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# PROPERTY INSURANCE REPORT

The Authority on Insuring Homes and Commercial Property

June 5, 2023 Vol. 30#1/697


## INSIDE


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### Has the Floridafication of California Really Begun?

**State Farm's** decision to stop writing new homeowners business in **California**, and Insurance Commissioner **Ricardo Lara's** inability and/or unwillingness to talk them out of it, is the most dangerous tipping point the state market has ever seen. If other big writers withdraw capital, it could lead California to a reliance on the kind of small specialty insurers that make **Florida** such an expensive and unstable marketplace. Lara has been relatively mild in his criticism of the move, but consumer advocate **Harvey Rosenfield** is not holding back, improbably calling on the commissioner to force State Farm to keep accepting business. California is a long way from a Florida-style meltdown, but the state has entered dangerous territory. PIR

## Will Reforms and Weather Luck Pull Florida Back From the Brink?

As hurricane season begins this month, a real glimmer of hope is peeking through the storm clouds that darken the **Florida** property insurance market as consumers face skyrocketing rates, tighter underwriting and a dearth of private market coverage options and struggle to recover from Hurricane Ian, Florida's costliest storm on record.



*Michael Yaworsky*
*Florida*
*Insurance Commissioner*

Though the current market dynamic is unlikely to change in the short term, there is a palpable sense that the Florida property insurance market is on a path toward solid and sustainable improvement. After the Legislature's passage of groundbreaking insurance reforms and the subsequent completion of June 1 reinsurance renewals for Florida carriers, the catchphrase blowing in the wind – from London to Bermuda, and Wall Street to Tallahassee – is "cautious optimism."

**Michael Yaworsky**, who took over as Florida insur-

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## New Legislation Reshapes Florida Insurance Landscape

After years of trying to target specific litigation abuses, **Florida** lawmakers passed what have been considered monumental tort reforms, though industry observers warn it will take some time for their effects to dramatically change the market dynamics.

Senate Bill 2A, which passed in December:

• Prohibited assignment of benefits (AOB) and repealed provisions allowing one-way attorney fees for property insurance claims. Combined, AOB and one-way fees fueled the surge in property insurance litigation by law firms and

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contractors working together.

• Reduced the time for filing a claim from two years to one year and the time for insurance companies to pay or deny a claim from 90 to 60 days. It also reduced the time for insurers to investigate a claim and acknowledge a claim communication from 14 days to seven days and pushed up the limit for a physical inspection to 30 days from 45.

• Enhanced the ability of the FLOIR to conduct market conduct exams and to discipline carriers for abuse of the appraisal process.

• Tightened eligibility for the residual market by prohibiting renewals for personal and commercial property owners offered a policy from a private market that is not more than 20% higher than the Citizens rate. The law also lifted Citizens' rate restrictions on second homes. In addition, homeowners with Citizens coverage must have flood insurance.

> ***Contractors must now inform consumers that offers to waive or pay a deductible is committing insurance fraud.***

The December reforms built on Senate Bill 2D, which passed in May 2022, and addressed bad faith and fee multipliers. Under the law, to prevail in a bad faith suit, a claimant must show an insurer breached the insurance contract. (Its provision that prohibited the right to assign attorney fees in assignment of benefits became moot when the December legislation outlawed AOB for property litigation entirely.)

• Aligns Florida with the federal "lodestar" standard, which allows attorney fee multipliers only in rare and exceptional circumstances. To win a fee multiplier requires evidence that the claimant wouldn't otherwise be able to find a competent lawyer to take the case.

• Allows insurers to receive attorney fees if they win a dismissal because the plaintiff didn't provide the required notice of intent to initiate litigation at least 10 days before filing suit.

• Restricts contractor solicitations that induce consumers to contact a contractor or public adjuster for the purpose of making a property insurance claim for roof damage. The solicitation must state that consumers are responsible for paying the deductible and that a contractor who offers to waive or pay a deductible is committing fraud.

• Allows property insurers to include a separate 2% roof deductible in replacement-cost policies in exchange for a discount, though policyholders can reject it and it doesn't apply in certain circumstances, including a hurricane loss. When a roof deducible applies, insurers can't charge any other deductible.

• Prohibits insurers from refusing to issue or renew a homeowners policy for a roof less than 15 years old or if a roof inspection shows that roof older than that has at least five more years of useful life.

• Imposes more transparency in claims. Insurers must notify policyholders of their right to receive an adjuster's detailed report and provide a reasonable explanation of a claim decision, including the reason a payment might be less than the damage estimate from the insurer's adjuster.

• Creates a Property Insurer Stability Unit within the Florida Office of Insurance Regulation for enhanced monitoring to detect and prevent insurer solvencies.

• Puts $150 million into the My Safe Florida Home Program to provide hurricane mitigation inspections and matching grants up to $10,000 to retrofit homes in vulnerable areas.

House Bill 837, which passed in March, more broadly attacked "litigation for profit" schemes by extending restrictions on one-way attorney fees, contingency fee multipliers and bad faith beyond property insurance to other lines, including auto insurance. (AIR 4/24/23)

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***LEGISLATION*** *Continued from Page 2*

With new sweeping laws that put strict limits on property insurance litigation, lawmakers last month passed SB 7052, known as the Insurer Accountability Act.

The law increases protections from cancellation for homeowners with pending claims and tightens scrutiny of claims-handling practices. For example, it prohibits insurers from altering an adjuster's report without a detailed explanation, gives regulators greater scrutiny of claims manuals and doubles fines for carriers that don't follow proper claims-handling practices.

In response to insolvencies, the law beefs up market conduct and financial exams, requiring regulators to review high-risk insurers at least every three years and other insurers every five years. It also bars impaired insurers from paying bonuses to executives.

One provision requires auto and property rate filings to reflect projected or actual savings from any reductions in frequency, severity and expenses – including fees paid to claimants' attorneys – resulting from the tort reforms.

The law increases the maximum administrative fines that regulators can levy by 250% generally and by 500% for violations stemming from a hurricane or other state of emergency.

The law boosts staffing in the consumer services unit of the **Florida Department of Financial Services** and hikes penalties for insurers that don't respond promptly to its requests. PIR

## State Market Focus: FLORIDA

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ance commissioner earlier this year, shares that cautious optimism. In April, he trumpeted **HCI Group's** launch of **Tailrow Insurance Co.**, the first carrier to win preliminary approval to enter the Florida homeowners insurance market in the wake of reforms aimed at crushing, once and for all, a claims litigation machine that operated at full steam even when there were no storms.

"It's been a really difficult period for a number of years in the insurance space, which is really the result of three cauldrons boiling over: reinsurance, litigation and natural catastrophes," Yaworsky said in an interview. "The Florida Legislature and the governor have taken very bold action … to restore rationality to the litigation space, and that's really the one that we have the most immediate control over. Long term, with that moving into a better space, I'm hopeful that will have impacts on the reinsurance market in a positive direction so that we can begin to move toward a very stable and competitive insurance market."

As a first step, the critical June 1 reinsurance renewal process was better than expected, averting fears of a capacity crisis after the turmoil surrounding the January renewal. (PIR 1/30/23) Even as some reinsurers continued to step back, heavyweight **Berkshire Hathaway** was among the reinsurers that put more money on the line, increasing its overall Florida exposure to about $15 billion, **Ajit Jain**, vice chairman of the company's insurance operations, said at last month's annual shareholders meeting.



*Jennifer Montero Citizens Property Insurance Corp.*

Primary insurers completed their programs at an exceptionally high cost. **Jennifer Montero**, CFO of **Citizens Property Insurance Corp.** – Florida's market of last resort and leading home insurer with 15.7% of the market – said reinsurance rates for Florida domestic insurers were up 30% to 50%, compared with 10% to 20% for exposures outside Florida.

Despite the positive signs, Yaworsky's optimism is necessarily tempered by a few realities:

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# Florida
# Homeowners Multiperil Insurers

Groups Ranked by Total 2022 Direct Premium Written (000)

| Group Name | 2022 Premium | Mkt share 2022 | Loss Ratio 2022 | 2021 Premium | Mkt share 2021 | Loss Ratio 2021 | 2020 Premium | Mkt share 2020 | Loss Ratio 2020 |
|---|---|---|---|---|---|---|---|---|---|
| Citizens Property Insurance Corp. | $2,257,368 | 15.6% | 144.4% | $1,260,866 | 10.2% | 44.4% | $749,996 | 6.8% | 48.1% |
| Universal Insurance Holdings Inc. | $1,444,366 | 10.0% | 96.9% | $1,300,327 | 10.5% | 67.3% | $1,166,398 | 10.5% | 62.2% |
| State Farm Mutual | $965,504 | 6.7% | 75.5% | $826,871 | 6.7% | 37.5% | $671,374 | 6.0% | 59.8% |
| Florida Peninsula Holdings LLC | $655,013 | 4.5% | 125.4% | $465,945 | 3.8% | 68.1% | $346,609 | 3.1% | 86.5% |
| Tower Hill Group | $641,944 | 4.4% | 142.0% | $642,352 | 5.2% | 55.1% | $606,430 | 5.5% | 72.7% |
| USAA Insurance Group | $608,391 | 4.2% | 98.6% | $509,147 | 4.1% | 49.3% | $436,505 | 3.9% | 54.9% |
| First Protective Insurance Co. | $607,313 | 4.2% | 193.7% | $482,184 | 3.9% | 53.6% | $357,834 | 3.2% | 84.7% |
| Progressive Corp. | $577,087 | 4.0% | 168.1% | $540,780 | 4.4% | 53.6% | $439,897 | 4.0% | 107.9% |
| HCI Group Inc. | $545,325 | 3.8% | 161.9% | $482,016 | 3.9% | 38.5% | $406,825 | 3.7% | 36.5% |
| Allstate Corp. | $464,358 | 3.2% | 116.6% | $322,156 | 2.6% | 58.3% | $193,294 | 1.7% | 68.0% |
| Slide Insurance Co. | $417,085 | 2.9% | 163.5% | $0 | | | $0 | | |
| Heritage Insurance Holdings Inc. | $402,503 | 2.8% | 134.0% | $404,760 | 3.3% | 65.6% | $409,389 | 3.7% | 57.2% |
| Amer Integrity Ins Co. of Florida | $392,144 | 2.7% | 173.1% | $342,252 | 2.8% | 59.4% | $273,384 | 2.5% | 62.7% |
| Chubb Ltd. | $372,611 | 2.6% | 52.2% | $338,245 | 2.7% | 49.7% | $326,814 | 2.9% | 44.3% |
| Security First Insurance Co. | $310,526 | 2.2% | 77.2% | $305,827 | 2.5% | 44.4% | $324,289 | 2.9% | 62.5% |
| Farmers Insurance Group | $276,759 | 1.9% | 169.0% | $183,985 | 1.5% | 40.6% | $119,483 | 1.1% | 30.3% |
| Olympus Insurance Co. | $257,513 | 1.8% | 142.2% | $204,259 | 1.7% | 56.8% | $187,471 | 1.7% | 98.3% |
| American International Group | $213,338 | 1.5% | 58.6% | $262,784 | 2.1% | 30.3% | $257,074 | 2.3% | 86.4% |
| Tokio Marine Group/PURE | $206,404 | 1.4% | 31.7% | $217,759 | 1.8% | 28.9% | $128,989 | 1.2% | 34.4% |
| Auto Club Insurance Assn. (Michigan) | $188,857 | 1.3% | 136.7% | $144,651 | 1.2% | 73.5% | $116,330 | 1.1% | 124.0% |
| People's Trust Insurance Co. | $186,482 | 1.3% | 188.7% | $193,530 | 1.6% | 62.1% | $195,639 | 1.8% | 81.4% |
| Southern Farm Bureau Casualty | $172,965 | 1.2% | 97.5% | $142,429 | 1.1% | 62.6% | $126,962 | 1.1% | 72.7% |
| Kin Interinsurance Network | $172,809 | 1.2% | 111.4% | $87,737 | 0.7% | 60.3% | $19,434 | 0.2% | 79.8% |
| Southern Oak Insurance Co. | $169,984 | 1.2% | 99.8% | $131,964 | 1.1% | 42.2% | $98,485 | 0.9% | 55.2% |
| Florida Family Insurance | $159,372 | 1.1% | 86.7% | $139,448 | 1.1% | 59.3% | $110,003 | 1.0% | 68.3% |
| American Traditions Insurance Co. | $133,625 | 0.9% | 174.7% | $128,033 | 1.0% | 52.0% | $121,121 | 1.1% | 64.2% |
| Nationwide Mutual Group | $129,545 | 0.9% | 137.2% | $117,528 | 1.0% | 60.3% | $95,736 | 0.9% | 66.7% |
| Cypress Group Holdings, Inc. | $105,315 | 0.7% | 190.2% | $101,618 | 0.8% | 44.2% | $76,217 | 0.7% | 76.8% |
| QBE Insurance Group Ltd. | $92,257 | 0.6% | 91.2% | $73,038 | 0.6% | 39.1% | $67,362 | 0.6% | 47.9% |
| Berkshire Hathaway Inc. | $89,400 | 0.6% | 116.0% | $74,471 | 0.6% | 38.8% | $61,868 | 0.6% | 51.4% |
| Safepoint Insurance Co. | $78,502 | 0.5% | 109.8% | $72,702 | 0.6% | 49.4% | $72,269 | 0.7% | 72.9% |
| Liberty Mutual | $77,003 | 0.5% | 103.3% | $67,709 | 0.6% | 60.8% | $68,438 | 0.6% | 77.6% |
| Ocean Harbor Insurance | $75,213 | 0.5% | 202.0% | $65,511 | 0.5% | 47.7% | $73,670 | 0.7% | 73.9% |
| Assurant | $64,335 | 0.5% | 63.5% | $61,775 | 0.5% | 13.3% | $59,324 | 0.5% | 34.5% |
| Monarch National Insurance Co. | $62,766 | 0.4% | 99.6% | $26,064 | 0.2% | 90.4% | $20,820 | 0.2% | 167.5% |
| American Family Insurance Group | $61,553 | 0.4% | 69.6% | $36,925 | 0.3% | 35.2% | $25,430 | 0.2% | 42.5% |
| R&Q Insurance Holdings Ltd. | $60,811 | 0.4% | 56.5% | $3,140 | 0.0% | 47.0% | $0 | 0.0% | |
| Markel Corp. | $57,688 | 0.4% | 121.9% | $84,421 | 0.7% | 176.5% | $121,336 | 1.1% | 68.8% |
| Universal Group Inc. | $54,469 | 0.4% | 135.1% | $53,609 | 0.4% | 100.2% | $75,747 | 0.7% | 77.3% |
| **Statewide Totals** | $14,448,510 | | 125.5% | $12,402,718 | | 56.5% | $11,108,804 | | 70.4% |

**Source:** S&P Global Market Intelligence and the *Property Insurance Report* database.
Loss ratio = incurred losses/direct premium earned and does not include dividends or loss adjustment expense.

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## State Market Focus: FLORIDA

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The market is still a mess, worse even than in the hard markets following Hurricane Andrew and the 2004-2005 storm seasons.

The market may be eager for new carriers, but regulators realize they must look beyond financials to ensure that the executives leading the next crop of Florida insurers don't follow predecessors down the path to insolvency.

The industry – and its regulators – are under a harsh spotlight after reports that insurers shortchanged customers on Hurricane Ian claims by lowering adjuster reports of damage estimates.

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### 'Worst Market Ever'

Owners of homes and commercial properties in Florida's booming market are struggling to find coverage they can afford – if they can find it at all – as 10 Florida property insurers became insolvent in less than four years and more nonrenewed policies or stopped writing new business. Many of the insurers that still write in the state are seeking big rate increases and severely restricting where and what types of properties they will write.



*Kyle Ulrich*
*Florida Association of Insurance Agents*

In an analysis of data from Florida insurance regulators, the **Florida Association of Insurance Agents** (FAIA) found that between October 2019 and July 2022, independent agents replaced coverage for more than 600,000 policyholders impacted by insolvencies or administrative orders.

"Regardless of how long they have been in the business, this is the worst market that any agent has ever experienced here – even those that operate in Dade County and refer back to the times immediately post-Hurricane Andrew," said **Kyle Ulrich**, CEO of the agents' group. "The

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# Florida
# Property Insurance Profit Margins
### 10-Year Summary, % of Direct Premiums Earned, With National Averages

| Line of Business | 2021 Total Profit | 2020 Total Profit | 2019 Total Profit | 2018 Total Profit | 2017 Total Profit | 2016 Total Profit | 2015 Total Profit | 2014 Total Profit | 2013 Total Profit | 2012 Total Profit | Avg Total Profit |
|---|---|---|---|---|---|---|---|---|---|---|---|
| State Homeowner | 10.2 | -3.2 | -8.9 | -32.2 | -17.7 | 19.7 | 27.8 | 31.3 | 33.0 | 30.2 | 9.0 |
| Nat'l Homeowner | 1.4 | 2.7 | 10.3 | -2.0 | -2.6 | 11.8 | 14.0 | 13.9 | 16.5 | 8.1 | 7.4 |
| State Fire | 25.7 | 19.3 | 21.2 | -1.2 | -1.2 | 29.9 | 40.1 | 39.4 | 43.9 | 41.1 | 25.8 |
| Nat'l Fire | 7.3 | 9.3 | 5.8 | 4.8 | 4.7 | 11.0 | 24.2 | 21.4 | 26.9 | 24.7 | 14.7 |
| State Comm MP | 19.6 | 4.1 | -5.7 | -19.5 | -16.5 | 23.5 | 30.2 | 33.1 | 29.0 | 26.9 | 12.5 |
| Nat'l Comm MP | 5.5 | 3.2 | 8.2 | 4.1 | 0.6 | 9.8 | 14.5 | 12.4 | 14.9 | 9.0 | 8.2 |
| State Allied Lines | 48.3 | 23.4 | 34.9 | -12.3 | -62.0 | 33.3 | 47.2 | 44.9 | 48.5 | 44.0 | 25.0 |
| Nat'l Allied Lines | 7.3 | -0.3 | 7.6 | 2.2 | -37.6 | 10.6 | 19.2 | 15.7 | 6.3 | -19.4 | 1.2 |

Note: Profit calculations are by *Property Insurance Report* using data from the National Association of Insurance Commissioners. Calculations are estimates, some based on national averages.

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## State Market Focus: FLORIDA

# Florida

### Commercial Multiperil Nonliability Insurers
**Groups Ranked by 2022 Premiums Written (000)**

| Group Name | 2022 Premiums | Mkt share | Loss Ratio |
|---|---|---|---|
| Markel | $178,518 | 9.1% | 88.8% |
| Heritage Insurance Holdings Inc. | $151,803 | 7.8% | 217.0% |
| Chubb Ltd. | $131,786 | 6.7% | 56.0% |
| Zurich Insurance Group | $121,033 | 6.2% | 69.7% |
| Allstate Corp. | $118,600 | 6.1% | 35.4% |
| Liberty Mutual | $108,147 | 5.5% | 121.8% |
| Nationwide Mutual Group | $108,082 | 5.5% | 121.6% |
| Frontline Insurance Unlimited Co. | $99,618 | 5.1% | 238.8% |
| Hartford Financial Services | $98,210 | 5.0% | 65.5% |
| Berkshire Hathaway Inc. | $72,193 | 3.7% | 122.6% |
| GeoVera Holdings | $70,169 | 3.6% | 145.9% |
| Tokio Marine Group/PURE | $57,154 | 2.9% | 71.5% |
| American Family Insurance Group | $50,123 | 2.6% | 104.1% |
| American International Group | $40,690 | 2.1% | 77.2% |
| Trisura Group Ltd. | $33,314 | 1.7% | 82.7% |
| Travelers Companies Inc. | $33,110 | 1.7% | 53.2% |
| CNA Financial Corp. | $32,745 | 1.7% | 116.3% |
| Vantage Group Holdings | $32,182 | 1.7% | 144.1% |
| Applied Underwriters | $31,761 | 1.6% | 213.7% |
| Bankers Insurance | $29,694 | 1.5% | 181.7% |
| Munich Re | $22,622 | 1.2% | 24.1% |
| State Farm Mutual | $21,750 | 1.1% | 137.5% |
| GuideOne Insurance | $19,498 | 1.0% | 61.1% |
| Tower Hill | $17,366 | 0.9% | 61.9% |
| R&Q Insurance Holdings Ltd. | $16,960 | 0.9% | 19.9% |
| Hanover Insurance Group | $15,877 | 0.8% | 60.4% |
| Westfield Insurance | $15,605 | 0.8% | 52.2% |
| Auto-Owners Insurance | $15,551 | 0.8% | 78.0% |
| Aspen Insurance Holdings Ltd. | $15,337 | 0.8% | 55.4% |
| American National | $13,826 | 0.7% | 73.3% |
| AF Group | $12,773 | 0.7% | 57.3% |
| Church Mutual | $11,636 | 0.6% | 54.5% |
| FCCI Mutual Insurance Holding Co. | $11,474 | 0.6% | 123.5% |
| Southern Farm Bureau Casualty | $10,274 | 0.5% | 101.7% |
| Spinnaker Insurance | $10,025 | 0.5% | 180.2% |
| CUNA Mutual | $9,379 | 0.5% | 29.9% |
| Global Indemnity | $8,970 | 0.5% | 49.0% |
| Great American Insurance | $8,901 | 0.5% | 104.1% |
| Fairfax Financial Holdings | $7,007 | 0.4% | 44.6% |
| Ategrity Specialty Insurance Co. | $6,857 | 0.4% | 123.6% |
| **Statewide Totals** | $1,955,788 | | 107.4% |

**Source:** S&P Global Market Intelligence and the *Property Insurance Report* database.
Loss ratio = incurred losses/direct premium earned and does not include dividends or loss adjustment expense.

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lack of availability, lack of options and increased premiums are across all lines of property insurance, personal and commercial."

Floridians already pay the highest homeowners insurance costs, with average premiums exceeding $4,200 – more than three times the national average, and rates this year are projected to rise an average 40% statewide, according to the **Insurance Information Institute**. Flood insurance costs are also rising dramatically for many properties under the **National Flood Insurance Program's** updated risk-based pricing model.

"Those conversations with policyholders are very difficult when they have to give a renewal quote that is in many cases 40% or 50% higher year-over-year, and on the commercial residential side, agents are delivering quotes 400% over last year's premium," Ulrich said. "What makes matters even worse is that oftentimes it's for lesser terms. I've heard example after example of premiums going up fourfold while the coverage being afforded is half of what was provided last year, with a higher deductible, and so those are difficult conversations. What's even worse than that conversation, though, is telling a customer 'I have no option for you, either in the admitted market or even in the surplus lines market' for folks that don't qualify for Citizens."

With hurricane season just beginning, there is also fear that more companies could be at risk of insolvency. At the start of this year, 19 property insurers were subject to "enhanced monitoring" by the **Florida Office of Insurance Regulation** (FLOIR), including six referred since July 2022.

Meanwhile, thousands of policies continue to pour into Citizens, which had nearly 1.3 million policies at the end of April, though recent reforms tighten eligibility, aimed at making it harder for customers to renew.

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## State Market Focus: FLORIDA

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Today's challenges follow years of losses driven by natural catastrophes and litigation, post-pandemic inflation, and supply and labor shortages. Florida home insurers experienced underwriting losses of $1 billion or more in each of the last three years, according to the FLOIR's most recent Property/Casualty Stability Report. In 2022, the homeowners multiperil line generated an incurred loss ratio of 125.5% with $16.29 billion in incurred losses, according to data from **S&P Global Market Intelligence**.

Insurers have said that they know how to price for hurricanes, but what they couldn't price for was the uncertainty of out-of-control claims litigation costs. An oft-touted statistic from the FLOIR notes that Florida represents about 7% of nationwide homeowners claims but 76% of homeowners lawsuits. In a recent webinar, **Chris Draghi**, associate director at **A.M. Best Co**., noted that Florida property insurers spent 8.5% of earned premium on defense cost and containment expenses in 2022, compared with about 3.5% for **Louisiana**, the second-highest state, and less for other states.

Some of the most potent restrictions on attorneys fees only take effect after a policy renews, leaving the door open to claims litigation under the old rules for thousands of policyholders.

"The legislation that the governor pursued and the Legislature passed in the last year will be transformational," said **Fred Karlinsky**, co-chair of the law firm **Greenberg Traurig's** insurance regulatory and transactions practice. However, he added, "the market did not deteriorate overnight and, unfortunately, it won't heal overnight."

During a rate hearing in April, executives from **Progressive** – now Florida's eighth-largest homeowners insurance group – outlined the cost pressures driving its need for higher rates. Its

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# Florida

### Fire Insurers

**Groups Ranked by 2022 Premiums Written (000)**

| Group Name | 2022 Premiums | Mkt share | Loss Ratio |
|---|---|---|---|
| American International Group | $117,953 | 6.0% | 70.5% |
| STARR Companies | $115,043 | 5.9% | 104.9% |
| Zurich Insurance Group | $102,860 | 5.3% | 3.7% |
| Security First Insurance Co. | $97,023 | 5.0% | 60.8% |
| Berkshire Hathaway Inc. | $90,014 | 4.6% | 32.0% |
| Assurant | $89,261 | 4.6% | 28.0% |
| Arch Capital | $85,940 | 4.4% | 137.7% |
| People's Trust Insurance Co. | $76,034 | 3.9% | 54.0% |
| Core Specialty/StarStone | $63,473 | 3.2% | 95.3% |
| Chubb Ltd. | $61,291 | 3.1% | 114.4% |
| AXA SA | $59,598 | 3.0% | 98.0% |
| First Protective Insurance Co. | $53,828 | 2.8% | 123.0% |
| FM Global | $53,138 | 2.7% | 22.8% |
| Citizens Property Insurance Corp. | $51,686 | 2.6% | 255.4% |
| SCOR | $46,022 | 2.4% | 97.8% |
| Allianz Group | $41,983 | 2.1% | 88.9% |
| Liberty Mutual | $37,470 | 1.9% | 117.2% |
| HCI Group Inc. | $32,784 | 1.7% | 139.9% |
| AXIS | $31,848 | 1.6% | 44.7% |
| Transverse Insurance | $30,074 | 1.5% | 33.1% |
| QBE Insurance Group Ltd. | $29,918 | 1.5% | 57.3% |
| Aspen Insurance Holdings | $28,099 | 1.4% | 74.5% |
| Amer Integrity Ins Co. of Florida | $27,859 | 1.4% | 88.0% |
| Clear Blue Insurance | $25,225 | 1.3% | 136.3% |
| RLI Corp. | $24,965 | 1.3% | 44.3% |
| Munich Re | $24,873 | 1.3% | 93.6% |
| Progressive Corp. | $23,684 | 1.2% | 31.4% |
| Travelers Companies Inc. | $22,193 | 1.1% | 43.7% |
| Tower Hill | $21,421 | 1.1% | 16.2% |
| Sompo Holdings Inc. | $20,831 | 1.1% | 24.6% |
| AF Group | $19,909 | 1.0% | 15.6% |
| Old Republic Insurance | $17,175 | 0.9% | 8.8% |
| Nationwide Mutual Group | $16,417 | 0.8% | 48.2% |
| Markel | $16,303 | 0.8% | 116.3% |
| Florida Family Insurance | $16,281 | 0.8% | 74.1% |
| Southern Oak Insurance Co. | $14,263 | 0.7% | 46.3% |
| Cypress P&C Insurance Co. | $11,814 | 0.6% | 196.6% |
| W. R. Berkley Corp. | $11,793 | 0.6% | 30.4% |
| Intact Financial Corp. | $10,814 | 0.6% | 44.0% |
| Monarch National Insurance Co. | $10,638 | 0.5% | 249.8% |
| **Statewide Totals** | $1,958,801 | | 77.9% |

**Source:** S&P Global Market Intelligence and the *Property Insurance Report* database.
Loss ratio = incurred losses/direct premium earned and does not include dividends or loss adjustment expense.

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# State Market Focus: FLORIDA

## Florida

### Allied Lines Insurers

**Groups Ranked by 2022 Premiums Written (000)**

| Group Name | 2022 Premiums | Mkt share | Loss Ratio |
|---|---|---|---|
| Citizens Property Insurance Corp. | $881,026 | 18.1% | 192.1% |
| United Insurance Holdings/UPC | $503,817 | 10.4% | 146.0% |
| Assurant | $360,060 | 7.4% | 113.7% |
| QBE Insurance Group Ltd. | $263,198 | 5.4% | 101.6% |
| Berkshire Hathaway Inc. | $248,361 | 5.1% | 212.1% |
| Zurich Insurance Group | $228,541 | 4.7% | 139.8% |
| Chubb Ltd. | $219,739 | 4.5% | 58.0% |
| American International Group | $171,461 | 3.5% | 202.2% |
| American Integrity Ins Co. of Florida | $122,267 | 2.5% | 177.3% |
| FM Global | $120,252 | 2.5% | 71.9% |
| RLI Corp. | $111,109 | 2.3% | 133.8% |
| Sompo Holdings Inc. | $96,634 | 2.0% | 151.0% |
| AXIS | $94,342 | 1.9% | 148.7% |
| Swiss Re | $86,768 | 1.8% | 117.5% |
| Tower Hill | $84,094 | 1.7% | 124.0% |
| Universal Insurance Holdings Inc. | $80,141 | 1.7% | 104.3% |
| Everest Re Group Ltd. | $73,142 | 1.5% | 158.1% |
| Progressive Corp. | $65,680 | 1.4% | 305.4% |
| Nationwide | $59,244 | 1.2% | 131.8% |
| Munich Re | $52,708 | 1.1% | 41.3% |
| CNA Financial Corp. | $49,431 | 1.0% | 7.1% |
| Frontline Insurance Unlimited Co. | $47,845 | 1.0% | 224.9% |
| Transverse Insurance | $45,770 | 0.9% | 64.9% |
| Slide Insurance Co. | $44,425 | 0.9% | 252.9% |
| Safepoint Insurance Co. | $40,528 | 0.8% | 116.1% |
| Kin Interinsurance Network | $40,356 | 0.8% | 154.1% |
| Old Republic Insurance | $40,087 | 0.8% | 72.1% |
| Markel | $39,156 | 0.8% | 237.7% |
| Arch Capital | $37,615 | 0.8% | 295.8% |
| Travelers Companies Inc. | $34,880 | 0.7% | 121.2% |
| Olympus Insurance Co. | $29,670 | 0.6% | 131.4% |
| Heritage Insurance | $27,482 | 0.6% | 174.4% |
| GuideOne Insurance | $26,651 | 0.6% | 103.5% |
| Intact Financial Corp. | $23,237 | 0.5% | -1.4% |
| USAA Insurance Group | $21,476 | 0.4% | 114.2% |
| Randall & Quilter Invt Hldgs Ltd. | $20,085 | 0.4% | 87.4% |
| Fairfax Financial Holdings | $19,784 | 0.4% | 140.4% |
| Kinsale Insurance Co. | $18,946 | 0.4% | 138.3% |
| AXA SA | $18,734 | 0.4% | 191.1% |
| Tokio Marine Group/PURE | $18,597 | 0.4% | 150.8% |
| **Statewide Totals** | $4,858,552 | | 146.2% |

**Source:** S&P Global Market Intelligence and the *Property Insurance Report* database.
Loss ratio = incurred losses/direct premium earned and does not include dividends or loss adjustment expense.

*Continued from Page 7*

companies, **American Strategic Insurance Co.** and **ASI Preferred**, sought increases averaging 19.3% for policies renewing starting last August, and then 32.5% in December. Almost 45% of policies would be impacted by both rate increases, the equivalent of a 70% hit.

The insurer paid out $1.43 for ever $1 collected in premium over the last three years in Florida. **Steve Caster**, Progressive's Florida property manager, described a rise in claims requiring full roof replacements from storms other than hurricanes. In addition, Progressive saw a large number of claims with assignment of benefits (AOB), which doubles the severity of a claim, and claims including an attorney, which triples the average cost. The percentage of claims with attorney representation grew from 8% to 14% in recent years. Reinsurance costs were another important driver, as they increased from nearly 40% of hurricane premium in 2019 to 64% in 2022 as capacity became less available.



*Randy Fuller*
*Guy Carpenter*

"We have no choice but to pass these higher expenses along in our rates," he said.

When asked how the company was accounting for property insurance reforms in its rates, Caster's reply reflected the conventional wisdom:

"We are really optimistic about the recent Florida reforms, and as soon as measurable impacts flow through our … losses, we will reflect them in our rates," he said. "Our stance on timing, in terms of when we think we will see the benefits, is very similar to others familiar with the Florida market in that the reforms will pro-

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## State Market Focus: FLORIDA

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vide long-term relief, but we still face some challenges in the near term."

Nobody expects changes to happen overnight, but some carriers are already seeing benefits of reforms, according to **Randy Fuller**, the Florida segment leader for reinsurance broker **Guy Carpenter**.

"There already are some signs that the law is having an effect," Fuller said during a webinar hosted by **A.M. Best Co.** The frequency of AOB claims has been dropping, and more than 75% of Florida domestic carriers reported a 5-point improvement in their direct loss ratios in the first quarter compared with the same period in 2022. On average, the improvement was 15 points better than the average for the past five years.

"As people get more comfortable with the idea that the reforms have been effective, you'll start to see more capital come off the sidelines," Fuller said. "We've already seen some of it come off the sidelines just on pure intuition and the sense that it's going to be effective."

The market experienced a collective sigh of relief as several companies completed their reinsurance renewals, including announcements from **Slide Insurance** and **Kin** on May 25 and **Vyrd** on May 31.

An insuretech launched in 2021 by **Heritage Insurance** founder **Bruce Lucas**, Slide rapidly grew after offering coverage to the policyholders of insolvent carriers: **St. Johns Insurance Co.** in February 2022 and **United Property & Casualty Insurance Co.** (UPC) earlier this year. At year-end, it was Florida's 11th-largest home insurance group based on premium, with $417.1 million – just ahead of Heritage.

Other carriers new to the Florida market last year include **Loggerhead** and Vyrd. In December, **Sure Insurance** – founded in 2021 as a coastal specialist working with managing general underwriter **SageSure** – said it would begin offering excess and surplus lines homeowners coverage in the state.



*Bruce Lucas*
*Slide Insurance*

The latest was Tailrow, launched by HCI, owner of **Homeowners Choice** and **TypTap**.

"As a company that has successfully navigated the Florida market for 15 years, this turmoil provides a substantial opportunity," HCI CEO **Paresh Patel** said in an August 2022 earnings call, announcing his plans to launch new Florida carriers.

The property insurance reforms will create opportunities for newcomers like Tailrow that can take advantage of high prices without the weight of prior claims and litigation.

> ***Investors consider a return to the Florida market will likely wait until storm season passes and reforms take hold.***

"There are people outside the market that think it's a good time to enter the market, and there's a feeling that more capital will come into the market post-wind season," said **Thomas Deane**, partner in **Stonybrook Capital**. The expectation is that new insurance companies will start entering the market at the end of 2023 and the first quarter of 2024.

"As far as the existing players, it's tough for them," Deane added. "Short term, they're still dealing with the legacy issues that they've had for the last two or three years, and they're still trying to get the loss environment under control. It might be that initially it'll be newer capital that gets more benefit from the tort reforms … than

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## State Market Focus: FLORIDA

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existing players do."

Karlinsky said carriers are eyeing the market cautiously.

"We are seeing several possible startups and interest from existing companies to write more business, including potential Citizens takeouts," he said. "I actually thought we would see more startup activity by now, but the overall economy is likely impacting that. A number of new companies [were waiting] to see how the reinsurance renewal process went and how the effects of the legislation play out."

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### Management Matters

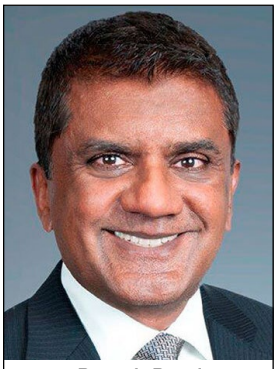
Unlike the heady storm-free years when

> ***Florida may be hungry for capital, but regulators will be more careful after hard lessons from past failures.***

startups, flush with cheap reinsurance, lined up to launch new carriers with policies assumed from Citizens, companies entering the market in this era will face greater scrutiny from battle-scarred investors, reinsurers and regulators.

Hungry as the market is for capital to increase the availability of desperately needed coverage, Florida regulators live with the ghosts of insurers past that reaped profits and lavished executives with generous rewards and then collapsed when the going got tough. The new insurer accountability law toughens monitoring and bars impaired insurers from paying bonuses to executives. But Yaworsky is hoping to keep insurers who can't handle Florida's challenges from entering the market in the first place.

"We've got to take a deep, long look at what's taken place," Yaworsky said, citing the experience of some of the carriers that focused their business on taking policies out of Citizens after the big depopulation push in 2012. (PIR 11/5/12 and PIR 10/21/13) "They've proven not to be long-term, viable ongoing concerns. A lot of them are not here now."



*Paresh Patel*
*HCI Insurance*

Sparkling financials and underwriting ambition won't be enough. Yaworsky said he'll be paying a lot more attention to the people in charge of running the business.

"Management really matters. As we're looking, there are some companies that have certainly faced major difficulties over the years but have managed this crisis very well – whether that's how they treat their customers, how they provide realistic expectations for investors, how they've managed their exposure and other things – and there are companies that have not done as well," Yaworsky said. "If there are people out there in this space thinking about either creating a new insurer to engage in this market or expand in the market, then they should really be taking that into account."

So what is he looking for?

"Certainly, we want to see folks that have a good deal of solid experience in the insurance space, certainly experienced in Florida's market would be ideal," Yaworsky said. "This is the ninth-largest market in the world. I don't think it's bragging to say it's the most complex market in the world [when considering the exposure risk, insured values and] the unique challenges that we face."

While company leadership "is probably the most important deciding factor," Yaworsky added, he'll also be looking at "the infrastructure

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## State Market Focus: FLORIDA

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you have in place and a plan for how you're going to handle catastrophic events."

Beyond competent claims adjusters and actuarial staff that can accurately price a Florida product, Yaworsky wants to see that companies have "contingencies in place for when things don't begin to evolve the way you expected them to. Those are all those are all things that have proven crucial over the years."

Reinsurers and investors are making the same calculus, and they're finding it might be the biggest challenge facing potential startups.

"There are very few of those seasoned experienced operators available to run companies right now," FAIA's Ulrich said. "You could have led a company in the Midwest for the last 30 years of your career, but that doesn't qualify you to run a company here in Florida."

Given the legislative reforms and the pricing environment, "there is an opportunity to start making profits in Florida that probably hasn't been there for the last five years, and I think a lot of private equity firms are excited by that," said Deane, of Stonybrook Capital. "But lack of management and management with decent track records is an issue."

With a greater focus on experience coming from reinsurers, investors and regulators, the next wave of capacity in the state might see just a few brand-new carriers and more spawned by companies already offering insurance in Florida.

"There will be capital that comes into the market that will not want to back a completely new startup but will like the idea of coming into an existing company and setting up a clean balance sheet sister company within that structure," Deane said, citing HCI's Tailrow as an example.

•

### Addressing Market Misconduct

Companies that come into the market will also face tougher scrutiny of their claims handling practices.



*Thomas Deane*
*Stonybrook Capital*

Widespread publicity about insurers shortchanging customers who sustained damage from Hurricane Ian has given the industry, and its regulators, a black eye – even if the problems represent just a small number of claims relative to the more than 708,000 reported. The new insurer accountability legislation outlaws some of the abuses – for example, by requiring explanations for changing an adjuster's damage estimate – and gives Yaworsky greater authority to initiate market conduct exams.

> ***Insurers' claims practices face more scrutiny after reports that some shortchanged their customers after Hurricane Ian.***

Yaworsky said the revelations of abuses were disappointing, but he emphasized the importance of digging into the particulars of each case to see if the policy actually failed to deliver. "Insurance is complicated," he said. "We need to make sure that we understand what actually did take place before we ultimately take regulatory action."

Hurricane Ian generated $13.94 billion in insured losses, according to FLOIR data. Almost 80% of the 708,255 claims have been closed, but almost 180,000 were closed with no payment and more than 143,000 claims remain open. The large number of claims in Lee County requiring determinations of whether damage was caused by wind or water may be slowing the process. Yaworsky said he is monitoring the data and complaints carefully.

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"If we see things that seem outsized or inappropriate, we are certainly asking questions as to why that is," he said.

Yaworsky highlighted his focus on enforcing consumer protections when, two weeks after his confirmation as commissioner, he issued an informational memorandum indicating the office had initiated 50 market conduct examinations related to claims-handling practices in Hurricane Ian. Yaworsky also reorganized the FLOIR, adding a deputy commissioner who will oversee market regulation, instead of housing those units within the Property/Casualty and Life/Health divisions.

"We've already invested a good bit of renewed energy into market conduct activities, and it's really not designed to punish or harm companies," Yaworsky said. "We think it's healthy for us not to overly police the market players, but to make sure that there are adequate safeguards in place to make sure that everyone's acting in a fair, transparent manner.

"That's been something that I've looked at for a long time before, and I think it's important now," he added.

"The insurer accountability bill also has a number of new requirements, by statute, that OIR must undertake to make sure that companies are adequately and fairly treating their customers when issues do arise."

Yaworsky has other organizational changes in the works, including a new mitigation expert within the Property/Casualty Division.

"The goal was to have some sort of subject matter expertise in the mitigation space to allow for companies to begin to present us data that would allow for more customized mitigation discount offers to consumers," he said.

Last month, the Legislature passed House Bill 881, which expands eligibility for home-hardening grants and increases the doubles the amount available to low-income homeowners.

The fact that Yaworsky is looking to a future of insurers competing to deliver new homeowners insurance products with customized mitigation discounts is an incredible sign of optimism as he simultaneously tries to rescue a market in crisis and deal with furious homeowners who have unresolved claims or can't find affordable coverage at the start of another hurricane season.

None of this is new to the new commissioner. Yaworsky had a firsthand view of the deteriorating market as chief of staff to his predecessor, **David Altmaier**, from 2017 to early 2022. Just a year after he left FLOIR to serve as vice chairman of the **Florida Gaming Control Commission**, Yaworsky moved right back into the hot seat after Altmaier resigned.

"There's no hiding the fact that this job is a heck of a horse to ride. It's a busy job with a lot of responsibility," the commissioner added. "Hopefully over time, we'll see some very positive things take place that will be will be good for everybody." PIR

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