company, August 2012, http://www.karenclarkandco.com/news/publications/pdf/HistoricalHurricanes_Brochure.pdf

report also indicated Hurricane Andrew could cause losses of approximately \$50 billion were it to occur again today. The storm tracked directly over Broward and Collier counties. Data submitted to QUASRng indicated these two counties had 660,786 policies in force as of June 30, 2015, which is about 11.2% of the total policies in force per QUASRng. An additional 797,262 policies, or 13.5% of the June 30, 2015 total, were in force in the adjacent counties of Palm Beach, Hendry, Lee, Monroe and Dade.

Based on the modeling information provided by participants, the 1947 Fort Lauderdale hurricane would have caused approximately \$17.6 billion in insured losses. However, after recognizing the impact of reinsurance, net losses to participants are projected to be reduced to approximately \$3.1 billion. The chart below depicts the projected post-event surplus of each participant with respect to the minimum amount required. The red line on the graph demonstrates the level of surplus required for each entity. All participants are above this red line on the graph. Because their results significantly skew the graph, companies with over \$100 million in surplus are omitted. In addition, Citizens is not included in the chart below due to not having a minimum surplus requirement. Note that the minimum required surplus amount is the greater of \$5 million or 10% of liabilities for companies licensed prior to July 1, 2011, and the greater of \$15 million or 10% of liabilities for companies licensed on or after July 1, 2011.



Based on the data provided by participants, all companies have at least 130% of their minimum required surplus remaining after Scenario 1. Twenty-two (22) participants would have post-event surplus between 200 and 500% of their minimum required, and 30 would have post-event surplus in excess of 500% of their minimum required amount.

Note that the analysis used to generate the above surplus losses do not consider prospective steps companies could take in order to mitigate the ultimate surplus impact of this event. Some of these measures include receiving additional capital and recognizing the potential tax benefit of sustaining large losses in a calendar year.

Storm Scenario 2 - 1921 Tampa Bay Hurricane

The second scenario chosen by the Office was the 1921 Tampa Bay Hurricane. This storm was chosen to review the impact a hurricane may have if it struck the Tampa-area region.



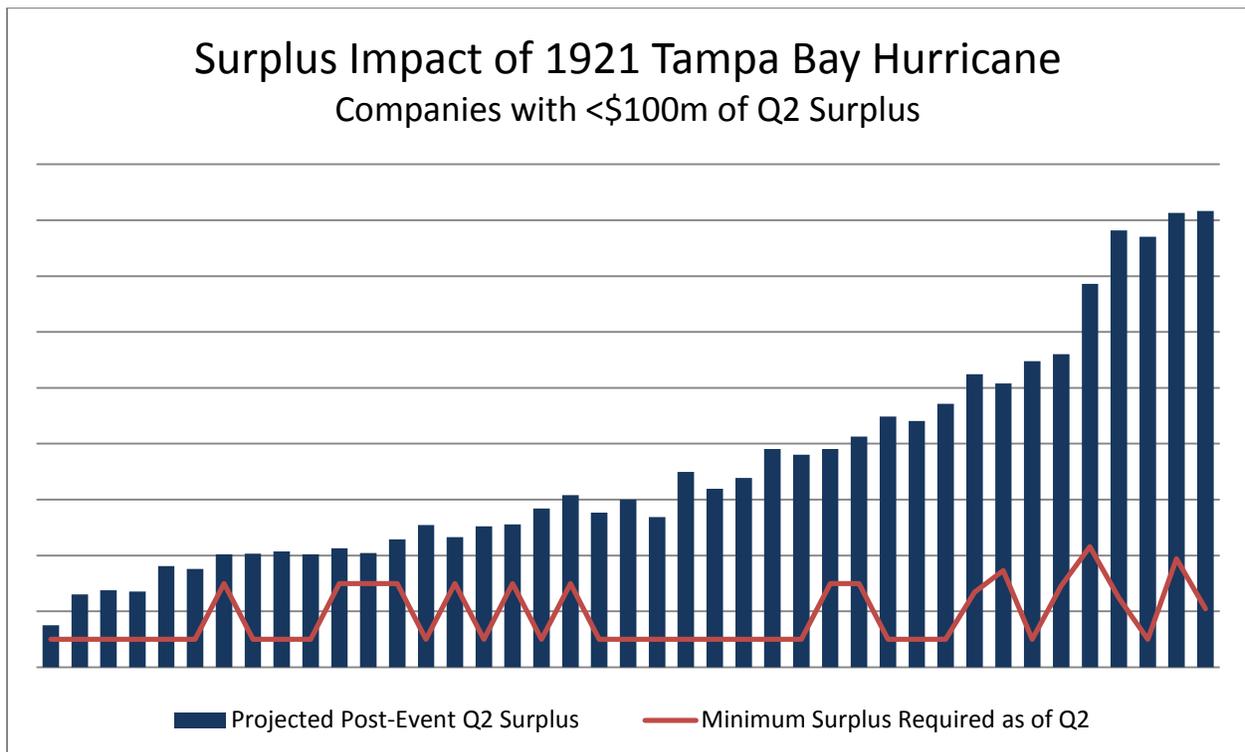
The 1921 Tampa Bay Hurricane made landfall near Tarpon Springs, Florida as a category 3 hurricane on October 25, 1921 with winds of approximately 115 miles per hour. The 1921 Tampa Bay Hurricane is one of the last major hurricanes to impact the Tampa area. While the storm caused approximately \$10 million⁹ in damages in 1921, a report¹⁰ completed by Karen Clark & Company estimates damages from this storm could be \$10 billion if it were to occur during the present day. The storm tracked directly over Pinellas, Pasco, Hillsborough, Sumter,

⁹ 1921 U.S. Dollars

¹⁰ "Historical Hurricanes that Would Cause \$10 Billion or More of Insured Losses Today", Karen Clark & Company, August 2012, http://www.karenclarkandco.com/news/publications/pdf/HistoricalHurricanes_Brochure.pdf

Lake, Orange, Seminole, and Volusia counties. Data submitted to QUASRng indicated these eight counties had 1,613,353 policies in force as of June 30, 2015, which is about 27.4% of the total policies in force per QUASRng.

Based on the modeling information provided by participants, the 1921 Tampa Bay hurricane would have caused approximately \$6.5 billion of insured losses. However, after recognizing the impact of reinsurance, the modeled net loss to participants is projected to be approximately \$1.7 billion. The chart below depicts the projected post-event surplus of each participant with respect to the minimum amount required. The red line on the graph demonstrates the level of surplus required for each entity. All participants are above this red line on the graph. Note that some participants utilize the same group reinsurance program. In the chart below, these participants are combined. In addition, Citizens is not included in the chart below due to not having a minimum surplus requirement. Because their results significantly skew the graph, companies with over \$100 million in surplus are omitted. Note that the minimum required surplus amount is the greater of \$5 million or 10% of liabilities for companies licensed prior to July 1, 2011, and the greater of \$15 million or 10% of liabilities for companies licensed on or after July 1, 2011.



Based on the data provided by participants, all companies have at least 130% of their minimum required surplus remaining after Scenario 2. Twenty-one (21) participants would have post-event surplus between 200 and 500% of their minimum required, and 31 would have post-event surplus in excess of 500% of their minimum required amount.

Note that the analysis used to generate the above surplus losses do not consider prospective steps companies could take in order to mitigate the ultimate surplus impact of this event. Some of these measures include receiving additional capital and recognizing the potential tax benefit of sustaining large losses in a calendar year.

Storm Scenario 3 - 2004 Hurricanes Charley, Frances, Ivan, and Jeanne



Hurricanes Charley, Frances, Ivan, and Jeanne are all 2004 hurricanes whose names were retired the following spring. The only other seasons in which four names were retired were 1955 and 1995, and four retired names stood as the record until 2005 when five names were retired.

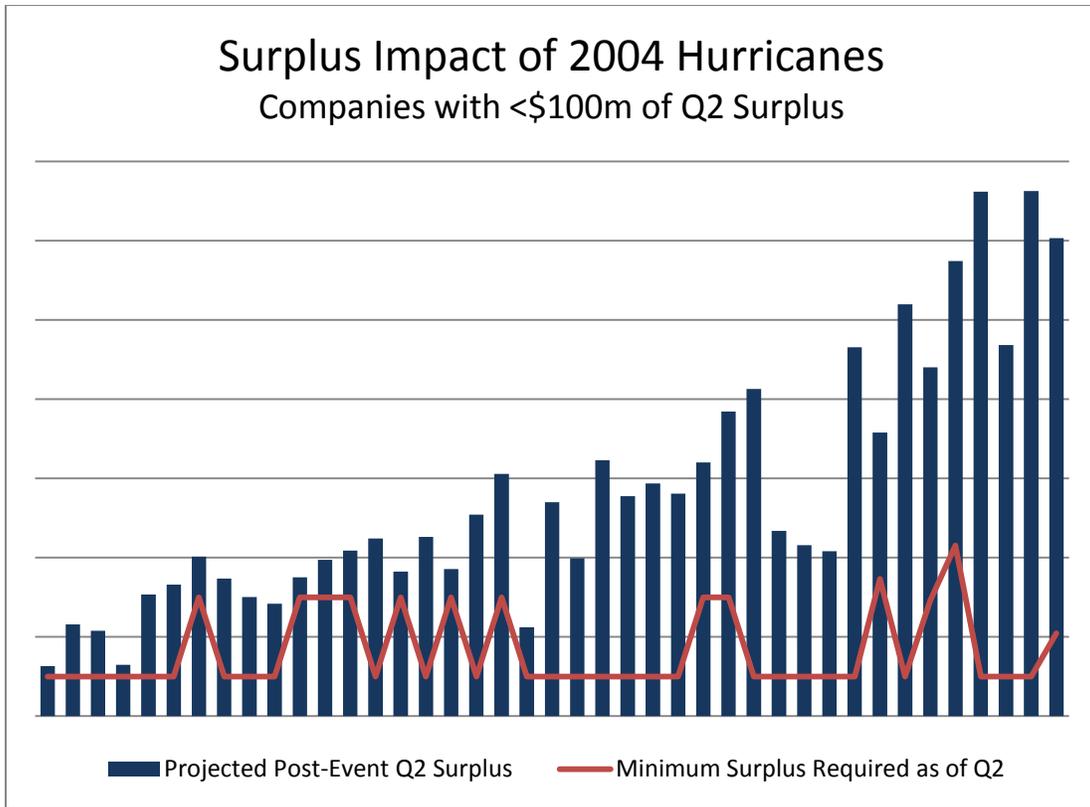
Each of these hurricanes made landfall in Florida as a Category 2 or higher - Charley made landfall as a Category 4; Frances as a Category 2; Ivan as a Category 3; and, Jeanne as a Category 3.

Damages in Florida were widespread from the 2004 hurricanes and resulted in a combined total of more than 1.6 million claims reported and over \$23 billion in claim payments made.¹¹

These four storms were selected to evaluate the financial condition of insurance companies during a season when multiple storms occurred. This sequence of events was selected not because of the magnitude of the storms, but because of the frequency of the storms. The largest impact of this scenario would be the payment of multiple retentions. The payment of multiple retentions may stress an insurance company's surplus more than a single significant event.

Based on modeling information provided by Catastrophe Stress Test Participants, the total modeled loss from all four events would be approximately \$15.9 billion. After recognizing the impact of reinsurance, the net loss to Catastrophe Stress Test participants would be approximately \$3.4 billion. The chart below depicts the projected post-event surplus of each participant with respect to the minimum amount required. The red line on the graph demonstrates the level of surplus required for each entity. All participants are above this red line on the graph. Note that some participants utilize the same group reinsurance program. In the chart below, these participants are combined. In addition, Citizens is not included in the chart below due to not having a minimum surplus requirement. Because their results significantly skew the graph, companies with over \$100 million in surplus are omitted. Note that the minimum required surplus amount is the greater of \$5 million or 10% of liabilities for companies licensed prior to July 1, 2011, and the greater of \$15 million or 10% of liabilities for companies licensed on or after July 1, 2011.

¹¹ Florida Office of Insurance Regulation Hurricane Summary Data [Report](#) – CY 2004 & CY 2005



The multiple event scenario stressed the surplus position more than the previous two scenarios. While all participants passed, nine companies had surplus positions between 110% and 140% of the amount required. Twenty-eight (28) companies would have surplus between 200% and 500% of the amount required, with the remaining participants above 500% of the amount required.

Many companies are more significantly impacted by this scenario than the previous two due to the payment of multiple retentions. An insurance company's retention is the amount of surplus an insurance company chooses to risk as opposed to reinsure. This helps strike a balance between effective risk management and the ultimate cost of reinsurance. Many companies structure reinsurance programs such that retentions for second, third, and fourth events reduce or even disappear, while many do not.

In a multi-storm scenario similar to this one, insurance companies could take a variety of steps between events to mitigate the surplus loss of a multiple storm season. For example, an insurance company could purchase additional reinsurance after the occurrence of one or two events. However, the amount of reinsurance purchased would depend on a range of factors, such as how large the first event was, at what point during the hurricane season it occurred, and other factors.

Because of the prospective and uncertain nature of these additional measures, the Office took a conservative approach and did not consider them when reviewing modeled losses associated with storm scenario 3.

Catastrophe Stress Test Process

Insurance companies were required to model expected losses from each of the three storm scenarios using the hurricane model employed in its most recent rate filing. After determining the modeled loss, insurance companies were required to apply the reinsurance program purchased for the 2015 hurricane season to calculate the net loss associated with each storm scenario. The Office deducted the net loss from each insurance company's most recent surplus position to determine an estimated post-event surplus¹². The estimated post-event surplus was compared to the amount of surplus required under Section 624.408, Florida Statutes¹³ to ascertain if the insurance company passed each storm scenario. Many insurance companies are members of a group of insurance companies that purchase one consolidated reinsurance program. Modeled losses for insurance companies, which are members of a group of insurance companies, report on a group basis and apply it to a group reinsurance program. Net losses were allocated to the group instead of to the participating insurance company.

In each of the storm scenarios, insurance companies could take steps to mitigate losses or increase its surplus position post-event. These steps include capital contributions after events, the purchase of additional reinsurance after an event to protect against future events, and recognizing the tax implications of sustaining large losses in a given year. Due to the prospective nature of these steps, they are not considered when estimating the projected post-event surplus of an insurance company.

All 67 insurance companies taking part in the Catastrophe Stress Test ultimately passed each scenario, with one company electing to purchase additional reinsurance to satisfy all components of the Catastrophe Stress Test. Successful completion of the Catastrophe Stress Test does not guarantee the performance of any insurance company, but it is a reasonable indicator of its ability to withstand catastrophic losses.

The results of the Catastrophe Stress Test for each company appear as Exhibit 2 of this report.

¹² As of the date of this report, the most recent surplus position was as-of June 30, 2015. It is anticipated that the OIR would update the results of this report when September 30, 2015 Quarterly Financial Statements are filed on November 15, 2015.

¹³ For insurers licensed prior to July 1, 2011, the minimum required surplus is the greater of \$5 million or 10% of total liabilities. This will rise to \$10 million as of July 1, 2016 and \$15 million as of July 1, 2021. For insurers licensed after July 1, 2011, the minimum required surplus is the greater of \$15 million or 10% of total liabilities.

Hurricane Loss Modeling

Both the Data Call and the Catastrophe Stress Test require insurance companies to estimate modeled losses using hurricane loss models. Hurricane loss models are widely used in both the global and Florida reinsurance marketplace for estimating hurricane losses and as a component for developing property insurance rates. Due to the uncertainty associated with hurricane loss models and the wide variations between them, Florida established the Florida Commission on Hurricane Loss Projection Methodology¹⁴ (Commission). The purpose of the Commission is to evaluate models used to estimate hurricane losses. Section 627.0628, Florida Statutes, requires any model utilized for the purpose of ratemaking must be a model deemed acceptable for use by the Commission. The Catastrophe Stress Test required insurance companies to utilize the same hurricane model used in both Part 2 of the Office's Data Call and in the most recent rate filing. All hurricane models used by insurance companies in connection with the Catastrophe Stress Test have been accepted for use by the Commission.

While there is an established process for evaluating a hurricane model, results between two accepted models can still vary significantly. To account for these variations, the Office conducted two additional analytical tests. First, insurance companies participating in the Catastrophe Stress Test were required to provide the underlying exposure data used to complete the Catastrophe Stress Test. This exposure data was then provided to the staff of the Florida Public Hurricane Model, which provided modeled losses for each of the three storm scenarios. The Office compared modeled losses, equally weighted between the insurance company's chosen model and the Florida Public Hurricane Model, to existing reinsurance programs. Use of the modeled losses generated by the Florida Public Hurricane Model served to increase the estimated losses of some insurance companies and decrease the estimated losses of other insurance companies. Second, the Office also increased each insurance company's modeled losses by 25% and compared those modeled losses to existing reinsurance programs.

All insurance companies demonstrated that excess surplus and reinsurance was sufficient to absorb this model volatility. The projections, assumptions and modeled losses reported by insurance companies for this report are NOT expected outcomes. They are rather modeled projections generated using the best science and technology available. Actual results for an insurance company may be very different, including exceeding projected losses.

¹⁴<http://www.sbafla.com/methodology/>

Conclusion

Florida's geographic location and exposure to catastrophic loss presents a significant risk to property insurance companies writing in the state. To understand the impact of this risk, the Office developed the Catastrophe Stress Test as a dynamic tool, using the best data and modeling resources available, to assess the reasonableness of reinsurance programs purchased by property insurance companies operating in Florida.

Although hurricane loss projections are only estimates, the results of the Catastrophe Stress Test are nonetheless encouraging. Based on the information provided by insurance companies and the review and analysis conducted by the Office, each insurance company in the Catastrophe Stress Test demonstrated an ability to pay for losses associated with a 1-in-100 year event as well as the capacity to successfully withstand three specific storm scenarios.

Financial results reviewed outside the scope of the Catastrophe Stress Test are also promising. As of June 30, 2015, Florida-based property insurance companies reported surplus of more than \$5 billion¹⁵. This represents an increase in surplus of approximately 14% since June 30, 2014, and an increase of approximately 111% over the past 10 years. These are signs that the Florida property insurance market is more diverse, robust, and competitive than it has been in years.

As the Florida property insurance market matures and as regulatory tools and the science of predictive catastrophe projections are further developed and refined, the Catastrophe Stress Test will be modified, augmented and strengthened by these new analytical tools so that the Office continues to utilize the most advanced and reliable tools available to assess the financial condition and resiliency of Florida's property insurers.

¹⁵ Includes all Florida-based insurance companies with at least one policy in force per QUASRng. Financial data is from Quarterly Financial Statements filed with the Office.

Exhibit 1: Required Catastrophe Stress Test Insurance Companies

Company Name	State of Domicile
AMERICAN BANKERS INSURANCE COMPANY OF FLORIDA	FL
AMERICAN CAPITAL ASSURANCE CORP	FL
AMERICAN COASTAL INSURANCE COMPANY	FL
AMERICAN COLONIAL INSURANCE COMPANY	FI
AMERICAN INTEGRITY INSURANCE COMPANY OF FLORIDA	FL
AMERICAN MODERN INSURANCE COMPANY OF FLORIDA, INC.	FL
AMERICAN PLATINUM PROPERTY AND CASUALTY INSURANCE COMPANY	FL
AMERICAN SOUTHERN HOME INSURANCE COMPANY	FL
AMERICAN STRATEGIC INSURANCE CORP.	FL
AMERICAN TRADITIONS INSURANCE COMPANY	FL
ANCHOR PROPERTY & CASUALTY INSURANCE COMPANY	FL
ARK ROYAL INSURANCE COMPANY	FL
ASI ASSURANCE CORP.	FL
ASI HOME INSURANCE CORP.	FL
ASI PREFERRED INSURANCE CORP.	FL
AUTO CLUB INSURANCE COMPANY OF FLORIDA	FL
AVATAR PROPERTY & CASUALTY INSURANCE COMPANY	FL
CAPITOL PREFERRED INSURANCE COMPANY, INC.	FL
CASTLE KEY INDEMNITY COMPANY	IL
CASTLE KEY INSURANCE COMPANY	IL
CENTAURI SPECIALTY INSURANCE COMPANY	FL
CITIZENS PROPERTY INSURANCE CORPORATION	FL
CYPRESS PROPERTY & CASUALTY INSURANCE COMPANY	FL
EDISON INSURANCE COMPANY	FL
ELEMENTS PROPERTY INSURANCE COMPANY	FL
FCCI INSURANCE COMPANY	FL
FEDERATED NATIONAL INSURANCE COMPANY	FL
FIRST COMMUNITY INSURANCE COMPANY	FL
FIRST FLORIDIAN AUTO AND HOME INSURANCE COMPANY	FL
FIRST PROTECTIVE INSURANCE COMPANY	FL
FLORIDA FAMILY INSURANCE COMPANY	FL
FLORIDA FARM BUREAU CASUALTY INSURANCE COMPANY	FL
FLORIDA FARM BUREAU GENERAL INSURANCE COMPANY	FL
FLORIDA PENINSULA INSURANCE COMPANY	FL
GRANADA INSURANCE COMPANY	FL
GULFSTREAM PROPERTY AND CASUALTY INSURANCE COMPANY	FL
HERITAGE PROPERTY & CASUALTY INSURANCE COMPANY	FL

Company Name	State of Domicile
HOMEOWNERS CHOICE PROPERTY & CASUALTY INSURANCE COMPANY, INC.	FL
MODERN USA INSURANCE COMPANY	FL
MONARCH NATIONAL INSURANCE COMPANY	FL
MOUNT BEACON INSURANCE COMPANY	FL
OLD DOMINION INSURANCE COMPANY	FL
OLYMPUS INSURANCE COMPANY	FL
OMEGA INSURANCE COMPANY	FL
PEOPLE'S TRUST INSURANCE COMPANY	FL
PREPARED INSURANCE COMPANY	FL
PRIVILEGE UNDERWRITERS RECIPROCAL EXCHANGE	FL
SAFE HARBOR INSURANCE COMPANY	FL
SAFEPOINT INSURANCE COMPANY	FL
SAWGRASS MUTUAL INSURANCE COMPANY	FL
SECURITY FIRST INSURANCE COMPANY	FL
SERVICE INSURANCE COMPANY	FL
SOUTHERN FIDELITY INSURANCE COMPANY	FL
SOUTHERN FIDELITY PROPERTY & CASUALTY, INC.	FL
SOUTHERN OAK INSURANCE COMPANY	FL
ST. JOHNS INSURANCE COMPANY, INC.	FL
STATE FARM FLORIDA INSURANCE COMPANY	FL
TOWER HILL PREFERRED INSURANCE COMPANY	FL
TOWER HILL PRIME INSURANCE COMPANY	FL
TOWER HILL SELECT INSURANCE COMPANY	FL
TOWER HILL SIGNATURE INSURANCE COMPANY	FL
UNITED PROPERTY & CASUALTY INSURANCE COMPANY	FL
UNITED SERVICES AUTOMOBILE ASSOCIATION	TX
UNIVERSAL INSURANCE COMPANY OF NORTH AMERICA	FL
UNIVERSAL PROPERTY & CASUALTY INSURANCE COMPANY	FL
USAA CASUALTY INSURANCE COMPANY	TX
WESTON INSURANCE COMPANY	FL

Exhibit 2 – Results of the Stress Test & Data Call

Company Name	State of Dom	Date Licensed in Florida	Policies in Force - June 30, 2015	Total Insured Value - June 30, 2015	Surplus - June 30, 2015	Min. Req'd Surplus - June 30, 2015	100yr PML	Scenario 1 Result	Scenario 2 Result	Scenario 3 Result
AMERICAN BANKERS INSURANCE COMPANY OF FLORIDA*	FL	12/30/1948	158,241	3,351,932,870	569,816,367	100,000,000	Yes	Pass	Pass	Pass
AMERICAN CAPITAL ASSURANCE CORP	FL	10/27/2011	2,092	24,023,382,837	91,640,069	10,476,558	Yes	Pass	Pass	Pass
AMERICAN COASTAL INSURANCE COMPANY	FL	5/23/2007	4,591	51,617,021,188	147,194,321	20,222,693	Yes	Pass	Pass	Pass
AMERICAN COLONIAL INSURANCE COMPANY	FL	11/17/2014	4,513	917,177,152	25,705,981	15,000,000	Yes	Pass	Pass	Pass
AMERICAN INTEGRITY INSURANCE COMPANY OF FLORIDA	FL	11/17/2005	206,795	63,295,393,736	62,018,555	14,573,847	Yes	Pass	Pass	Pass
AMERICAN PLATINUM P & C INSURANCE COMPANY	FL	12/2/2008	583	1,530,579,717	14,169,800	5,000,000	Yes	Pass	Pass	Pass
AMERICAN SOUTHERN HOME INSURANCE COMPANY*	FL	12/30/1982	6,045	615,887,820	41,083,283	11,976,639	Yes	Pass	Pass	Pass
AMERICAN STRATEGIC INSURANCE CORP.*	FL	12/18/1997	62,791	23,584,483,832	381,706,892	56,396,644	Yes	Pass	Pass	Pass
AMERICAN TRADITIONS INSURANCE COMPANY	FL	4/19/2005	55,326	9,417,720,191	19,399,892	5,000,000	Yes	Pass	Pass	Pass
ANCHOR PROPERTY AND CASUALTY INSURANCE COMPANY	FL	10/24/2014	29,970	5,460,489,921	27,051,910	15,000,000	Yes	Pass	Pass	Pass
ARK ROYAL INSURANCE COMPANY	FL	11/9/2007	98,127	33,804,186,045	38,656,300	5,000,000	Yes	Pass	Pass	Pass
ASI ASSURANCE CORP.*	FL	10/21/2004	71,221	24,911,440,810	67,192,499	5,000,000	Yes	Pass	Pass	Pass
ASI HOME INSURANCE CORP.*	FL	7/29/2005	1,929	586,553,270	16,742,739	5,000,000	Yes	Pass	Pass	Pass
ASI PREFERRED INSURANCE CORP.*	FL	4/14/2008	113,562	42,280,105,941	26,338,834	5,000,000	Yes	Pass	Pass	Pass
AUTO CLUB INSURANCE COMPANY OF FLORIDA	FL	11/22/2006	63,805	25,449,065,733	142,478,659	19,696,398	Yes	Pass	Pass	Pass
AVATAR PROPERTY & CASUALTY INSURANCE COMPANY	FL	1/10/2008	18,736	4,351,474,752	23,201,729	5,000,000	Yes	Pass	Pass	Pass
CAPITOL PREFERRED INSURANCE COMPANY, INC.	FL	5/13/1998	44,281	9,932,752,244	26,438,467	5,000,000	Yes	Pass	Pass	Pass
CASTLE KEY INDEMNITY COMPANY*	IL	3/2/1998	105,274	17,964,472,961	5,703,566	5,000,000	Yes	Pass	Pass	Pass
CASTLE KEY INSURANCE COMPANY*	IL	7/23/1996	84,748	25,167,298,577	198,770,691	15,978,399	Yes	Pass	Pass	Pass
CENTAURI SPECIALTY INSURANCE COMPANY	FL	4/14/2006	1,998	563,482,347	27,461,739	5,000,000	Yes	Pass	Pass	Pass
CITIZENS PROPERTY INSURANCE CORP	FL	1/21/1993	581,556	171,888,738,327	7,584,277,856	NA	Yes	Pass	Pass	Pass
CYPRESS PROPERTY & CASUALTY INSURANCE COMPANY	FL	12/27/1998	65,888	15,991,666,912	32,990,778	5,000,000	Yes	Pass	Pass	Pass
EDISON INSURANCE COMPANY	FL	10/14/2005	2,324	1,079,088,748	20,485,695	15,000,000	Yes	Pass	Pass	Pass
ELEMENTS PROPERTY INSURANCE COMPANY	FL	9/27/2013	36,641	9,269,078,542	25,915,304	15,000,000	Yes	Pass	Pass	Pass
FCCI INSURANCE COMPANY	FL	11/16/1994	207	141,415,482	582,871,698	100,000,000	Yes	Pass	Pass	Pass
FEDERATED NATIONAL INSURANCE COMPANY	FL	8/30/2001	212,490	88,118,526,624	136,736,323	28,815,663	Yes	Pass	Pass	Pass
FIRST COMMUNITY INSURANCE COMPANY	FL	12/1/1993	30,381	9,120,953,912	40,077,199	5,000,000	Yes	Pass	Pass	Pass
FIRST PROTECTIVE INSURANCE COMPANY	FL	4/3/1998	73,826	44,782,583,713	55,798,639	17,310,936	Yes	Pass	Pass	Pass
FLORIDA FAMILY INSURANCE COMPANY	FL	4/22/1996	106,767	33,110,911,890	56,188,936	5,000,000	Yes	Pass	Pass	Pass
FLORIDA FARM BUREAU CASUALTY INSURANCE COMPANY*	FL	6/1/1974	42,889	18,911,783,426	281,202,170	27,003,057	Yes	Pass	Pass	Pass
FLORIDA FARM BUREAU GENERAL INSURANCE COMPANY*	FL	2/16/1993	41,628	13,238,465,732	9,659,319	5,000,000	Yes	Pass	Pass	Pass
FLORIDA PENINSULA INSURANCE COMPANY	FL	4/22/2005	123,314	44,533,379,462	116,014,651	22,824,133	Yes	Pass	Pass	Pass
GULFSTREAM PROPERTY AND CASUALTY INSURANCE COMPANY	FL	11/30/2004	59,188	19,913,608,870	36,849,101	5,000,000	Yes	Pass	Pass	Pass
HERITAGE PROPERTY & CASUALTY INSURANCE COMPANY	FL	7/31/2012	223,417	79,547,181,554	200,275,570	35,476,939	Yes	Pass	Pass	Pass
HOMEOWNERS CHOICE P & C INSURANCE COMPANY, INC.	FL	3/30/2007	169,286	51,291,037,586	183,720,772	26,522,269	Yes	Pass	Pass	Pass
MODERN USA INSURANCE COMPANY	FL	5/31/2007	45,058	7,413,434,017	15,301,828	5,000,000	Yes	Pass	Pass	Pass
MONARCH NATIONAL INSURANCE COMPANY	FL	1/15/2015	163	101,137,200	30,881,230	15,000,000	Yes	Pass	Pass	Pass
MOUNT BEACON INSURANCE COMPANY	FL	9/5/2013	36,643	4,232,953,551	25,019,733	15,000,000	Yes	Pass	Pass	Pass
OLD DOMINION INSURANCE COMPANY*	FL	6/1/1981	1,221	1,292,250,600	34,390,746	5,000,000	Yes	Pass	Pass	Pass
OLYMPUS INSURANCE COMPANY	FL	5/18/2007	89,087	44,186,531,049	29,435,734	5,000,000	Yes	Pass	Pass	Pass
OMEGA INSURANCE COMPANY	FL	7/5/1979	49,441	18,842,113,311	15,488,142	5,000,000	Yes	Pass	Pass	Pass
PEOPLE'S TRUST INSURANCE COMPANY	FL	1/2/2008	141,705	40,895,283,249	90,274,918	19,398,187	Yes	Pass	Pass	Pass
PREPARED INSURANCE COMPANY	FL	6/9/2009	31,432	14,449,042,357	19,616,657	5,000,000	Yes	Pass	Pass	Pass

Company Name	State of Dom	Date Licensed in Florida	Policies in Force - June 30, 2015	Total Insured Value - June 30, 2015	Surplus - June 30, 2015	Min. Req'd Surplus - June 30, 2015	100yr PML	Scenario 1 Result	Scenario 2 Result	Scenario 3 Result
PRIVILEGE UNDERWRITERS RECIPROCAL EXCHANGE	FL	1/23/2007	7,074	19,492,519,293	70,425,762	21,552,481	Yes	Pass	Pass	Pass
SAFE HARBOR INSURANCE COMPANY	FL	2/16/2006	69,979	12,578,168,357	23,203,297	5,000,000	Yes	Pass	Pass	Pass
SAFEPOINT INSURANCE COMPANY	FL	10/21/2013	50,691	11,996,824,338	43,012,206	15,000,000	Yes	Pass	Pass	Pass
SAWGRASS MUTUAL INSURANCE COMPANY	FL	4/7/2009	26,809	12,384,456,549	20,849,017	5,000,000	Yes	Pass	Pass	Pass
SECURITY FIRST INSURANCE COMPANY	FL	4/8/2005	246,327	67,657,792,153	55,662,985	13,450,211	Yes	Pass	Pass	Pass
SERVICE INSURANCE COMPANY	FL	2/22/1978	229	1,844,473,000	35,965,693	5,000,000	Yes	Pass	Pass	Pass
SOUTHERN FIDELITY INSURANCE COMPANY	FL	4/7/2005	67,912	17,042,836,180	84,191,017	12,439,007	Yes	Pass	Pass	Pass
SOUTHERN FIDELITY PROPERTY & CASUALTY, INC.	FL	1/6/2012	62,370	15,333,214,377	28,580,231	15,000,000	Yes	Pass	Pass	Pass
SOUTHERN OAK INSURANCE COMPANY	FL	12/1/2004	58,639	11,057,868,641	45,305,569	5,000,000	Yes	Pass	Pass	Pass
ST. JOHNS INSURANCE COMPANY, INC.	FL	11/21/2003	169,700	67,041,670,059	51,579,103	5,000,000	Yes	Pass	Pass	Pass
STATE FARM FLORIDA INSURANCE COMPANY	FL	12/30/1998	ASSERTED TRADE SECRET	ASSERTED TRADE SECRET	965,256,104	100,000,000	Yes	Pass	Pass	Pass
TOWER HILL PREFERRED INSURANCE COMPANY	FL	10/29/1997	74,783	26,812,722,783	50,964,460	5,000,000	Yes	Pass	Pass	Pass
TOWER HILL PRIME INSURANCE COMPANY	FL	2/18/2000	145,186	62,652,818,513	85,799,148	5,000,000	Yes	Pass	Pass	Pass
TOWER HILL SELECT INSURANCE COMPANY	FL	6/24/2004	61,437	31,598,176,833	31,806,255	5,000,000	Yes	Pass	Pass	Pass
TOWER HILL SIGNATURE INSURANCE COMPANY	FL	3/29/2006	95,716	32,394,416,645	53,759,086	5,000,000	Yes	Pass	Pass	Pass
UNITED PROPERTY & CASUALTY INSURANCE COMPANY	FL	4/2/1999	170,006	71,445,521,151	124,314,242	36,016,541	Yes	Pass	Pass	Pass
UNITED SERVICES AUTOMOBILE ASSOCIATION*	TX	6/20/1958	123,837	56,793,252,918	24,200,273,138	100,000,000	Yes	Pass	Pass	Pass
UNIVERSAL INSURANCE COMPANY OF NORTH AMERICA	FL	5/19/2004	52,689	16,919,539,640	33,867,572	5,000,000	Yes	Pass	Pass	Pass
UNIVERSAL PROPERTY & CASUALTY INSURANCE COMPANY	FL	12/31/1997	531,619	121,555,915,324	212,976,167	63,127,701	Yes	Pass	Pass	Pass
USAA CASUALTY INSURANCE COMPANY*	TX	7/16/1990	56,278	21,605,937,296	4,573,390,360	100,000,000	Yes	Pass	Pass	Pass
WESTON INSURANCE COMPANY	FL	12/1/2014	25,726	17,573,437,660	45,033,909	15,000,000	Yes	Pass	Pass	Pass
GRANADA INSURANCE COMPANY	FL	5/20/1987	52	30,447,630	7,536,468	5,000,000	Yes	Pass	Pass	Pass
AMERICAN MODERN INSURANCE COMPANY OF FLORIDA, INC.*	FL	9/8/2005	58,414	1,020,745,000	8,391,676	5,000,000	Yes	Pass	Pass	Pass
FIRST FLORIDIAN AUTO AND HOME INSURANCE COMPANY*	FL	5/25/1996	16,699	10,073,736,119	204,135,129	5,000,000	Yes	Pass	Pass	Pass

*Insurance company participating on a group basis.



FLORIDA OFFICE OF INSURANCE REGULATION

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