



Florida Office of Insurance Regulation

Commissioner David Altmaier

**The Florida Property Insurance Market  
and  
Assignment of Benefits (AOB)**

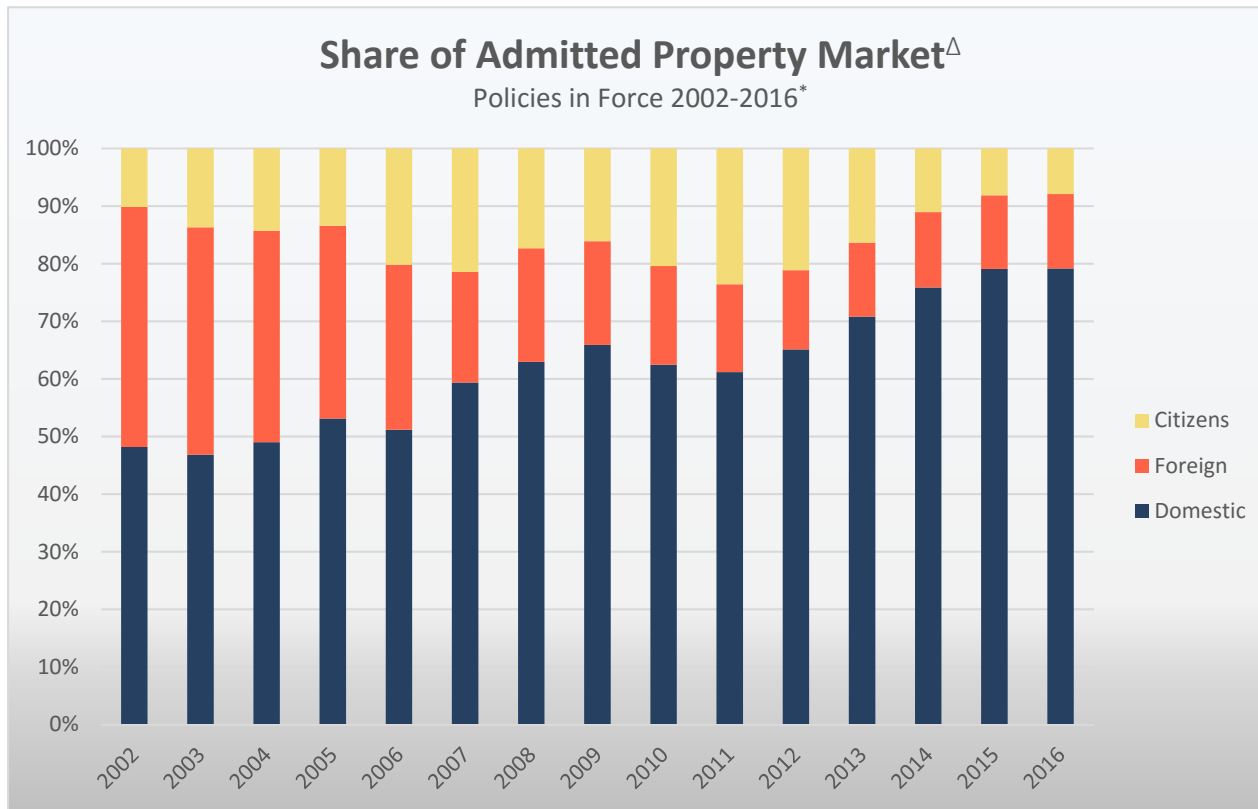
Presented to:

**The Financial Services Commission**

February 7, 2017



## Admitted Market Composition 2002-2016



The growth in share of the domestic market has helped drive the policyholder surplus of our domestic companies from **\$2.7B** in **2006** to **\$6.5B** in the third quarter of **2016<sup>†</sup>**.

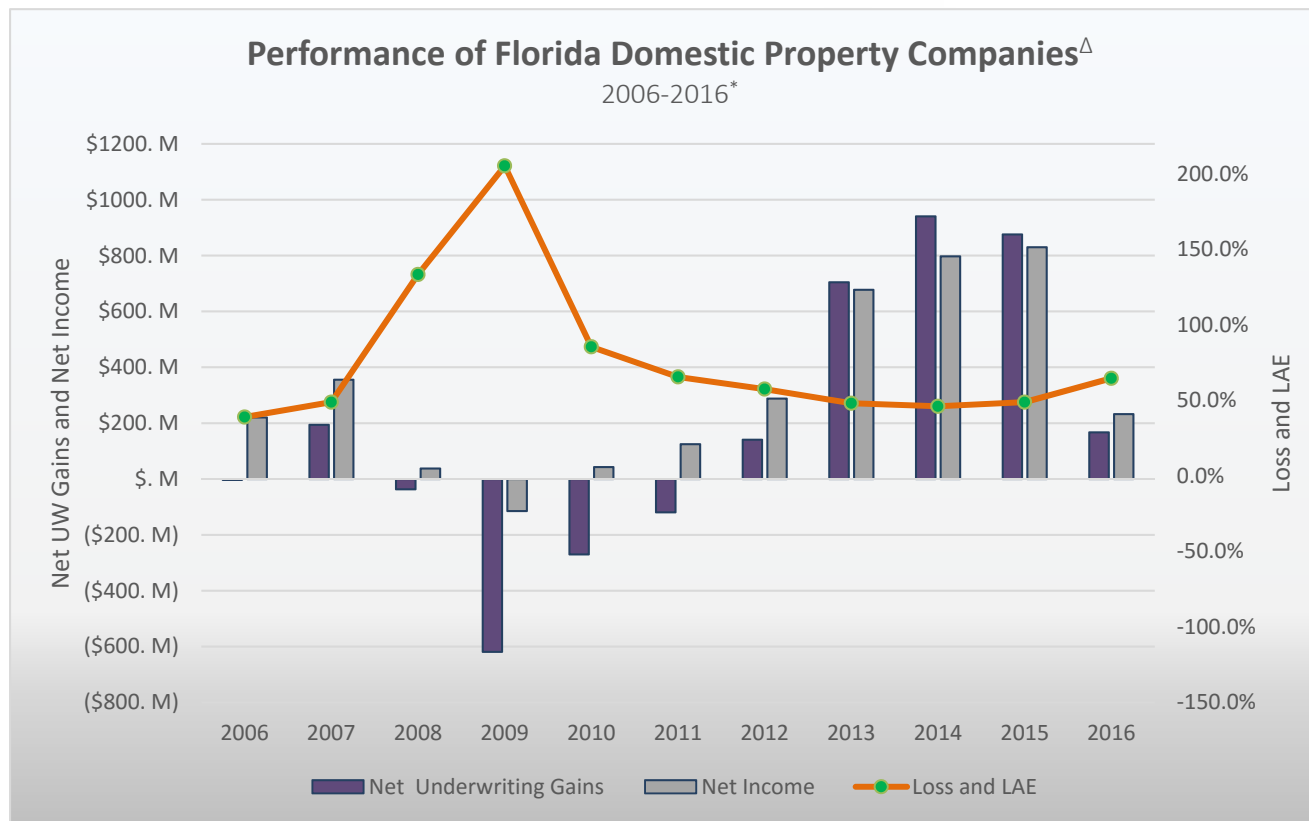
<sup>Δ</sup> Data is from Quarterly Supplemental Reporting (QUASR) and does not include State Farm for years 2014-2016 due to trade secret declarations.

<sup>†</sup> Data is from statutory financial statements submitted to the National Association of Insurance Commissioners (NAIC) and does not include Citizens Property Insurance Corporation.

\*All 2016 Data is through the third quarter of 2016.



## Company Performance of Florida Domestic<sup>\*</sup> 2006-2016

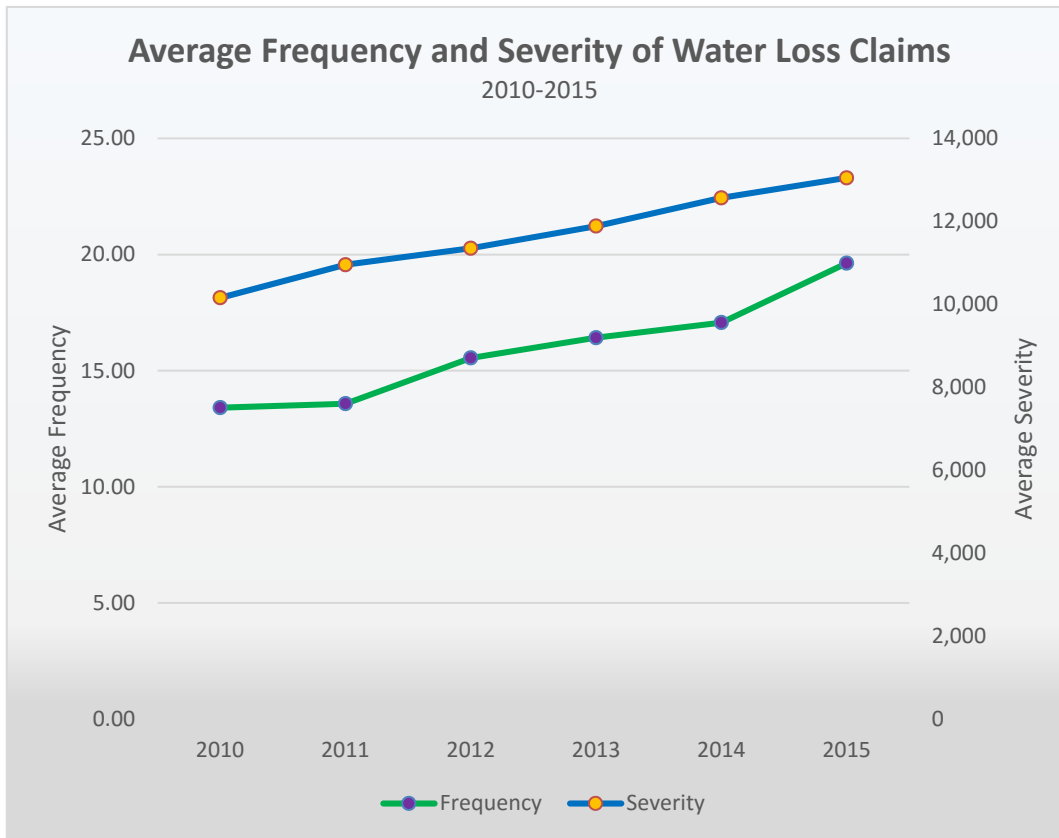


Significant reductions in underwriting gains and net income are being driven by rising Loss and LAE ratios.

<sup>Δ</sup> The domestic companies do not include Citizens Property Insurance Corporation and the data is from statements submitted to the NAIC.  
<sup>\*</sup>2016 data is as of September 30, 2016



## 2015 AOB Study



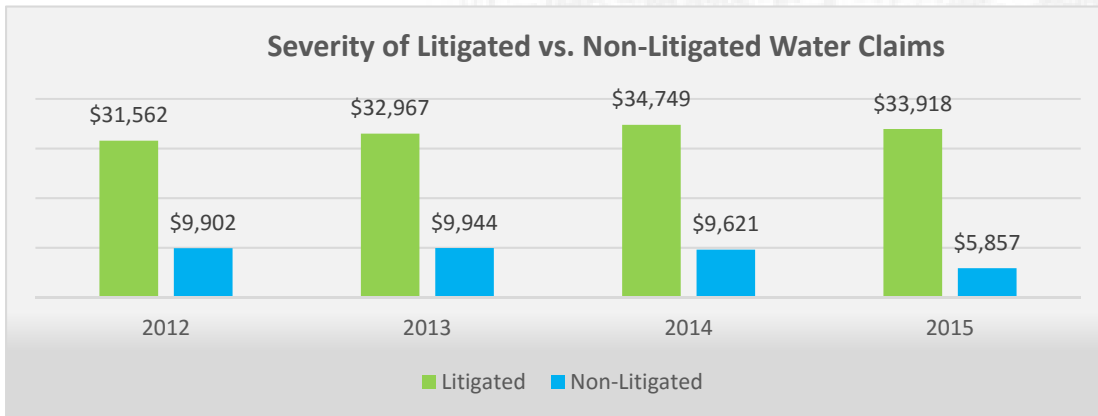
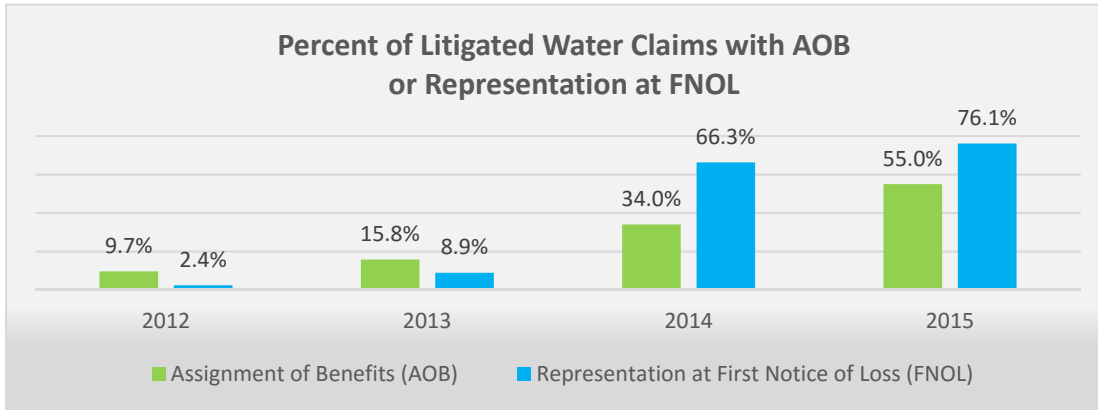
- The average severity of HO-3/DF water claims increased by **28%** since 2010. This represents an average annual increase in the severity of water claims of **5.4%** each year.
- The HO-3/DF frequency of water claims per 1,000 policies has increased by **46%** since 2010. This represents an average annual increase in frequency of water claims of **8.3%** each year.
- There has been a significant increase in the use of AOBs since 2010, from **5.7%** of the claims to **15.9%** of the claims\*.

Source: Office Assignment of Benefits Data Call. Data based on claims for voluntary carriers with dates closed between 1/1/2010 and 9/30/2015. Insurer must have been able to provide information to determine the frequency and severity of HO-3/DF claims for water losses.

\*Data is only shown for insurers that were able to consistently indicate for a given year that a claim had or did not have an (AOB).



# Experience: Citizens Property Insurance Corporation



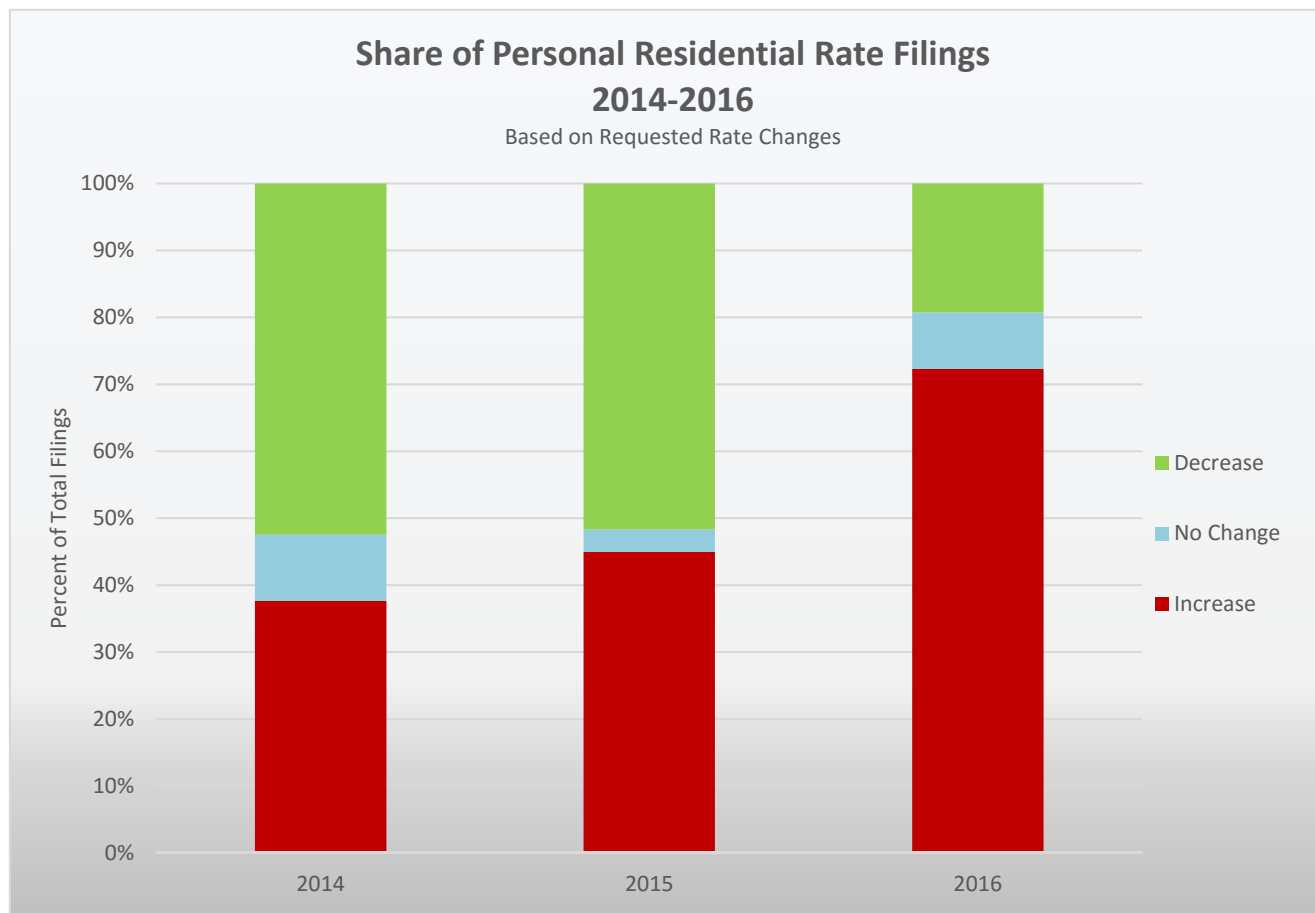
- Percent of water claims that are litigated has increased from 20.7% in 2012 to 34% in 2015.
- During the same period, litigated claims with an AOB or Representation at First Notice of Loss (FNOL) has risen dramatically.
- With the disparity in the severity of litigated vs non-litigated claims, the effect on losses is significant.

Notes:

- 1) Claims data is based on non-weather related water claims by report year for Homeowners policies.
- 2) Severity of litigated and non-litigated claims are based on undeveloped report year incurred loss and allocated loss adjustment expense (ALAE)



## Property Insurance Affordability



Percent of approved filings requesting a rate increase went from 37.6% in 2014 to 72.3% by 2016.



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# Questions?

