

FLORIDA PROPERTY INSURANCE MARKET UPDATE

May 2024

Overview

The Office of Insurance Regulation (OIR) continues to see overall market stabilization following the historic legislative reforms of 2022 and 2023 that enhanced protections for consumers, strengthened Citizens Property Insurance Corporation, and encouraged investment by insurers and reinsurers by providing clarity to the market and the risk they underwrite.

- **Rate Filings:** Rate filings for 2024 show a slight trend downward for the first time in years, indicating stabilization of the property insurance market. Ten companies have filed a zero percent increase and at least eight companies have filed a rate decrease to take effect in 2024.
- **Reinsurance:** The 2023 reinsurance market responded positively to these reforms. Early signs from the 2024 reinsurance purchasing season show further positive indications. Reinsurance is a direct and significant cost to consumers and relief in this area is a significant sign that the reforms are working.
- **Financial Strength:** After years of consecutive underwriting losses, the insurers saw overall stability with many companies reporting a net profit in 2023.
- **Market Conduct:** Multiple insurers have been held accountable for behavior that is in violation of Florida law.
- **Market Snapshot:** As of Q4 2023, there are approximately 7.45 million residential insurance policies in force in the Florida property market.
 - o Approx. 81% of those policies are written by admitted insurers, as opposed to Surplus Lines companies or Citizens Property Insurance Corporation.
 - o Approx. 389k policies have been taken out of Citizens from January 2023 through March 2024.
- **Florida Leadership:** Other states are looking at recent and historical Florida's legislative reforms to strengthen their own markets.
 - o HI (CAT Fund), GA (tort reform), LA (tort reform), are examples.
 - o Florida has recently presented its reforms as a model at the National Association of Insurance Commissioners.
- **Market Research:** OIR conducts market research across all lines of business, and partners with universities throughout the state to explore innovative ways to improve market outcomes and inform policy decisions.

Rates & Premium

Rates are beginning to stabilize.

- A 30-day average request for homeowners' rates was 1.6% compared to 7.6% one year ago.
- The average homeowner's premium in the admitted market in Florida is approximately \$3,600.
- Ten property insurance companies have filed a zero percent increase for their annual rate filing, and at least eight companies have filed a rate decrease to take effect in 2024 (*note: filings are pending approval*).

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Florida leaders have continuously enacted cost savings for homeowners, while helping ensure properties are strong and resilient.

- The Legislature has mandated updates to the hurricane mitigation discounts insurance companies must provide when homeowners make certain improvements to their home.
- The Legislature has appropriated \$350M in the past three years to help homeowners make improvements and save on their insurance through the My Safe Florida Home Program.

Litigation

One of the primary challenges for Florida's property market has been the frequency and severity of litigated claims. Legislative reforms curbed abusive litigation practices and elevated the role of OIR as the regulatory authority working on behalf of consumers.

- In 2022, Florida had only 14.9% of the nation's homeowners' claims, but had 70.8% of the nation's litigation.
- Insurers paid about \$2.9 billion in direct domestic homeowners' defense costs and containment expenses in 2022 alone, which include defense, litigation, and attorneys' fees. These costs were paid for by consumers in the form of higher rates.
- The total cost of indemnity paid for claims closed in 2022 was \$11.2 billion.
- The total loss adjustment expenses ("LAE") paid for claims closed in 2022 was \$1.5 billion.
 - o Average LAE paid across all perils for litigated claims: \$9,934
 - o Average LAE paid across all perils for non-litigated claims: \$1,576
- OIR has completed 13 market conduct exams of property and casualty insurers alone in 2024.

Company News

Florida's property insurance market is strengthening following the enactment of the legislative reforms. Despite national news of companies balancing restructuring their books (which includes non-renewing policies), companies continue to write new homeowners policies and new companies continue to enter Florida's market.

- Eight new companies have been approved to write homeowners policies in Florida
 - o Manatee, Mainsail, Orion 180, Orion 180 Select, Tailrow, Orange Insurance, CORE, and Ovation.
- In addition to new companies entering the market, OIR approved the acquisition of a Florida domestic property and casualty reciprocal insurer, Trusted Resource Underwriters Exchange, to allow the existing company to grow its footprint in the state and expand its underwriting capacity. As a result of OIR's approval of the acquisition, more than \$1.25 billion of capital is being invested into Florida's property and casualty insurance market.
- Three companies announced their commitment to Florida (State Farm, Kin, AAA) with additional meetings underway with major national carriers.
- OIR continues to meet with executives from national property insurance carriers such as Travelers, Progressive, and Allstate.

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Early signs indicate reforms are shaping the market.

- Legislative reforms aimed at curbing the practice of submitting claims as a ticket to the courtroom. Assignment of benefits played the role of allowing third-party entities to generate business for the litigation firms by convincing Floridians to sign over their rights under the guise of solving their repair needs.
- This abusive pattern created an environment of artificially high claim frequency, which made it difficult for insurers and reinsurers to estimate the risk they were underwriting, made even more difficult by laws allowing hurricane claims to be filed up to 3 years after a storm (now 1 year).
- Since the reforms have been enacted into law, there have been double digit decreases in non-catastrophe claims (2022 to 2023), which is a sign that these abusive practices have begun to subside, and rational claims practices are being restored.
- Restoring rational claims practices stimulates appetite for growth in the market and rate reduction for consumers.

Florida domestic insurers' financial outlook begins to strengthen, which will help give consumers more options for coverage and drive competitive rates.

- In 2023, Florida domestic insurer companies reported they produced a combined net underwriting gain/loss that almost broke even, a dramatic improvement from losing over a billion dollars in the past three consecutive years. When combined with investments, these domestic carriers showed a net positive income in 2023 for the first time since 2016.

Citizens Property Insurance Corporation

Citizens is showing improvement in their financial strength over the previous years and lowering their policy count – another sign of the private insurance market strengthening and lowering the possibility of assessment for Floridians.

- For instance, Citizens' surplus increased by approximately 17.5% from previous years and Citizens reported a net income in 2023 of \$746 million compared to a loss of \$2.2 billion in 2022.
- Citizens' policy count has begun decreasing for the first time in several years.
 - o Decreased from September to December by 179,087 policies (12.7% reduction).
 - o Decreased again by 62,851 (5.12%) from December 2023 to January 2024.
- OIR is seeing greater participation and interest in the Citizens Depopulation program this year, doubling the entire number for 2022 in the first half of 2023, and adding takeouts for the first quarter of 2024, which amount to more than half of all the policies taken out in all of 2023:
 - 2022
 - o Four companies approved to assume 80,201 policies.
 - 2023
 - o Twelve companies approved to assume over 650,000 policies.
 - o 800% Increase compared to last year.
 - o Over 275K policies assumed.
 - o More than the last seven years combined.
 - o Reduced Citizen's exposure by \$113 billion.

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- 2024
 - o Overview: 13 companies approved to assume over 354,000 policies through March.
 - o Latest Takeouts: Three companies approved for a total of 54,386 personal residential policies for a May 2024 assumption date, and one company approved for a total of 300 commercial residential policies for a June 2024 takeout date.

Some consumers taken out of Citizens experienced savings on their insurance.

- For example, Homeowners Choice, saw 74% of its offers accepted by Citizens customers, with 70% of those coming at a savings to the customers when compared with their Citizens premium.

Reinsurance

Reinsurance, a driving factor behind the cost of insurance policies, is becoming more available and prices are stabilizing.

- Despite rumored 50-60% increases at the beginning of 2023, companies reported in OIR's Annual Reinsurance Data Call the 2023 risk-adjusted change in reinsurance cost from 2022 was on average: +27%.
- In preparation for the 2024 reinsurance season, OIR met with Bermuda and New York based reinsurers in October, November, March, and April to provide an update on the state of the market, highlighting positive datapoints.
- Additionally, the Florida Hurricane Catastrophe Fund rates (pending cabinet approval) are decreasing for participating insurers by a statewide average of 7.38%. These rate decreases are in part based on modeled loss cost indications, even while exposure grows.

Market Research

OIR continues to conduct market research to help inform policy decisions that impact the state.

- OIR funds the Public Hurricane Loss Model that was developed and maintained by Florida International University (FIU) and is used by OIR as a tool to ensure rate filings are adequate, not excessive, and not discriminatory. Additionally, OIR uses the Public Model to stress test property insurance companies to ensure they have adequate reinsurance ahead of storm season.
- OIR works with the Florida State University Risk Management Institute to research topics important to the Florida property insurance market.
- Florida is the only state in the Nation with an established commission that reviews and approves catastrophe simulation models to be used in insurance rate filings.