

# **Commissioner's Presentation Cabinet Meeting**

**August 11, 2009**

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Thank you for this opportunity to address the Financial Services Commission on the importance of adding new capital to Florida's insurance marketplace. The Office has always been transparent in its presentation of this material – the information has been provided on the website, by category, for the last 18 months. In addition, the information provided to the Commission today, including the attachments, will be available on our website following the meeting.

It is important to remember the list is dynamic, continuously changes, and can be presented differently based on the nature of the request.

As an example, the list included in CFO Sink's letter dated July 28, 2009 was a snapshot in time featuring new business from 2007 to 2008. We have expanded and updated the list as well as added more details per her request. The spreadsheet in the materials provided to you covers new property insurance writers from January 1, 2006 to July 1, 2009.

Broadly speaking there are three main classifications of "new businesses."

1. New Property Insurers in the Admitted Market
2. Property Insurers Already in the Insurance Marketplace as of 2006 that have Added Lines of Insurance
3. Surplus Lines Companies

These three categories of companies have been clearly delineated in every presentation, and in all materials prepared by the Office. The Office has been involved in a multitude of presentations to the Cabinet, Legislature, and other concerned entities; a sample of these presentations is included in your documentation.

## **Appreciation for Staff / Sources of Data Information**

Before I begin with a walk-through of the information, I would like to take this opportunity to commend the Property & Casualty Financial Oversight Unit which utilized people to compile these materials. The information requested needed to be obtained from a multitude of sources including the Office's central company database – CORE (Company and Related Entities), Annual Financial Statement filings to the NAIC, the original company Application materials, and policy count and premium data from QUASR (Quarterly Supplemental Reporting) administered by the Market Research Unit.

## **Walk-Through**

### **First Page --- Property Writers New to Florida since January 1, 2006**

This page is for “admitted” carriers, which means insurers licensed to do business in Florida that are subject to form and rate regulation. As you can see across the top we have included the company name, the initial licensure, the line of business included in their original application, the initial capital contributed to the company, and finally the policy count as of December 31, 2008.

A note on the policy counts – these policy counts include only Personal and Commercial Residential Policies collected by the Quarterly Supplemental filings under Section 624.424, F.S. Premium information for companies covering all lines of insurance are also attached in the accompanying materials.

There are 29 companies on this page totaling \$607 million in start-up capital translating to 615,959 policies in force as of December 31, 2008. The \$607 million in start-up capital includes \$97.5 million in State Board of Administration (SBA) start-up capital funds, which translates to \$509.5 million in new capital being directly contributed by the private sector. We have highlighted some companies in yellow which denotes participation in the State Board of Administration’s capital build-up program. Companies in green participated in the Citizen’s take-out program. Companies in orange participated in both the SBA capital build-up program, and Citizens’ take out.

### **Second Page --- Surplus Lines Writers New to Florida Since January 1, 2006**

There are 18 entities on this page contributing capital of \$4.37 billion. The Office does not collect policy count information; this information was graciously provided by the Florida Surplus Lines Office (FSLO), and included on the summary spreadsheet.

Although these entities are not “admitted carriers” – surplus lines companies are critical to Florida’s marketplace, especially as it pertains to the commercial market. Following the 2004-2005 hurricane season, it was not merely the personal residential market, but also the commercial markets that experienced significant problems. During the August 2006 Financial Services Commission meeting, our Office reported that excess and surplus lines writers, despite unregulated rates, were leaving the marketplace or had reached their writing capacity.

This development contributed to the decision by the Financial Services Commission to activate the Florida Property and Casualty Joint Underwriting Association to handle this risk. This entity has subsequently dissolved, and all of these policies were transferred to Citizens. This is a segue into another important role of surplus lines – keeping commercial risk out of the Citizens Property Insurance Corporation. Fortunately, the surplus lines market has recovered: currently there are 610 non-residential commercial policies covered by Citizens Corporation.

The Surplus Lines market’s greatest contribution has been in the commercial multi-peril line – in 2008 surplus lines writers had over a 25% market share in the overall reported premium for

commercial multi-peril market (excluding liability). However, the Surplus Lines market plays another critical role – insuring high-dollar residential property valued over \$2 million no longer being written by Citizens.

### **Third Page --- New Writers who surrendered their COA & Companies with Lines of Business Added Since January 1, 2006**

The bottom portion of the list includes 14 companies that were already operating in the Florida marketplace in 2006, but expanded a line of business pertaining to residential property insurance. For example, a company wrote auto policies and decided to expand in the homeowners' line. We have not included these companies' capital as "new" capital since it is really a reallocation of capital already committed to the Florida marketplace.

### **The Attachments**

The attachments include detailed information about the admitted and surplus lines carriers. This includes:

- ◆ General Information
- ◆ Background Information – including company business plans
- ◆ Demotech and AM Best Ratings
- ◆ Financial Information including Surplus and Premiums
- ◆ Management Information – including information about the corporate structure
- ◆ QUASR policy count data

We also include the Exhibit of Premium and Losses by line from the Annual Statement filings. This is often characterized as the "State Page" and divides premium into 30 different lines utilized by the NAIC.