

# PROPERTY INSURANCE STABILITY REPORT

*January 1, 2023*

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## Purpose and Scope

On May 26, 2022, Governor Ron DeSantis signed Senate Bill 2-D (SB 2-D) into law, which was subsequently amended by SB 2-A, effective December 16, 2022. The bills make important reforms designed to stabilize Florida's property insurance market. SB 2-D and SB 2-A state, 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. Each of the statutorily required elements of the report are also addressed in order throughout 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 is an increase in 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. OIR uses several data points to track insurer litigation practices in the market. Those data points are listed below.

### **NAIC MCAS Data**

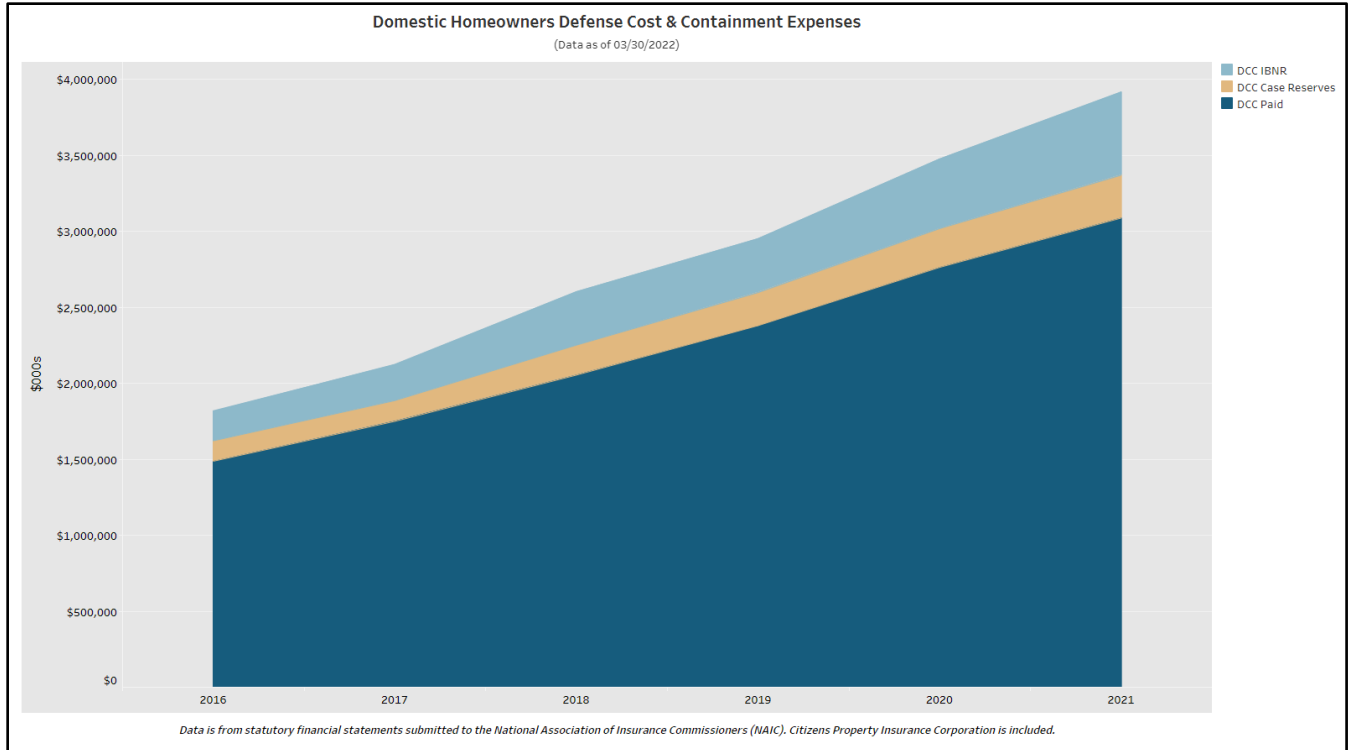
The NAIC Market Conduct Annual Statement (MCAS) is a regulatory tool developed in 2002 by state insurance regulators to collect information from insurers on a uniform basis to identify concerns regarding claims and underwriting. Homeowners’ insurance companies report data via MCAS using uniform definitions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

<b>Year</b>	<b>Percent of Nationwide Homeowners’ Claims Opened in Florida</b>	<b>Percent of Nationwide Homeowners’ Suits Opened in Florida</b>
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 2021, insurers paid approximately \$3,087,242,000 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 2022 will be available in March 2023.

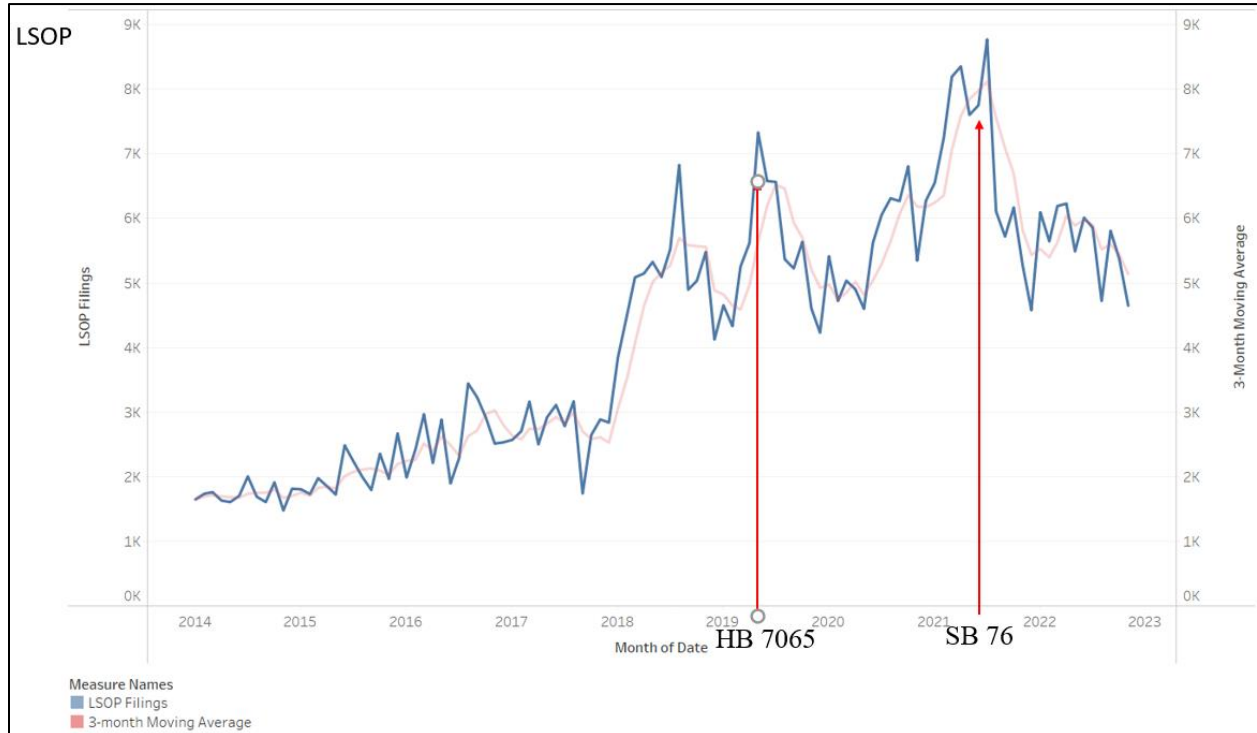


## DFS Legal Service of Process

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*

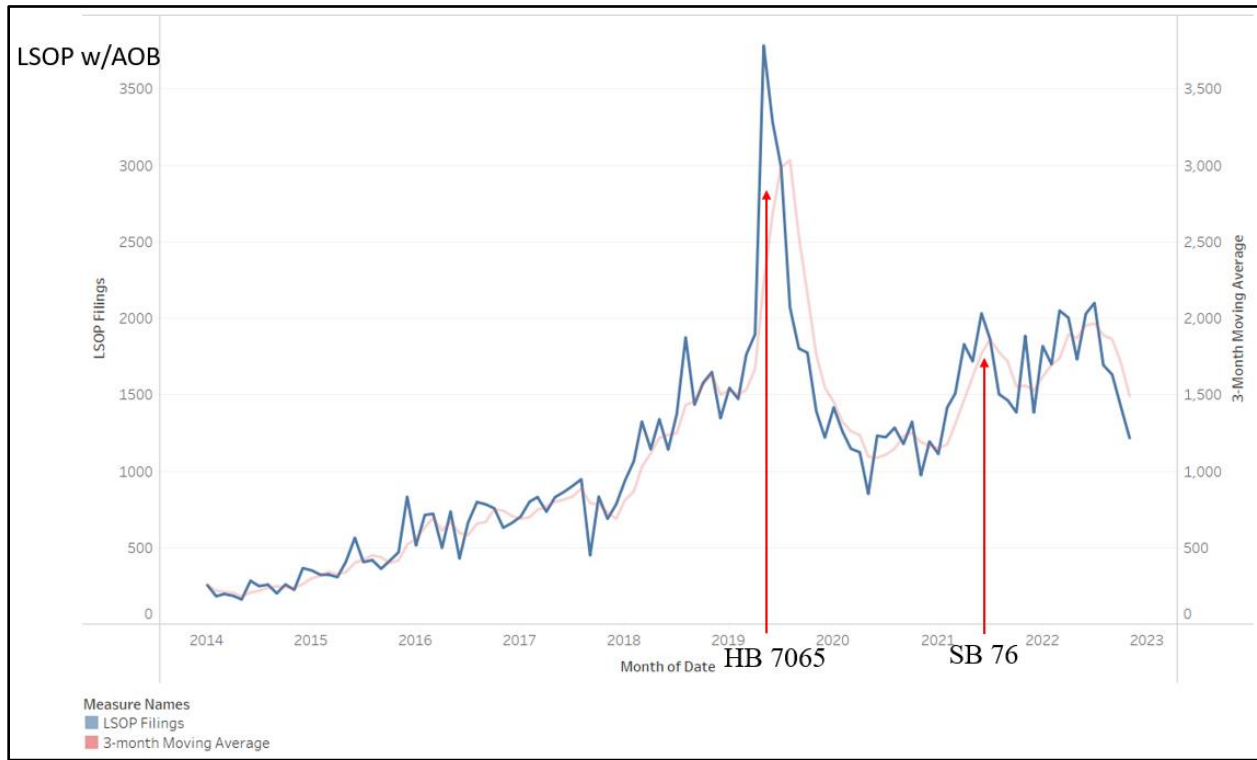


*The total number of Personal Residential Legal Service of Process filings is identified in blue with the 3-month average identified in red, as of November 30, 2022.<sup>1</sup>*

<sup>1</sup> Data collected from <https://apps.fldfs.com/lsoports/reports/report.aspx>. Data as of November 30, 2022.

## 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 November 30, 2022.<sup>2</sup>*

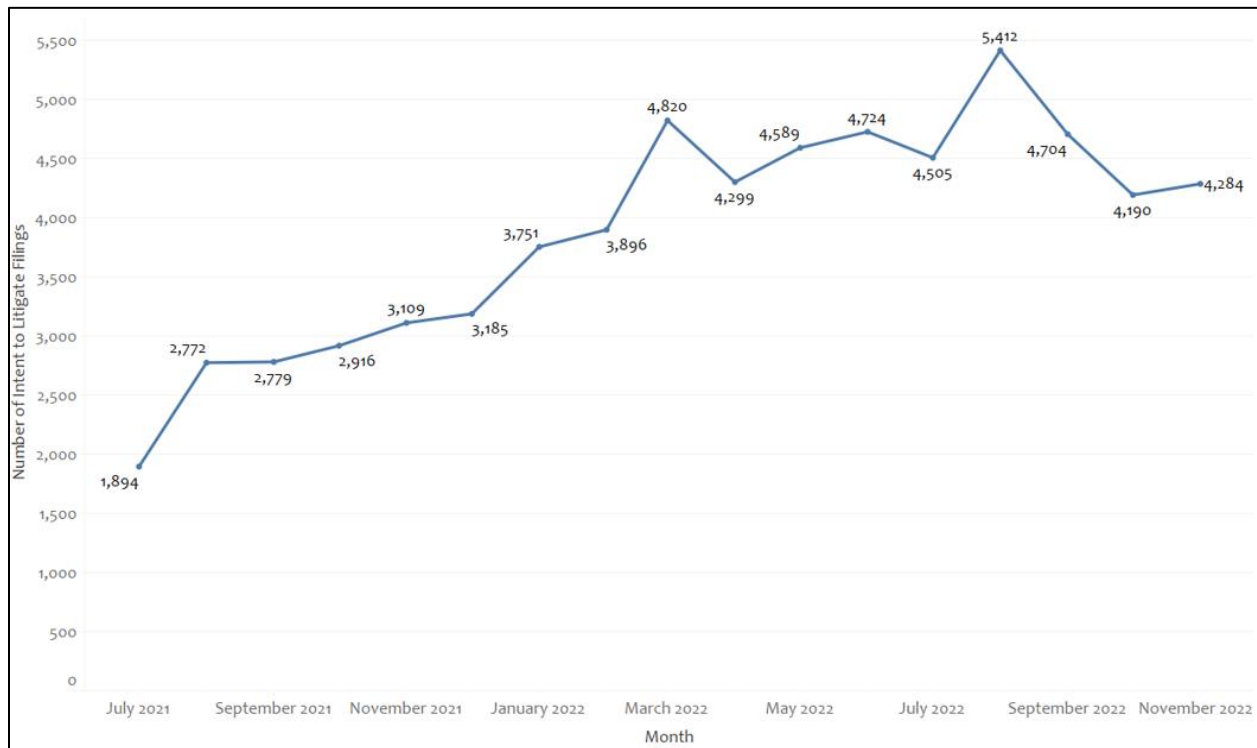
<sup>2</sup> Data collected from <https://apps.fldfs.com/lsopreports/reports/report.aspx>. Data as of November 30, 2022.

## 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 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 November 30, 2022.<sup>3</sup>*

<sup>3</sup> Data collected from <https://piitil.myfloridacfo.gov/>. Data as of November 30, 2022.

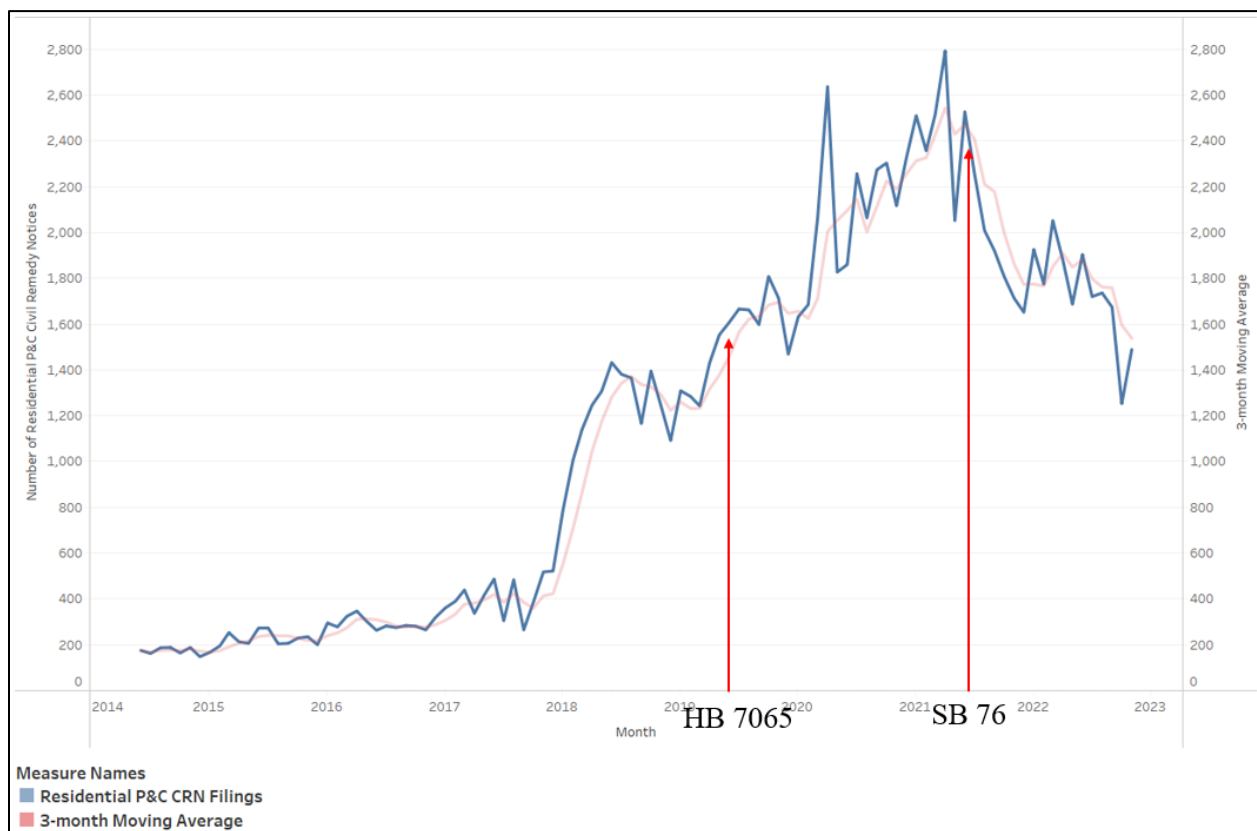


## DFS Civil Remedy Notices

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>.

<sup>4</sup> Data collected from <https://apps.fldfs.com/civilremedy/>. Data as of November 30, 2022.

## 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 84.08 percent and the market share for Citizens was 15.92 percent, as of September 30, 2022.<sup>5</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 – Q3 2022	% Policies – Q3 2022
Voluntary Market	3,445,286	85.16
Citizens	600,580	14.84
<b>Total</b>	<b>4,045,866</b>	<b>100%</b>

Homeowners Wind Only	# Policies – Q3 2022	% Policies – Q3 2022
Voluntary Market	19,020	25.52
Citizens	55,512	74.48
<b>Total</b>	<b>74,532</b>	<b>100%</b>

### Condominium Unit Owner Policies

For Condominium Unit Owner policies, the market share for voluntary insurers was 90.71 percent and the market share for Citizens was 9.29 percent as of September 30, 2022. 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 – Q3 2022	% Policies – Q3 2022
Voluntary Market	868,424	92.38
Citizens	71,621	7.62
<b>Total</b>	<b>940,045</b>	<b>100%</b>

<sup>5</sup> QUASRng data as of September 30, 2022 was submitted to OIR on November 15, 2022

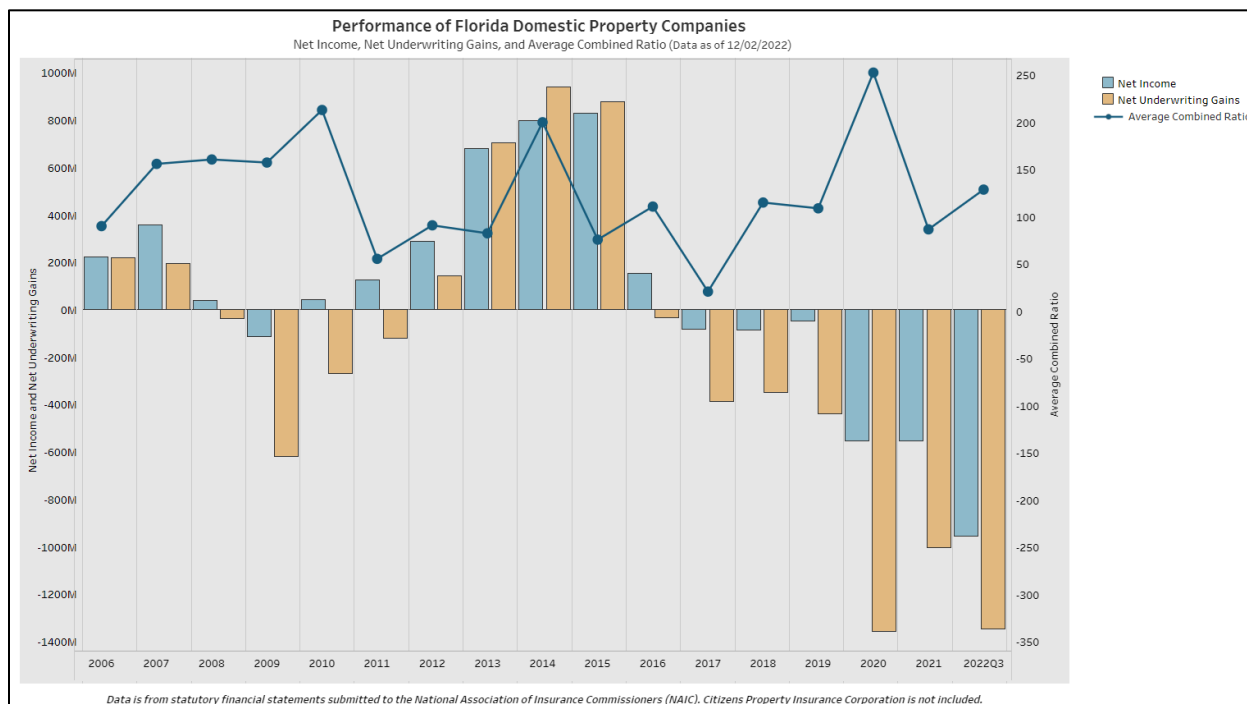
Condominium Unit Owners Wind Only	# Policies – Q3 2022	% Policies – Q3 2022
Voluntary Market	4,023	18.48
Citizens	17,751	81.52
<b>Total</b>	<b>21,774</b>	<b>100%</b>

## 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.*

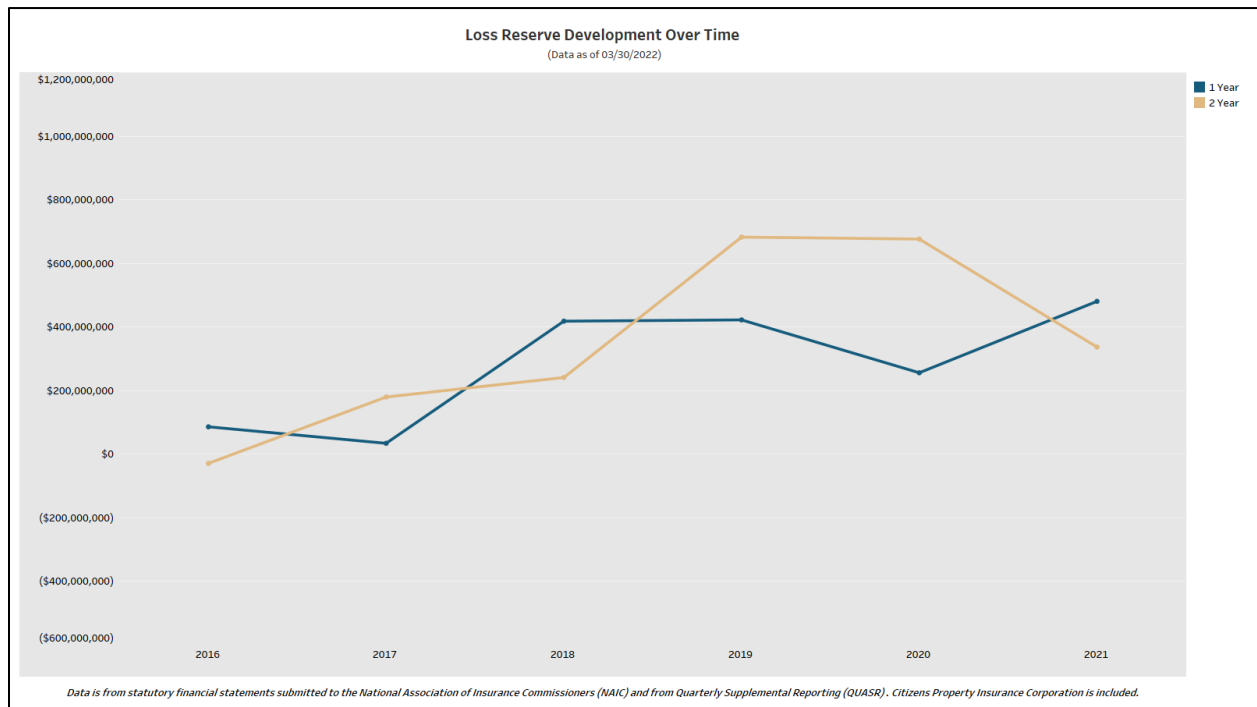
OIR tracks the performance of Florida's domestic property insurers, including net underwriting gains, net income, and average combined ratio.

### 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, or 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 companies' reserves for future claims payments.

To quantify, when carriers looked back one year later on their claims in 2020, the claims were about \$256M more expensive than what the insurer originally estimated, and the two-year look back was approximately \$676M more than the original estimate. In 2021, claims were approximately \$481M more than estimated, and \$337M 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 Quarter 3 2022, which was submitted to the OIR on November 15, 2022. Cells labeled “N/A” indicate no policies in force.

Average Premiums Charged for Homeowners and Condominium Unit Owners		
County	Homeowners	Condominium Unit Owners
Alachua	\$1,877	\$830
Baker	\$1,694	\$745
Bay	\$2,737	\$1,151
Bradford	\$1,921	\$786
Brevard	\$2,760	\$1,212
Broward	\$5,164	\$1,548
Calhoun	\$2,538	\$3,171
Charlotte	\$2,364	\$1,081
Citrus	\$1,876	\$945
Clay	\$1,933	\$747
Collier	\$4,230	\$1,795
Columbia	\$1,885	\$933
Desoto	\$2,500	\$784
Dixie	\$2,254	\$878
Duval	\$2,096	\$855
Escambia	\$2,929	\$1,471
Flagler	\$2,016	\$1,113
Franklin	\$4,267	\$1,246
Gadsden	\$2,034	\$900
Gilchrist	\$1,874	\$1,698
Glades	\$2,681	\$772

Gulf	\$3,020	\$1,338
Hamilton	\$2,023	N/A
Hardee	\$2,502	\$778
Hendry	\$2,483	\$1,157
Hernando	\$1,767	\$878
Highlands	\$2,037	\$840
Hillsborough	\$2,513	\$1,073
Holmes	\$2,283	N/A
Indian River	\$3,386	\$1,646
Jackson	\$2,192	N/A
Jefferson	\$2,160	N/A
Lafayette	\$2,304	N/A
Lake	\$1,859	\$861
Lee	\$2,735	\$1,125
Leon	\$1,973	\$716
Levy	\$2,118	\$1,286
Liberty	\$2,283	N/A
Madison	\$2,138	N/A
Manatee	\$2,334	\$1,139
Marion	\$1,730	\$825
Martin	\$4,756	\$1,408
Miami-Dade	\$5,391	\$2,440
Monroe	\$7,162	\$3,657
Nassau	\$2,282	\$1,156
Okaloosa	\$3,014	\$1,418
Okeechobee	\$2,797	\$1,227
Orange	\$2,629	\$960
Osceola	\$2,155	\$908
Palm Beach	\$5,247	\$1,923
Pasco	\$2,058	\$821
Pinellas	\$2,938	\$1,142
Polk	\$2,090	\$898
Putnam	\$1,910	\$844
Santa Rosa	\$2,745	\$1,477
Sarasota	\$2,686	\$1,461
Seminole	\$2,608	\$916
St. Johns	\$2,296	\$1,121
St. Lucie	\$2,713	\$1,291
Sumter	\$1,533	\$833
Suwannee	\$2,094	N/A
Taylor	\$2,119	\$1,014
Union	\$1,976	N/A
Volusia	\$2,192	\$987
Wakulla	\$1,870	\$1,369
Walton	\$4,337	\$1,619
Washington	\$2,312	N/A

## 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 insurance companies are required to model a historical storm scenario, or a series of historical storm scenarios, and apply its 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 company would continue to meet its minimum surplus requirement after each storm scenario.

### 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 2020-2021 year, the amount of 2020 reinsurance coverage purchased by insurers has increased an average of 15 percent from 2019. However, the cost of that reinsurance has increased by 54 percent from 2019 figures. 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 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.
- 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 24 insurers referred to the stability unit for enhanced monitoring from July 1, 2022 through December 22, 2022.

The reasons for the referrals appear in the list below:

- 7 referrals for requesting a rate increase that exceeds 15 percent (s. 627.7154(4)(d), F.S.).
- 22 referrals for violating the ratio of actual or projected annual written premiums (s. 627.7154(4)(e), F.S.);
- 2 referrals 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.);

- 4 referrals for failure to timely file a quarterly or annual financial statement (s. 627.7154(4)(i), F.S.); and
- 1 referral for being party to a reinsurance agreement that does not create a meaningful transfer of risk of loss to the reinsurer (s. 627.7154(4)(m), 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 24 insurers referred to the stability unit from July 1 to December 22, 2022, 6 were deemed appropriate for enhanced monitoring.

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

- 4 referrals for violating the ratio of actual or projected annual written premiums (s. 627.7154(4)(e), F.S)
- 1 referral 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.).
- 2 referrals for failure to timely file a quarterly or annual financial statement (s. 627.7154(4)(i), F.S.).

The number of referrals deemed appropriate for enhanced monitoring exceeds the number of insurers deemed appropriate for enhanced monitoring because one insurer was referred multiple times for different reasons.

In total, 19 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 July 1, 2022, two property and casualty insurers were referred to DFS for the purpose of initiating delinquency proceedings. The insurers are listed below.

## **Weston Property & Casualty Insurance Company**

- Weston was a property and casualty insurance company in Coral Gables, Florida. The company was licensed in Florida in 2006 and authorized to write homeowners multi-peril, fire, and allied lines coverage in Arizona, Arkansas, Florida, Georgia, Indiana, Kentucky, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, South Carolina, Tennessee, and Texas.
- Grounds for receivership: Insolvency

### **DATE OF INSOLVENCY: July 27, 2022**

- Weston, through a resolution of its Board of Directors dated July 27, 2022, 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 Weston.
- On August 2, 2022, Weston was referred to DFS by OIR with the determination that one or more grounds existed for the initiation of delinquency proceedings.
- On August 8, 2022, Weston was ordered into receivership for purposes of liquidation by the Second Judicial Circuit Court in Leon County, Florida. DFS became the court appointed Receiver of St. Johns. The company had approximately 73,600 in-force policies at the time of receivership.

Weston experienced significant loss developments in its underwriting results beginning in early 2020. The company was required to file monthly financial statements and participate in regular update calls with OIR. During this period, the company was also required to provide a capital management plan that would improve the liquidity of Weston and reduce receivable amounts owed to it by an affiliate. However, in 2022, the company was unable to fully place its reinsurance program and was unable to fund its continued losses.

Under the liquidation order, all Weston's Florida policies were canceled effective September 7, 2022, unless otherwise terminated prior to September 7, 2022. Weston was previously monitored by the Property Insurer Stability Unit.

## **FedNat Insurance Company**

- FedNat was a property and casualty insurance company in Sunrise, Florida. The company was licensed in Florida in 1984 and authorized to write homeowners multi-peril, private passenger auto liability, passenger auto physical damage, fire, allied lines, other liability and boiler & machinery coverage in Florida.
- Grounds for receivership: Insolvency

### **DATE OF INSOLVENCY: September 14, 2022**

- FedNat, through a resolution of its Board of Directors dated September 15, 2022, 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 FedNat.

- On September 21, 2022, FedNat was referred to DFS by OIR with the determination that one or more grounds existed for the initiation of delinquency proceedings.
- On September 27, 2022, FedNat 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 FedNat. The company had approximately 13,000 in-force policies at the time of receivership.
- Under the liquidation order, FedNat’s policies were canceled effective October 27, 2022.

FedNat had experienced several years of 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. FedNat lost its financial stability rating in April of 2022, requiring the cancellation of approximately 56,000 of its Florida in force policies. The remaining approximately 83,000 policies were assumed by another licensed carrier. FedNat’s plan for a solvent runoff of its remaining liabilities underestimated cash outflow projections and overstated reinsurance recoveries. As a result, the cashflow projections provided to the OIR in support of a solvent runoff were materially incorrect and FedNat was not able to provide additional funding. FedNat 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 2022 Special Sessions on property insurance, OIR will continue to monitor trends and impacts from SB 76, SB 2-D, and SB 2-A and propose additional recommendations for the next Property Insurance Stability Unit report due July 1, 2023.

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



[www.FLOIR.com](http://www.FLOIR.com)

J. Edwin Larson Building  
200 E. Gaines Street  
Tallahassee, Florida 32399  
Phone: (850) 413-3140