

# PROPERTY INSURANCE STABILITY REPORT

*July 1, 2023*

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**Michael Yaworsky**  
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; creating the Insurer Stability Unit. The makeup and requirements of the Insurer Stability Unit were later amended by SB 2-A, which were signed by the Governor on December 16, 2022. The bills made important reforms designed to stabilize Florida's property insurance market. 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. The name of any insurer that is the subject of a market conduct examination that found the insurer exhibited a pattern or practice of one or more willful unfair insurance trade practice violations with regard to its use of appraisal, including, but not limited to, compelling insureds to participate in appraisal under a property insurance policy in order to secure full payment or settlement of claims, and a summary of the findings of such market conduct examination.*

12. *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.*

13. *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 OIR system data, and OIR legislative reports. Legislative changes which may have impacted data points are indicated within 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 has been 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 and SB 2-A provided further litigation reforms by limiting the assignment of attorney's fees to third parties in property insurance cases, and disincentivizing frivolous claims. In 2023, the Florida Legislature passed HB 837, which provides that a contingency fee multiplier for an attorney fee award is appropriate only in a rare and exceptional circumstance, and repeals Florida's one-way attorney fee statutes, with certain exceptions. OIR uses several data points to track insurer litigation practices in the market. Those data points are listed below.

### **NAIC MCAS Data**

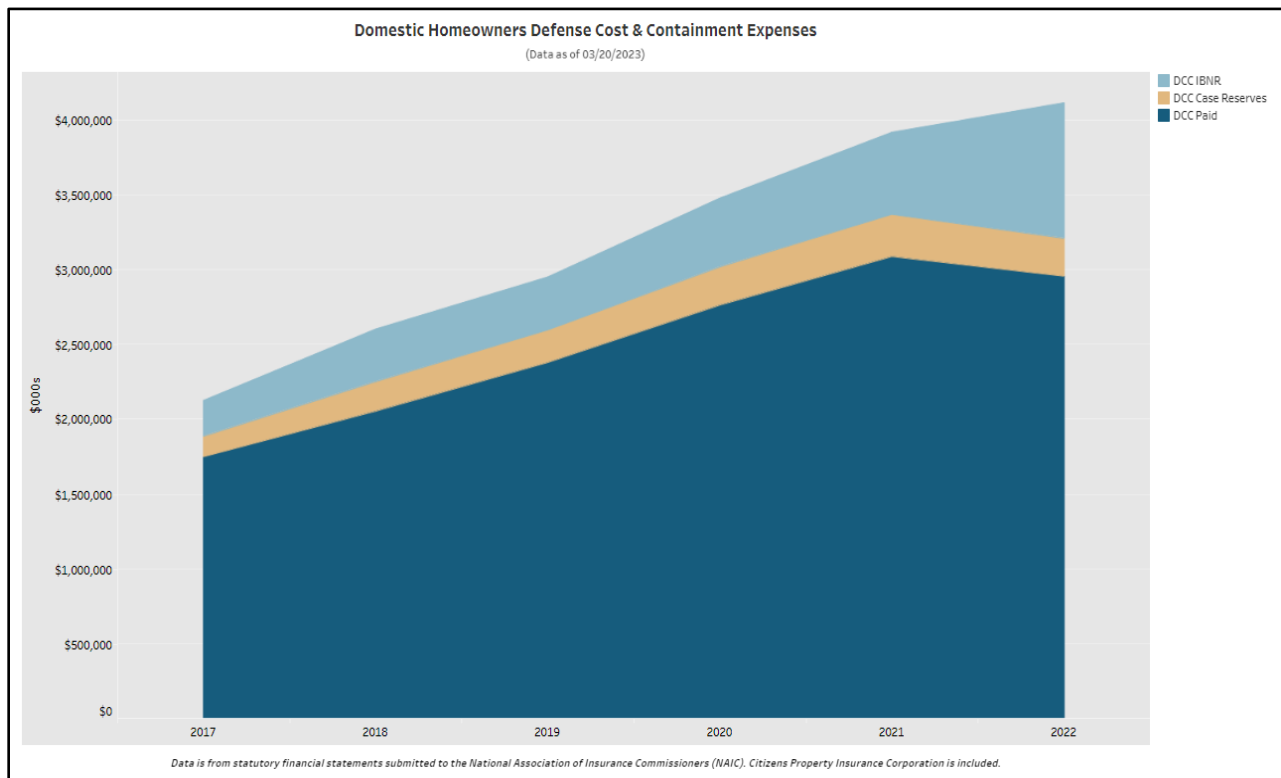
The NAIC Market Conduct Annual Statement (MCAS) is a regulatory tool developed in 2002 by state insurance regulators to collect information from insurers on a uniform basis to identify concerns regarding claims and underwriting. Homeowners' insurance companies report data via MCAS using uniform definitions and reporting requirements across all states. The MCAS data below contains the percentage of nationwide homeowners' claims and suits opened in Florida. 2022 MCAS Data will be available in the third quarter of 2023.

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	6.91%	76.00%

### Domestic Homeowners Defense Cost & Containment Expenses

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

In 2022, insurers paid approximately \$2,956,061,000 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 for 2023 will be available in March 2024.

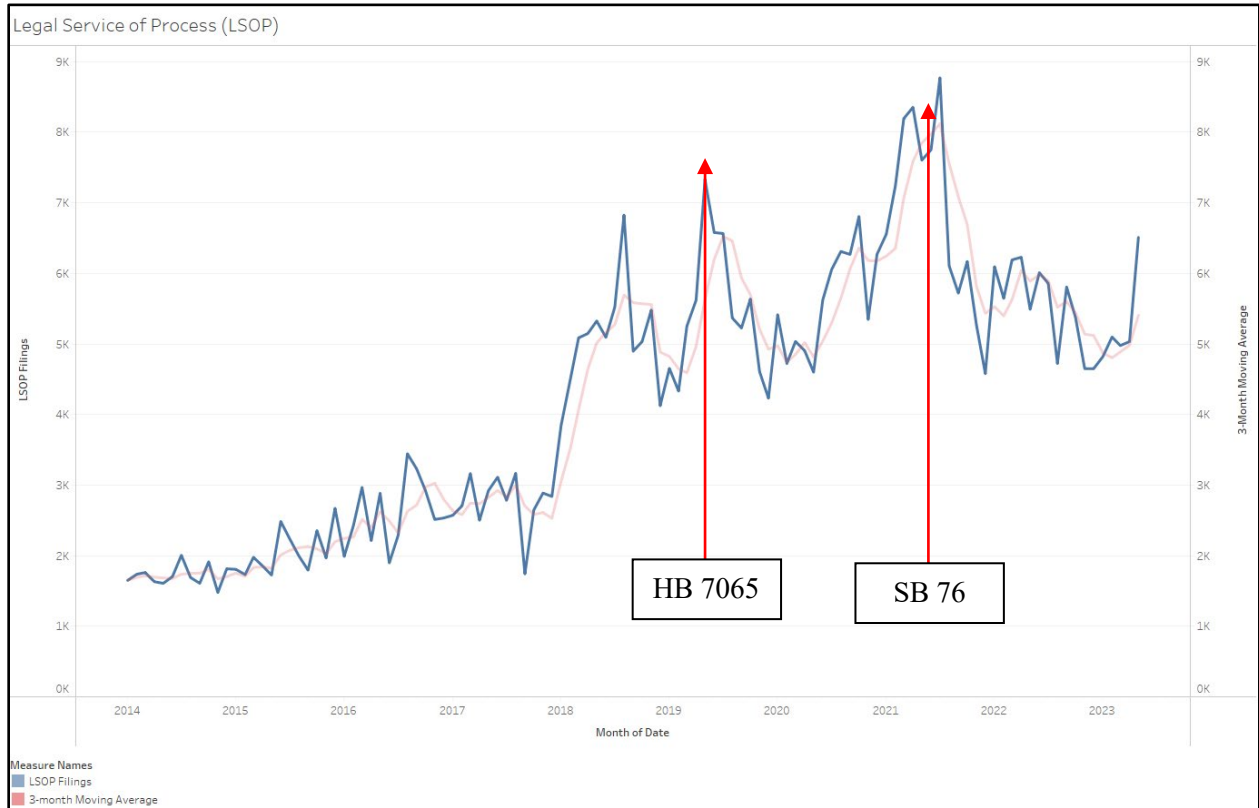


## DFS Legal Service of Process

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 (LSOP) filings***

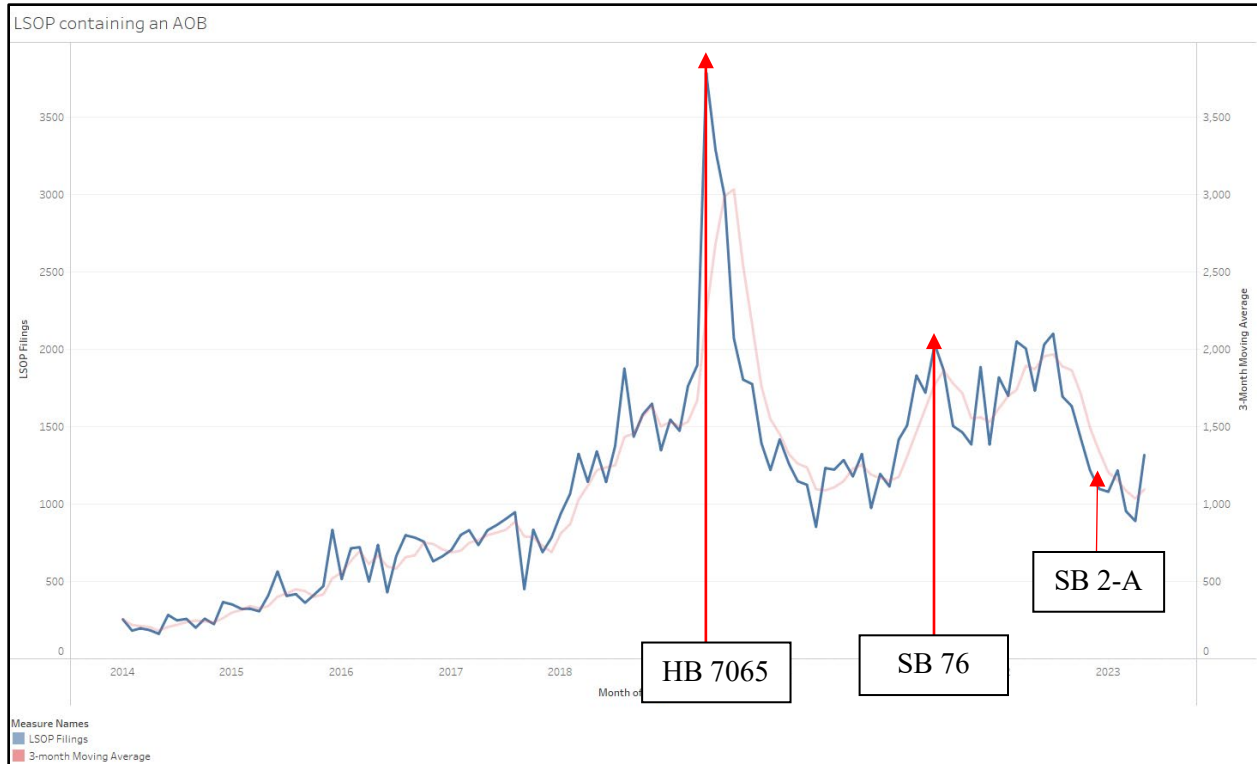


*The total number of Personal Residential Legal Service of Process filings is identified in blue with the 3-month average identified in red, as of May 31, 2023.<sup>1</sup>*

<sup>1</sup> Data collected from <https://apps.fldfs.com/lisopreports/reports/report.aspx>. Data as of May 31, 2023.

## 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, 2023.<sup>2</sup>*

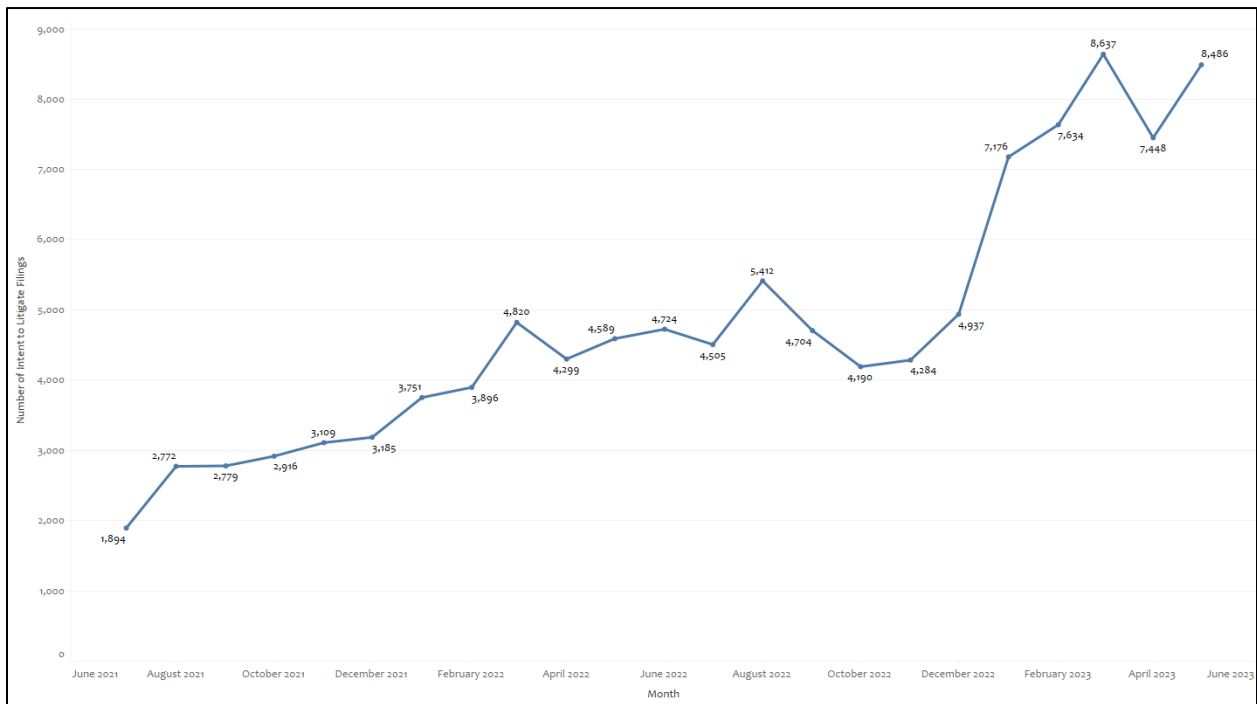
<sup>2</sup> Data collected from <https://apps.fldfs.com/lsopreports/reports/report.aspx>. Data as of May 31, 2023.

## 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 within the DFS database 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 May 31, 2023.<sup>3</sup>*

<sup>3</sup> Data collected from <https://piitil.myfloridacfo.gov/>. Data as of May 31, 2023.

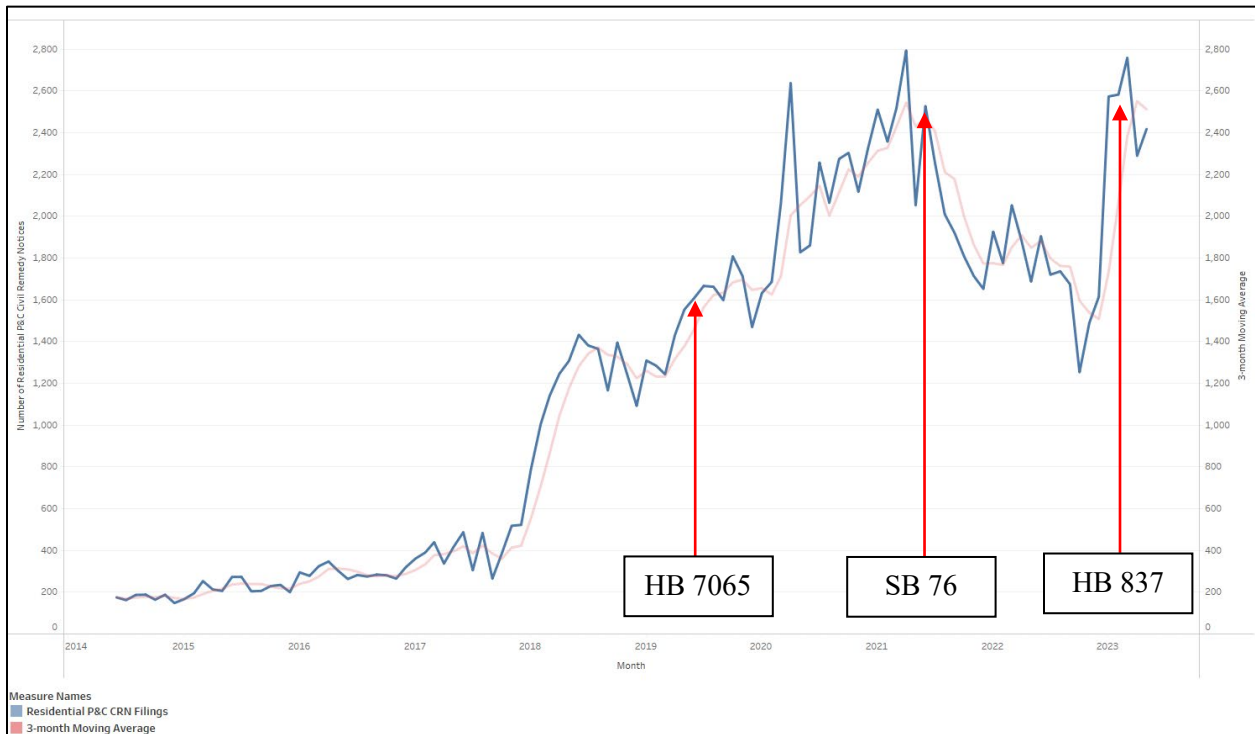


## DFS Civil Remedy Notices

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.

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<sup>4</sup>.

## Property Claims and Litigation Data Call

Following the passage of SB 76, OIR issued an Informational Memorandum OIR-22-01M, to all personal and commercial residential property insurers authorized to provide guidance regarding new reporting requirements. In January 2023, OIR issued the property claims and litigation data call notice to each insurer or insurer group required to submit data. Companies were encouraged to begin submitting data as soon as possible, ahead of the March 1, 2023 deadline. On February 6 and 28, 2023, OIR issued reminder data call notices.

<sup>4</sup> Data collected from <https://apps.fldfs.com/civilremedy/>. Data as of May 31, 2023.

OIR received data for a total of 678,986 unique<sup>5</sup> claims closed during calendar year 2022<sup>6</sup>. This data is preliminary and OIR continues to validate the data contained within the filings; however, an overview of the claims data reported is outlined below<sup>7</sup>.

Reported Claims By Peril (as of March 28, 2023)	
Accidental Discharge or Overflow of Water or Steam Peril	77,862
Falling Objects Peril	3,322
Fire or Lightning Peril	13,854
Hurricane	283,542
Sinkhole	291
Water - Other than Accidental Discharge or Overflow of Water or Steam Peril	79,350
Windstorm or Hail Peril - Other than Hurricane	148,118
All Other Perils	73,926

- Average Indemnity for claims: \$15,330.74
- Average Loss Adjustment Expense for claims: \$2,156.25

As this is the first collection of the data, OIR continues clarify data with companies to ensure all other fields within the data call are consistent. An example is provided below.

Re: CITIZENS PROPERTY INSURANCE CORPORATION  
 FEIN: 593164851 NAIC COMPANY CODE: 10064  
 DATA FILE LOG NUMBER: CCDC 23-010943  
 PLEASE REFER TO THIS FILE NUMBER WHEN CORRESPONDING

Dear Ms. Johnson:

I reviewed the above-referenced Florida Property Claims and Litigation data call submission received by the Florida Office of Insurance Regulation and found the following irregularities:

On Section A-1-Main tab, a total of three claims reported are not on the Section A-3- Attorneys tab.

On Section A-3-Attorneys tab, 897 claims were duplicated.

On Section A-5-Supplemental Info tab, 479 claims were duplicated.

Please provide an explanation for the above irregularities. If the company needs to resubmit their data, a new filing will need to be created in IRFS. This filing will be held in suspense pending your response. Please respond by 6/14/2023.

OIR continues to review and analyze this data and will utilize it over time to understand and improve Florida’s insurance markets.

<sup>5</sup> Unique claim counts do not include duplicate claim IDs.

<sup>6</sup> Claims closed in 2022 may not have been originally reported in the same calendar year.

<sup>7</sup> Individual claims data is trade secret and confidential pursuant to sections 624.4212 and 624.4213, Florida Statutes.

Note: Many Hurricane Ian claims will be reported in the 2023 closed claims report.

## 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](http://www.fslso.com).

### Homeowner Policies

For Homeowners policies (excluding tenants and condominium), the market share for voluntary insurers was 81.31 percent and the market share for Citizens was 18.69 percent, as of March 31, 2023.<sup>8</sup> 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 2023	% Policies – Q1 2023
Voluntary Market	3,360,531	82.37
Citizens	719,347	17.63
<b>Total</b>	<b>4,079,878</b>	<b>100%</b>

Homeowners Wind Only	# Policies – Q1 2023	% Policies – Q1 2023
Voluntary Market	18,012	23.99
Citizens	57,075	76.01
<b>Total</b>	<b>75,087</b>	<b>100%</b>

### Condominium Unit Owner Policies

For Condominium Unit Owner policies, the market share for voluntary insurers was 89.30 percent and the market share for Citizens was 10.70 percent as of March 31, 2023. 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 2023	% Policies – Q1 2023
Voluntary Market	852,951	91.00
Citizens	84,314	9.00
<b>Total</b>	<b>937,265</b>	<b>100%</b>

<sup>8</sup> QUASRng data as of March 31, 2023, was submitted to OIR on May 15, 2023.

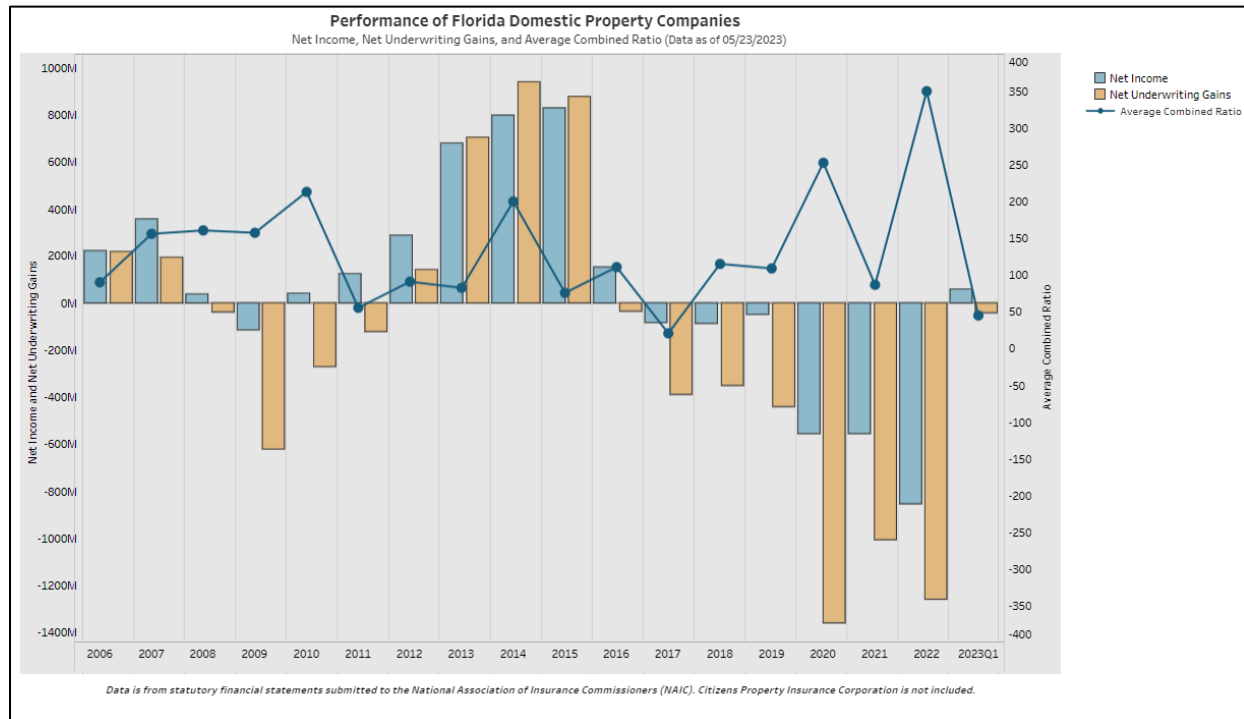
Condominium Unit Owners Wind Only	# Policies – Q1 2023	% Policies – Q1 2023
Voluntary Market	3,805	17.20
Citizens	18,322	82.80
<b>Total</b>	<b>22,127</b>	<b>100%</b>

## 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.*

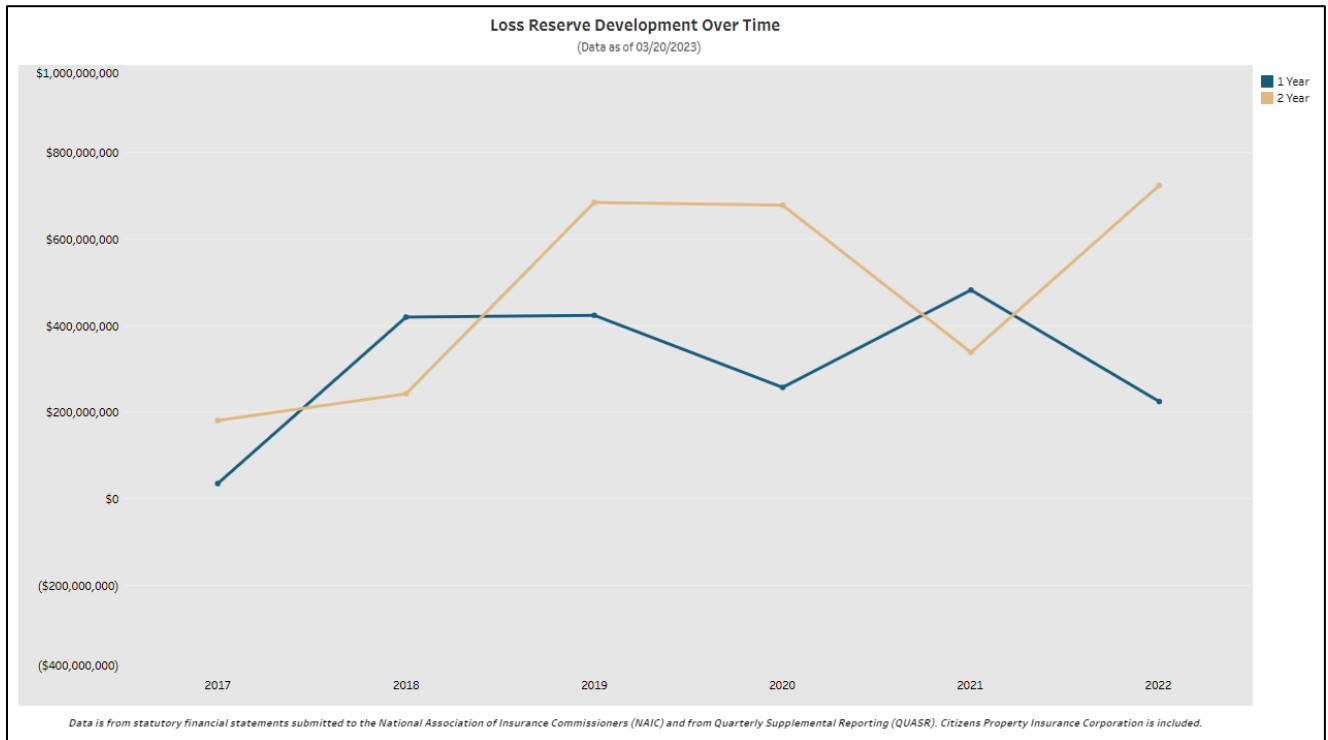
OIR tracks the performance of Florida's domestic property insurers, including net underwriting gains, net income, and average combined ratio.

### 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, which is 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 company's reserves for future claims payments.

To quantify, when carriers looked back one year later on their claims in 2021, the claims were about \$481M more than what the insurer originally estimated, and the two-year look back was approximately \$337M more than the original estimate. In 2022, claims were approximately \$224M more than estimated after one year, and \$772M 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 March 31, 2023. Cells labeled “N/A” indicate no policies in force.

Average Premiums Charged for Homeowners and Condominium Unit Owners		
County	Homeowners	Condominium Unit Owners
Alachua	\$2,051	\$891
Baker	\$1,906	N/A
Bay	\$2,888	\$1,236
Bradford	\$2,159	\$863
Brevard	\$2,966	\$1,288
Broward	\$5,519	\$1,674
Calhoun	\$2,663	\$1,807
Charlotte	\$2,619	\$1,176
Citrus	\$2,071	\$1,004
Clay	\$2,090	\$801
Collier	\$4,610	\$1,943
Columbia	\$2,128	\$979
Desoto	\$2,806	\$888
Dixie	\$2,472	\$943
Duval	\$2,268	\$917
Escambia	\$3,109	\$1,561
Flagler	\$2,178	\$1,190
Franklin	\$4,525	\$1,278
Gadsden	\$2,247	\$900
Gilchrist	\$2,085	\$1,766

Glades	\$2,938	\$846
Gulf	\$3,202	\$1,402
Hamilton	\$2,264	N/A
Hardee	\$2,807	\$977
Hendry	\$2,699	\$1,266
Hernando	\$1,961	\$940
Highlands	\$2,214	\$931
Hillsborough	\$2,752	\$1,158
Holmes	\$2,515	N/A
Indian River	\$3,698	\$1,764
Jackson	\$2,383	N/A
Jefferson	\$2,330	N/A
Lafayette	\$2,685	N/A
Lake	\$2,048	\$925
Lee	\$3,021	\$1,232
Leon	\$2,105	\$764
Levy	\$2,342	\$1,340
Liberty	\$2,545	N/A
Madison	\$2,385	N/A
Manatee	\$2,563	\$1,218
Marion	\$1,894	\$896
Martin	\$5,157	\$1,529
Miami-Dade	\$5,665	\$2,633
Monroe	\$7,584	\$3,850
Nassau	\$2,450	\$1,621
Okaloosa	\$3,185	\$1,507
Okeechobee	\$3,088	\$1,315
Orange	\$2,882	\$1,038
Osceola	\$2,366	\$1,008
Palm Beach	\$5,710	\$2,083
Pasco	\$2,259	\$881
Pinellas	\$3,210	\$1,225
Polk	\$2,293	\$967
Putnam	\$2,117	\$896
Santa Rosa	\$2,904	\$1,577
Sarasota	\$2,949	\$1,579
Seminole	\$2,837	\$987
St. Johns	\$2,449	\$1,185
St. Lucie	\$2,952	\$1,391
Sumter	\$1,651	\$899
Suwannee	\$2,387	N/A
Taylor	\$2,288	\$1,038
Union	\$2,236	N/A
Volusia	\$2,408	\$1,054
Wakulla	\$2,023	\$1,468
Walton	\$4,329	\$1,723

Washington	\$2,579	N/A
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### **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 domestic property insurers, commercially domiciled insurers, and other selected companies to model their losses for the CST assuming a historical event or series of events occur. Through the CST, insurers are required to model a historical storm scenario, or a series of historical storm scenarios, and apply their 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 insurer would continue to meet its minimum surplus requirement after each storm scenario.

#### **2023 CST**

For the 2023 Hurricane Season, the CST was required to be submitted by domestic property insurers, commercially domiciled insurers, and other selected companies. The 2023 CST storm scenarios were:

- Scenario 1 – 1947 Fort Lauderdale Hurricane
- Scenario 2 – 2004 Hurricane Frances, followed by 2017 Hurricane Irma
- Scenario 3 – 1992 Hurricane Andrew, followed by 2018 Hurricane Michael

As of June 26, 2023, 96 percent of insurers have filed the ARDC and 95 percent of insurers have filed the CST. The results from the 2023 CST will be published in the January 1, 2024 report.

#### **2022 CST**

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

- 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

Based on the results of the CST scenarios, only one insurer was projected to fall below the minimum surplus requirement. The insurer’s parent company commits to infusing more capital should the insurer’s surplus fall below the minimum surplus requirement following an event.



### ***Scenario 1: 1928 Lake Okeechobee Hurricane***

Based on modeling information provided by insurers, the Lake Okeechobee Hurricane (1928) would have caused approximately \$37.5 billion in insured losses during the 2022 Atlantic Hurricane Season. After recognizing the impact of reinsurance, net losses to insurer are projected to be reduced to approximately \$4.5 billion.

### ***Scenario 2: Tampa Bay Hurricane (1921) and Hurricane Frances (2004)***

Based on modeling information provided by insurers, the Tampa Bay Hurricane (1921) and Hurricane Frances (2004) would have caused approximately \$15.3 billion in insured losses during the 2022 Atlantic Hurricane Season. After recognizing the impact of reinsurance, net losses to insurer are projected to be reduced to approximately \$4.5 billion.

### ***Scenario 3: Hurricane Donna (1960) and Hurricane Jeanne (2004)***

Based on modeling information provided by insurers, Hurricane Donna (1960) and Hurricane Jeanne (2004) would have caused approximately \$25.7 billion in insured losses during the 2022 Atlantic Hurricane Season. After recognizing the impact of reinsurance, net losses to insurer are projected to be reduced to approximately \$5.2 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 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. Based on findings from the ARDC for the 2022-2023 year, the amount of 2022 reinsurance coverage purchased by insurers has increased an average of 17 percent from 2021. However, the cost of that reinsurance has increased by 52 percent from 2021 figures.

The results from the 2023 ARDC will be finalized August 2023; however, it has been reported that reinsurer capacity is available, though price increases remain high in the Florida property market.<sup>9</sup>

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. For more information about the RAP program, please visit the [State Board of Administration RAP website](#).

Following the passage of SB 2-A, the Florida Optional Reinsurance Assistance (FORA) Program was created. FORA is a one-year program designed to operate in conjunction with the RAP program and provides four optional layers of reinsurance. To be eligible for coverage under the FORA program, an insurer must be a participating insurer in the FHCF as of November 30, 2022. For more details on the FORA program, please visit the [State Board of Administration FORA website](#).

### **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.

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<sup>9</sup> Information collected from <https://www.artemis.bm/news/florida-renewals-june-1-and-all-but-done/>

- 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.

OIR continues to review insurers previously subject to enhanced monitoring and make appropriate referrals to the stability unit for any insurer which triggers one of the listed events in section 627.7154(4), Florida Statutes. As a result, there were 18 insurers referred to the stability unit for enhanced monitoring from January 1, 2023, through June 18, 2023.

The reasons for the referrals appear in the list below:

- 12 referrals for violating the ratio of actual or projected annual written premiums (s. 627.7154(4)(e), F.S.);
- 1 referral 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.);
- 2 referrals for filing a quarterly or annual financial statement which demonstrated that the insurer is in an unsound condition, has exceeded its powers, is impaired, or is insolvent, (s. 627.7154(4)(g), F.S.);
- 6 referrals for failure to timely file a quarterly or annual financial statement (s. 627.7154(4)(i), F.S.);
- 4 referrals for insurers that filed a risk-based capital report that triggered 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. (s. 627.7154(4)(j), F.S.); and
- 1 referral for an insurer that is subject to the own-risk solvency assessment requirement of s. 628.8015 and fails to timely file the own-risk solvency assessment. (s. 627.7154(4)(k), F.S.).

The number of referrals exceeds the number of insurers referred because some insurers were referred multiple times for the same or different reasons. Some referrals were for companies already subject to enhanced monitoring via the stability unit.

## **Insurers Deemed Appropriate for Enhanced Monitoring**

Of the 18 insurers referred to the stability unit from January 1, 2023 through June 18, 2023, two were deemed appropriate for enhanced monitoring.

The reasons for the referrals for companies deemed appropriate for enhanced monitoring appear in the list below:

- 1 referral for an insurer that filed a risk-based capital report that triggered 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. (s. 627.7154(4)(j), F.S.); and

- 1 referral for an insurer that is subject to the own-risk solvency assessment requirement of s. 628.8015 and fails to timely file the own-risk solvency assessment. (s. 627.7154(4)(k), F.S.).

In total, 18 companies are subject to enhanced monitoring as of the date of this report.

### **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 the Florida Department of Financial Services (DFS) work closely with companies to ensure consumer coverage is maintained through the transition of policies to another insurer.

Since January 1, 2023, one property and casualty insurer was referred to DFS for the purpose of initiating delinquency proceedings. The insurer is listed below.

### **United Property & Casualty Insurance Company**

- United Property & Casualty Insurance Company (“United”) was a property and casualty insurance company in St. Petersburg, Florida. The company was licensed in Florida in 1999 and was authorized to write homeowners multi-peril, fire, allied lines, inland marine, earthquake, other liability, burglary & theft, and boiler & machinery coverage in Florida.
- Grounds for receivership: Insolvency

### **DATE OF INSOLVENCY: February 6, 2023**

- United, through a resolution of its Board of Directors dated February 8, 2023, 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 United.
- On February 16, 2023, United was referred to DFS by OIR with the determination that one or more grounds existed for the initiation of delinquency proceedings.
- On February 27, 2023, United 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 United. The company had approximately 63,000 in-force policies in Florida at the time of receivership.
- Under the liquidation order, United’s policies were canceled effective March 29, 2023.

United had experienced several years of negative underwriting income and adverse loss reserve development due to numerous catastrophic weather events in Florida, Texas, Louisiana, and other states and had been monitored closely by OIR, including monthly reporting and regularly scheduled calls with OIR.

In July of 2022, United notified the Office that its financial strength rating would be downgraded below that which is acceptable for the purposes of the secondary mortgage market. Through an immediate final order issued by the Office on August 2, 2022, United was determined to be qualified to participate in the Temporary Market Stabilization Arrangement with Citizens Property Insurance Corporation. United withdrew its financial strength rating in August 2022. United's plan for a solvent runoff of its remaining liabilities underestimated its ultimate losses from Hurricane Ian. As a result, the projections provided to the OIR in support of a solvent runoff were materially incorrect and United was deemed insolvent. United was previously monitored by the Property Insurer Stability Unit.

### **Market Conduct Examination Findings**

*The name of any insurer that is the subject of a market conduct examination that found the insurer exhibited a pattern or practice of one or more willful unfair insurance trade practice violations with regard to its use of appraisal, including, but not limited to, compelling insureds to participate in appraisal under a property insurance policy in order to secure full payment or settlement of claims, and a summary of the findings of such market conduct examination.*

The provisions of this section were added as a result of SB 2-A, effective December 16, 2022. As of the date of this report, no insurers have been the subject of a market conduct examination that resulted in a finding as described above.

### **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), SB 2-D (2022), and SB 2-A (2022).

In consideration of the recent 2023 Regular Session and 2022 Special Sessions on property insurance, OIR will continue to monitor trends and impacts from SB 76, SB 2-D, SB 2-A, HB 837, and SB 7052 and propose additional recommendations for future Property Insurance Stability Unit reports.

The Florida House Commerce Committee report is available [here](#). The Florida House Commerce Committee report supplemental letter is available [here](#).



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