

# One Year Later: Hurricane Michael's Impact on Florida



**Florida Office of  
Insurance Regulation**

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Florida Insurance Commissioner  
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## **Background**

Hurricane Michael made landfall as a Category 5 hurricane on the Florida Panhandle on Wednesday, October 10, 2018 around 1:30 pm EST near Tyndall Air Force Base. With maximum sustained winds of 161 mph and a minimum pressure of 919 MB, wind and storm surge caused catastrophic damage to areas such as Panama City Beach, Mexico Beach, and Cape San Blas. Hurricane Michael followed a general northeastward path across the Panhandle before crossing into Georgia.<sup>1</sup>

## **Data Call Reporting**

To date, the OIR has issued 44 distinct data calls regarding Hurricane Michael. OIR issued daily data calls beginning October 12, 2018 through November 9, 2018; weekly data calls beginning November 16, 2018 through February 22, 2019; bimonthly data calls from March 15, 2019 to April 26, 2019; and monthly calls from May 31, 2019 through October 26, 2019. The reporting of claims for Hurricane Michael is cumulative and compels all insurers to report as of each required reporting date.

The data calls request the total number of claims reported, number of open claims, number of claims closed with payment, number of claims closed without payment, percentage of claims closed, and dollar amount of paid losses and estimated insured losses. OIR requires insurers to report claims by line of business to include homeowners, dwelling, mobile homeowners, commercial residential, commercial property, private flood,<sup>2</sup> business interruption and other lines of business.<sup>3</sup>

To gather additional data, OIR required a claims survey applicable to the August, September, and October 2019 data calls, including 15 new survey questions. The enhanced data call requires insurers to report the number of open claims in arbitration, mediation, litigation and appraisal; those open claims with an assignment of benefits; and the number of open personal residential claims where actual cash value has been paid while waiting for additional repair expenses to be incurred as work is performed.

Although the data provided by the insurers is reviewed by OIR when it is received, it is not immediately audited or independently verified by on-site visits. If the data indicates obvious errors, OIR requires the insurance company to review and, if necessary, resubmit its data.

OIR continues to evaluate this and other data for potential violations of Florida law by insurers.



## **Executive Summary**

As of September 27, 2019, the total number of claims for Hurricane Michael is 149,448 with over \$7.1 billion in estimated insured losses. This includes 99,208 residential property claims, 11,123 commercial property claims, 240 private flood claims, 860 business interruption claims and 38,017 other lines of business claims.

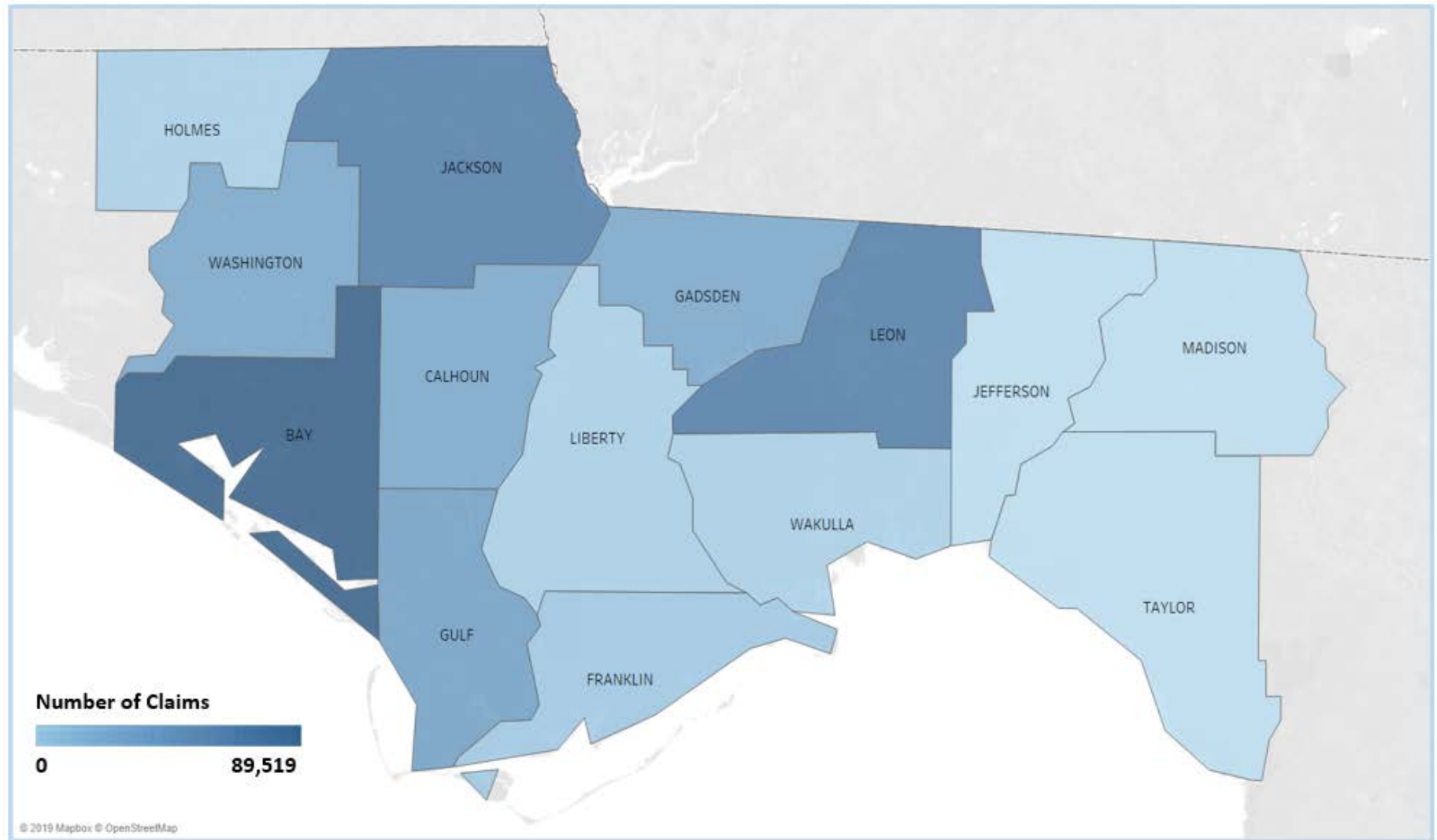
Insurers have closed a total of 132,201 claims, which represents 88.4% of all claims filed to date. Of those claims 110,979 were closed with payment, 21,122 were closed without payment,<sup>4</sup> and 12,145 personal residential claims remain open.

The following graphics display data submitted by insurance companies. These graphics are a tool to provide a current snapshot regarding Hurricane Michael's impact on Florida.

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1. Source: National Oceanic and Atmospheric Administration (NOAA), U.S. Department of Commerce.
  2. Flood insurance coverage underwritten by private insurers that is not associated with the Federal Flood Insurance Program.
  3. All other property lines of business not specifically listed, may include Fire, Farmowners Multi-Peril, Ocean Marine, Inland Marine, PPA Physical Damage, Commercial Auto Physical Damage, Aircraft, Glass, Boiler and Machinery, Industrial Fire, Industrial Extended Coverage, Multi-Peril Crop and Surplus Lines Property and Casualty
  4. The most common reasons to close a claim without payment are that the damage did not exceed the hurricane deductible or the policy did not cover the cause of loss, for instance the damage was caused by flood and the policy did not provide coverage for flood damage.



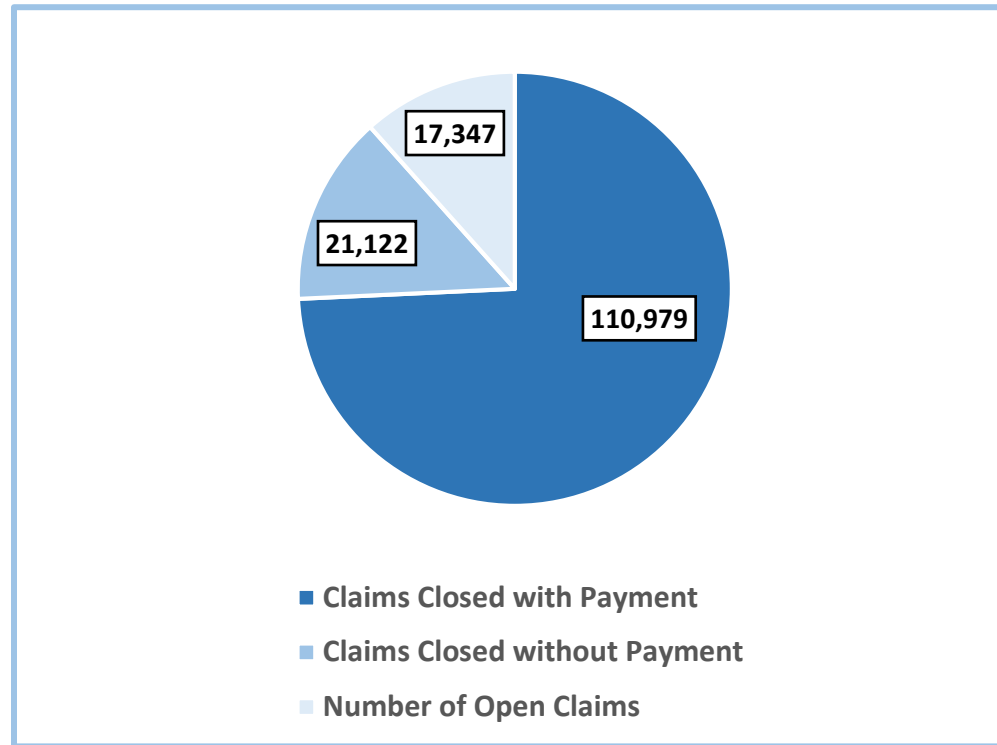
## Florida Counties Impacted by Hurricane Michael



Bay County was most severely impacted by Hurricane Michael, with 89,519 claims accounting for almost 60% of all claims filed. Jackson County had 14,021 claims, Leon County had 10,191 claims, and Gulf County had 8,306 claims. *(Data through September 27, 2019)*



## Hurricane Michael Claims

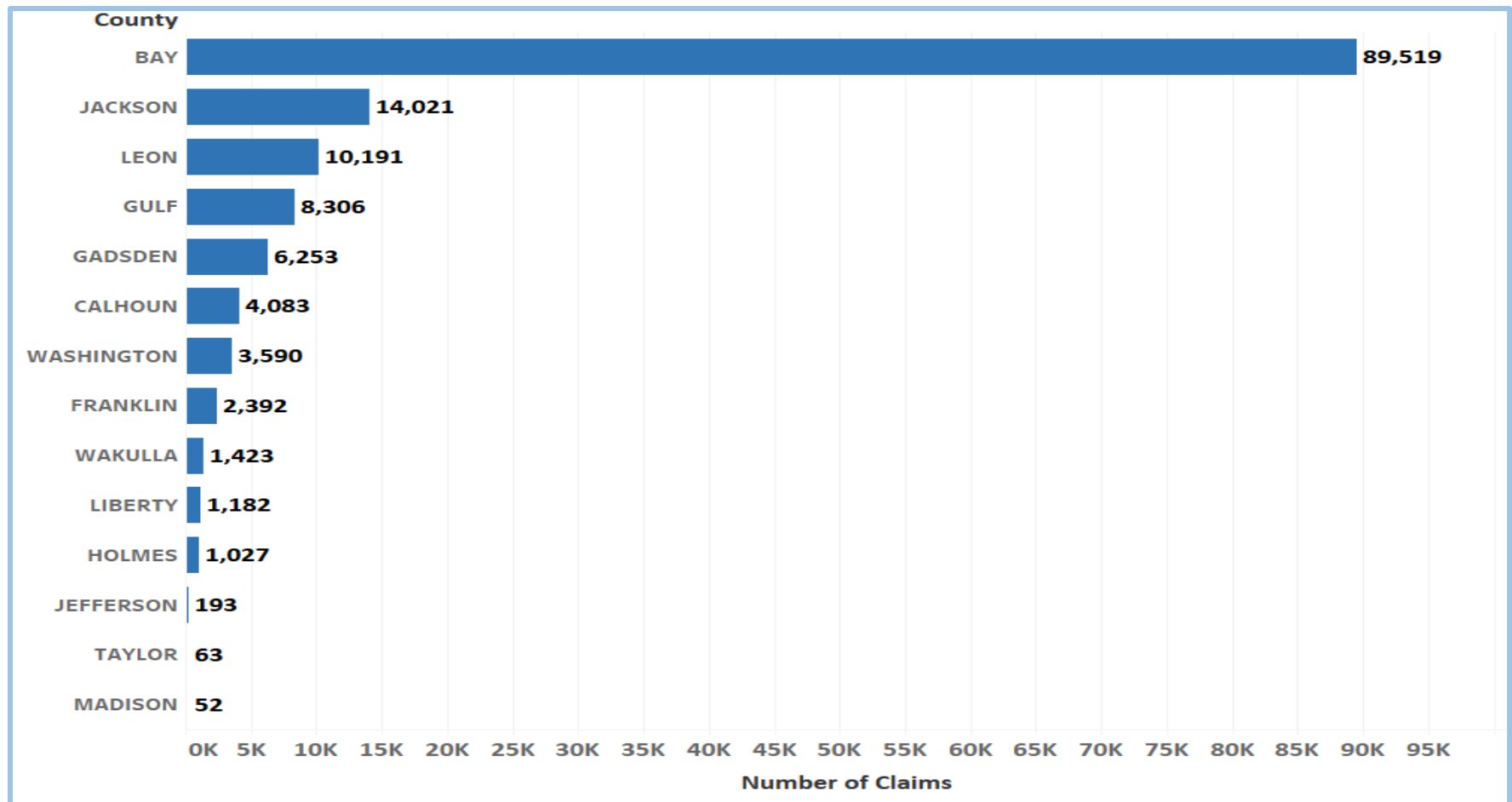


As of September 27, 2019, out of a total of 149,448 claims:

- 110,979 claims are **closed with payment** – Claimant has received payment in full, agreed upon settlement amount, and no additional payments are expected to be incurred by the insurer for this specific claim.
- 21,122 claims are **closed without payment** – Claim has been denied or no payment is to be made to the policyholder. The category only includes claims determined to be below the policy deductible.
- 17,347 claims remain **open** – A settlement has not been reached or if settlement has been reached and payment is due, the claimant has not yet received payment of the full, agreed upon settlement amount.



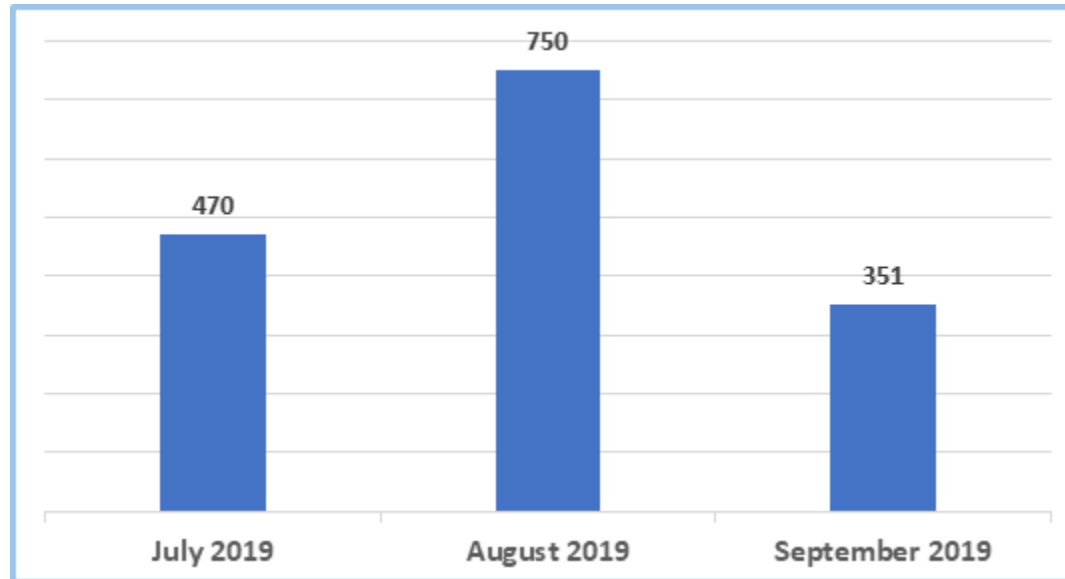
## Total Number of Michael Claims in Panhandle Region



This above graph displays the total number of Hurricane Michael claims by county in the impacted region. *(Data as of September 27, 2019)*



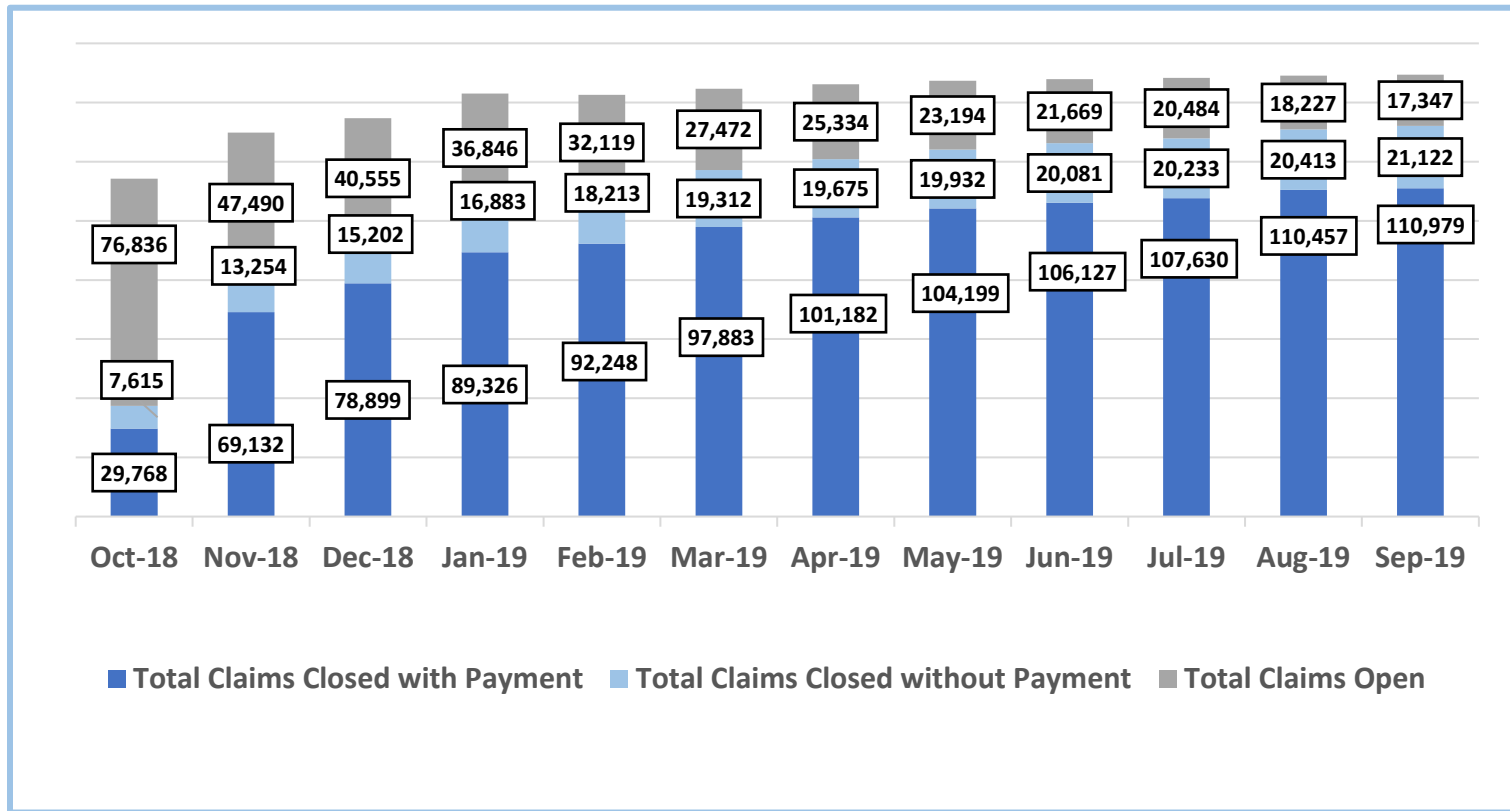
## Total Number of New Claims Opened in the Last 90 Days Across All Lines



Policyholders have continued to file new claims through the latest reporting period, including 1,571 in the last 90 days. It is important to note that 627.70132, Florida Statutes, allows policyholders to file a claim within three years of the hurricane's initial landfall or when the windstorm caused the covered damage, in accordance with the terms of the policy.



## Claims Data by Month

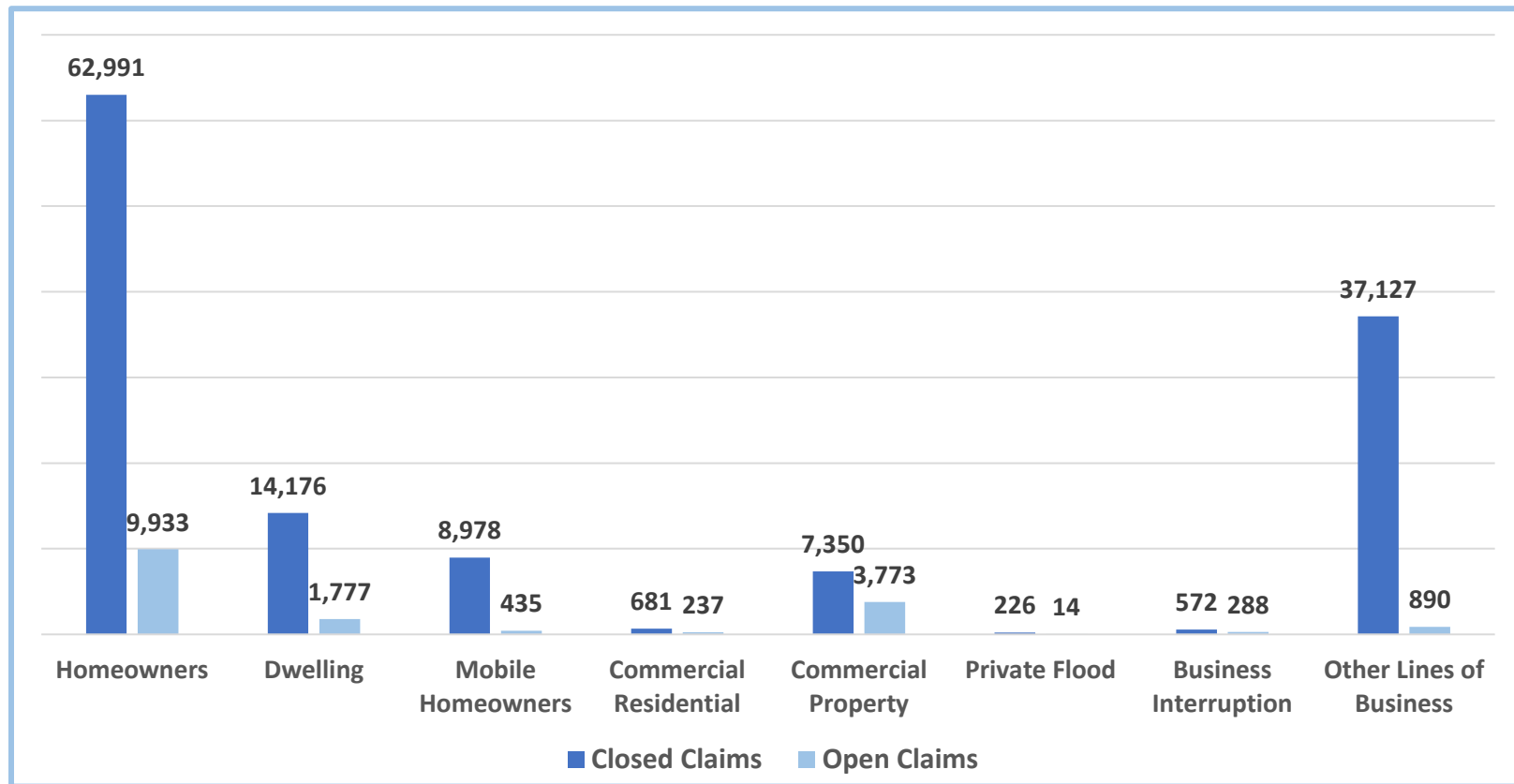


In the first two months following Hurricane Michael, over 82,000 claims were closed. Since October 2018, claims have been closed at an average rate of 3,300 claims per month.





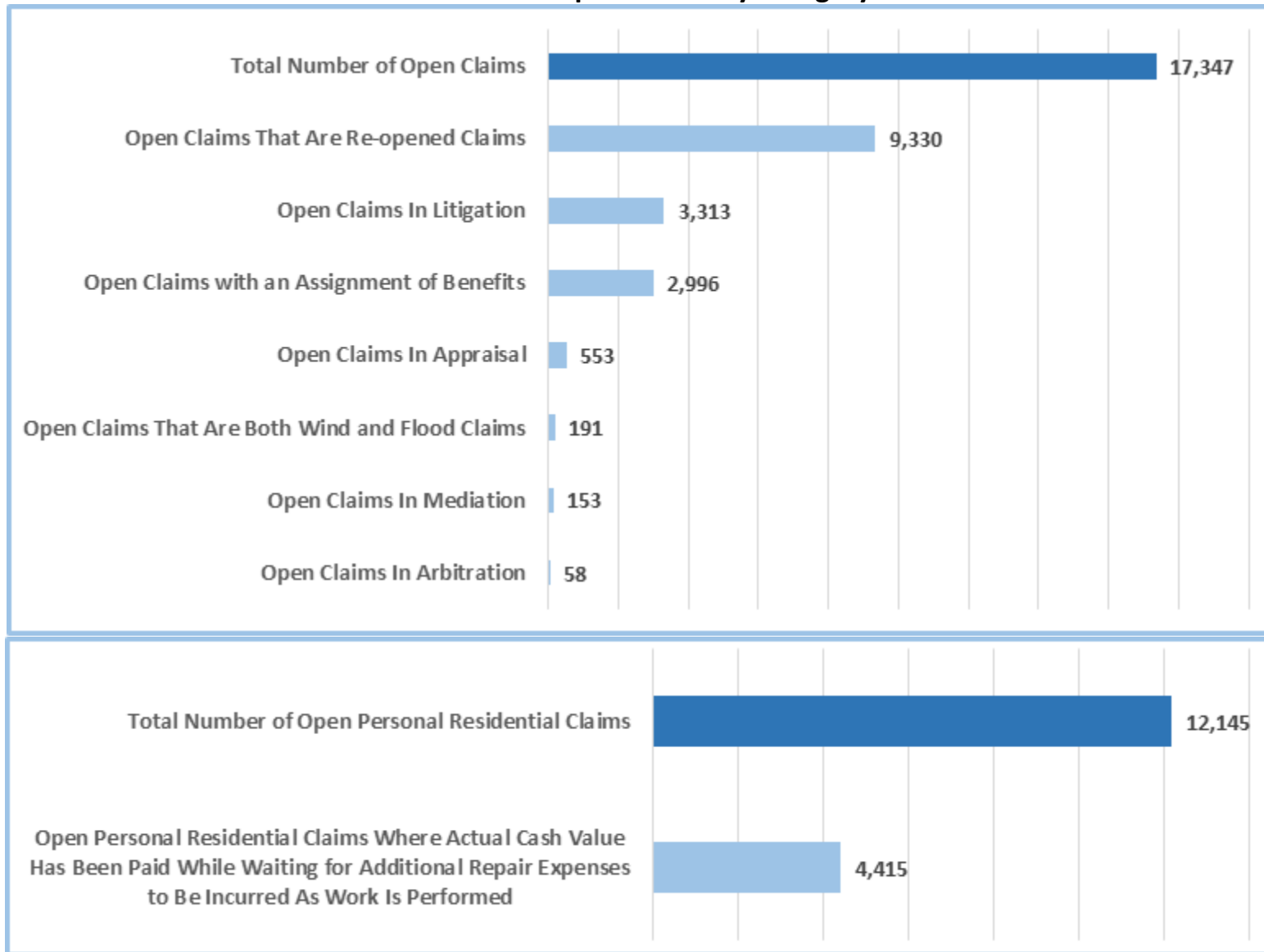
## Open and Closed Claims by Line of Business



The above chart lists the number of open and closed claims by line of business as reported on September 27, 2019 for Homeowners, Dwelling, Mobile Homeowners, Commercial Residential, Commercial Property, and Other Lines of Business.



### Number of Open Claims by Category



The above chart outlines the status of all open Hurricane Michael claims as of September 27, 2019. It is important to note that some claims may be represented in more than one category. A definition of each category is provided on the next page.



## Claims Category Definitions:

**Open personal residential claims where actual cash value has been paid while waiting for additional repair expenses to be incurred as work is performed:** Actual cash value is initially paid to the insured to begin repairs on the insured property and supplementary payments, up to the replacement cost limits, are issued as additional repairs are completed.

**Re-opened claims:** These are claims that have been reopened due to denial of the original claim, additional work that needs to be completed to repair the insured property, or the actual cost of repairs being greater than the initial estimate.

**Open claims that are both wind and flood claims:** These are claims resulting from a combination of wind and flood damage that may be insured for wind damage by a private insurer and for flood damage by the National Flood Insurance Program or by the same or another private insurer. Flood insurance must be purchased as an endorsement to the homeowner's policy or as a separate policy.

**Open claims in appraisal:** These are claims in which the property is being evaluated for damage resulting from an insured peril or in which the insured and insurance company cannot agree on the amount of the insurer's liability for covered property loss and, upon written request, the dispute is being submitted to appraisal. Usually, each party selects an appraiser and the two appraisers select a neutral arbiter. Typically, any decision agreed to by at least two of the three parties (two appraisers and one arbiter) is binding on both the insured and the insurer.

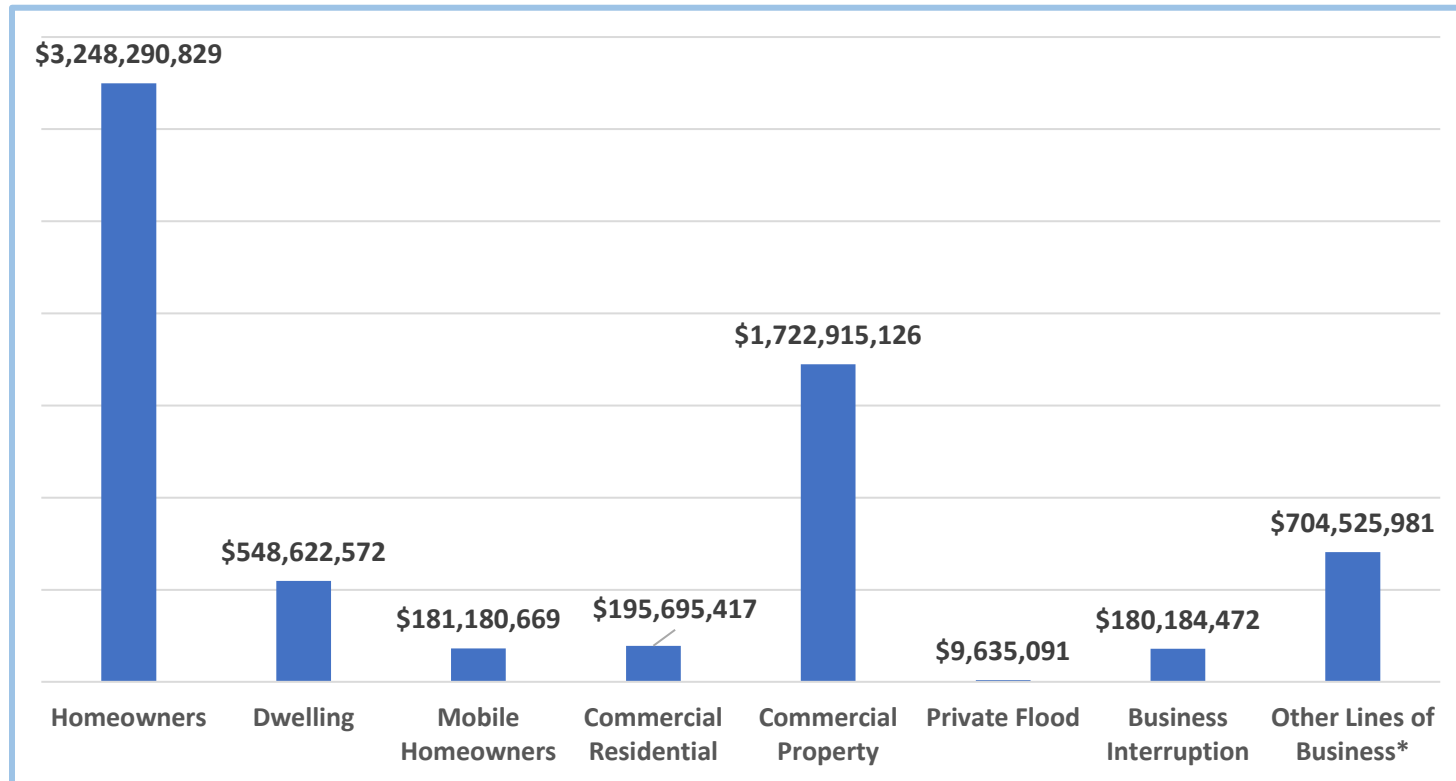
**Open claims in litigation:** These are claims in which legal action has been taken.

**Open claims in mediation:** These are claims involving a situation in which the parties agree to take part in a structured settlement negotiation through the guidance of a neutral third-party mediator. By participating in the process, the parties are not required to settle the claim on the terms suggested by the mediator, and the mediator does not have the authority to impose such a settlement. The mediation process may be terminated at any time by either party without cause.

**Open claims in arbitration:** These are claims in which the parties have opted into arbitration because they were unable to agree to a settlement. In such a claim, the two parties will each appoint an arbitrator. The arbitrators then select a third arbitrator. Typically, when at least two of the three arbitrators agree on a settlement amount, that decision is binding on both the insured and the insurer.



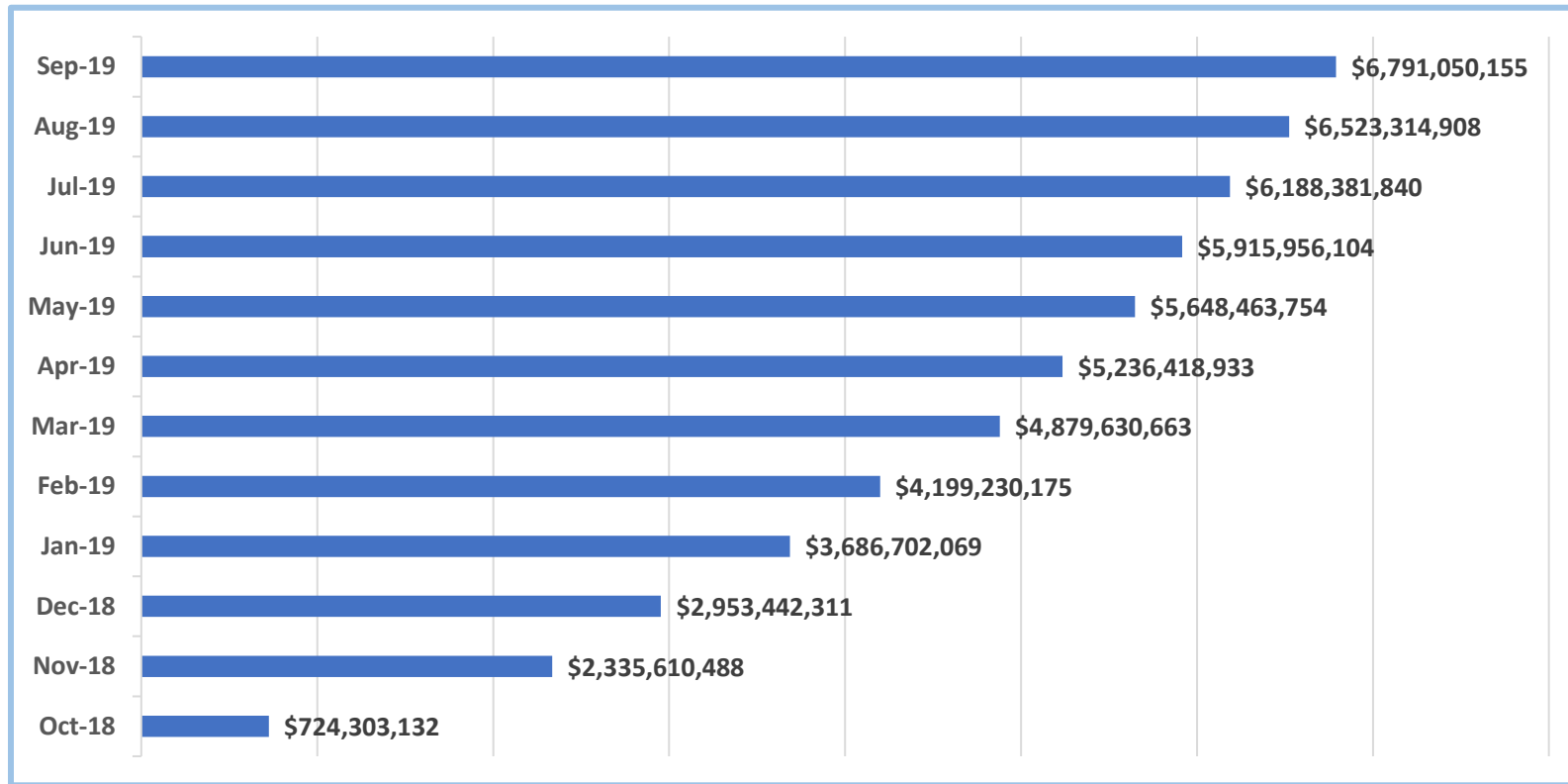
## Paid Losses by Line of Business



Of the over \$6.7 billion in paid losses, homeowners coverage represents 47% or \$3.2 billion of paid claims, followed by commercial property at 25% or \$1.7 billion. Paid losses are indemnity payments that exclude adjustment expense. Payments are the net of actual salvage and subrogation recoveries. For applicable lines, they include losses associated with loss of use, additional living expense, fair rental value, etc.



### Paid Losses by Month



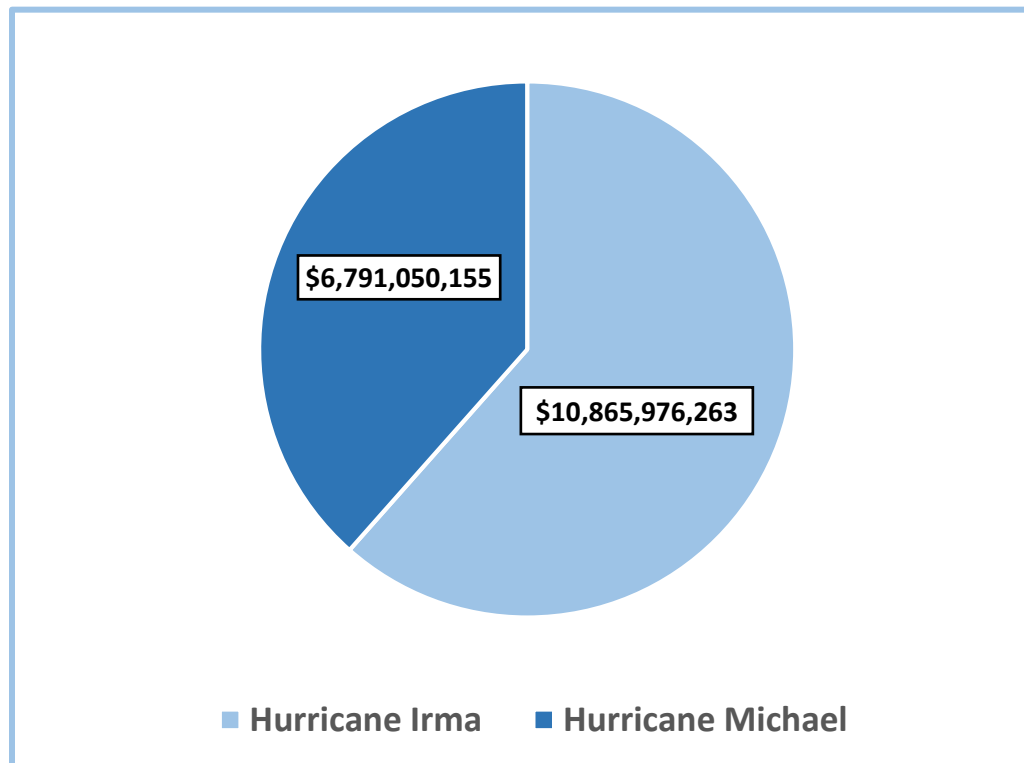
The above graph represents the progression of paid losses reported monthly with the total amount of losses paid as of September 27, totaling approximately \$6.7 billion.



## A comparison of Hurricane Michael and Hurricane Irma

While Hurricane Irma affected a much larger area of the state, Hurricane Michael has proven to be a costlier storm when comparing the number of claims with the amount of paid losses. As represented in the chart below, Hurricane Irma produced over one million claims, costing over \$10.8 billion with an average claims cost of \$10,800. Conversely, Hurricane Michael, with 149,448 claims, produced over \$6.7 billion in paid with an average claims cost of \$44,831.<sup>5</sup>

**Paid Loss for Hurricane Michael and Hurricane Irma**

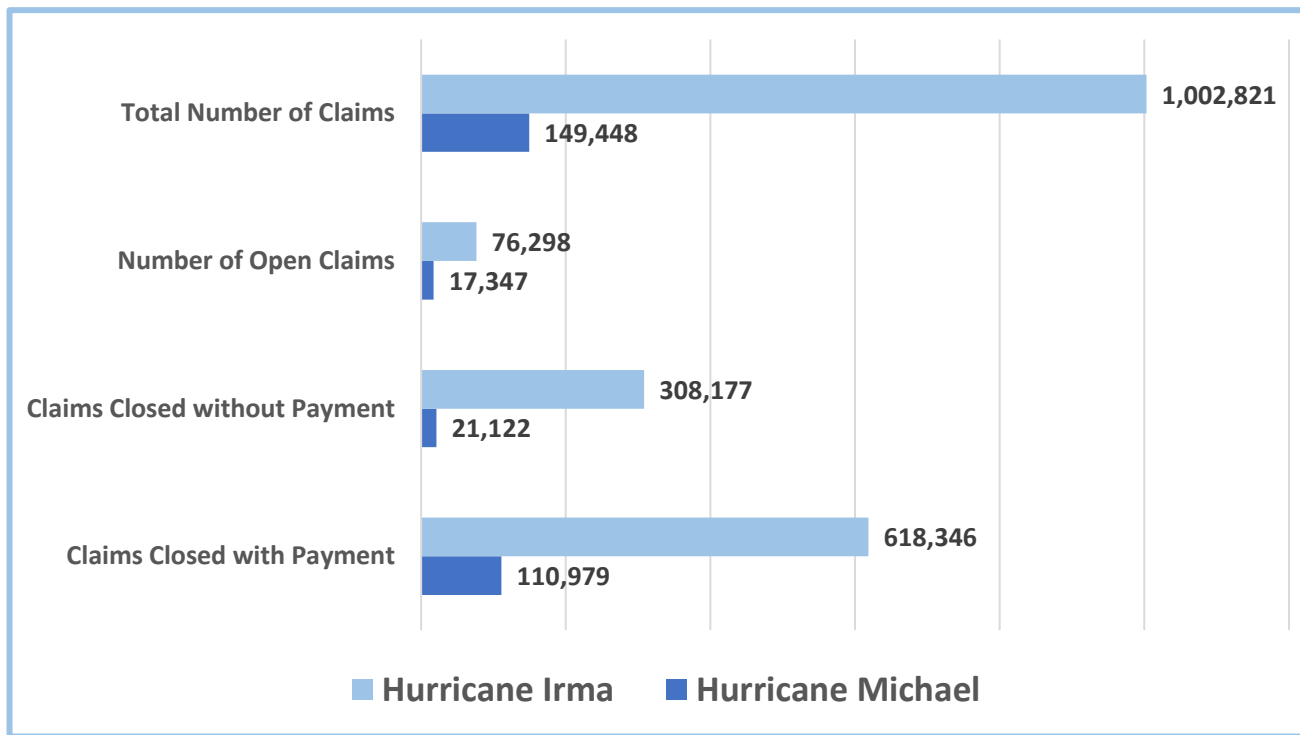


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5. Hurricane Irma losses are as of November 14, 2018, approximately 14 months after the storm as compared to Hurricane Michael losses at approximately 12 months after the storm.



## Comparison of Hurricane Irma and Hurricane Michael Claims Status

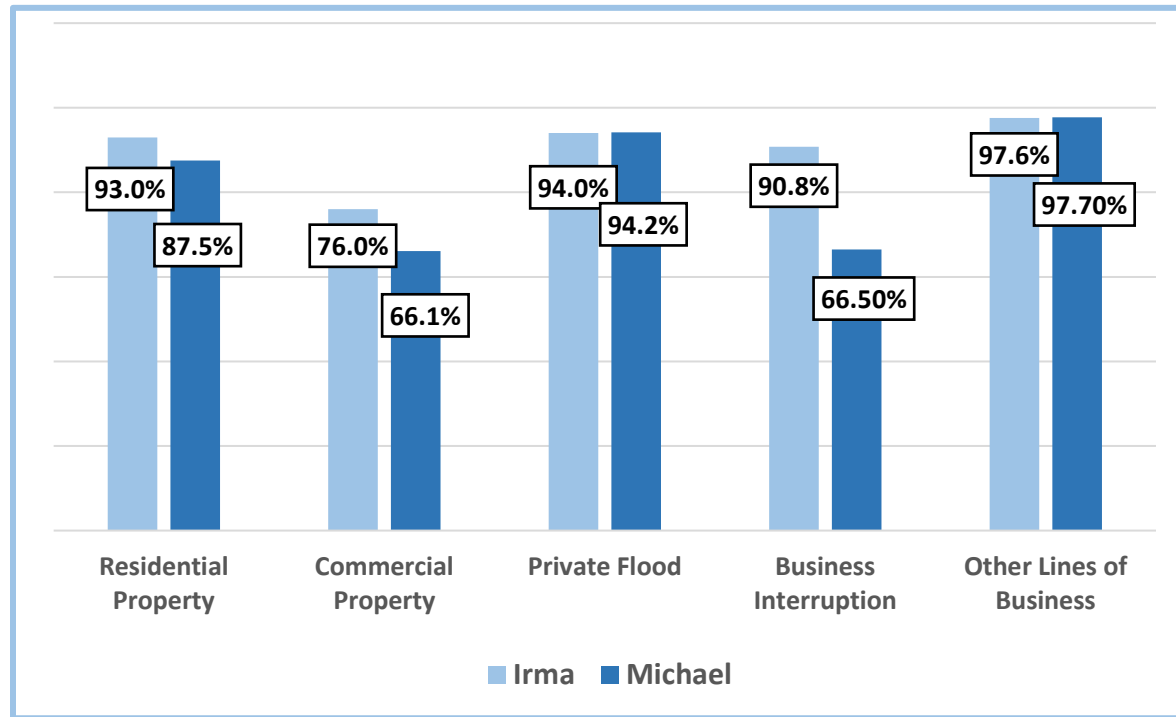


The above graphic provides a comparison of the claims status for the 12-month time period following Hurricane Michael and the 14-month time period following Hurricane Irma.

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5. Hurricane Irma losses are as of November 14, 2018, approximately 14 months after the storm as compared to Hurricane Michael losses at approximately 12 months after the storm.



### Comparison of Hurricane Michael and Hurricane Irma Percentage of Claims Closed by Line of Business



The above graphic provides a comparison of the claims status for the 12-month time period following Hurricane Michael and the 14-month time period following Hurricane Irma.

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5. Hurricane Irma losses are as of November 14, 2018, approximately 14 months after the storm as compared to Hurricane Michael losses at approximately 12 months after the storm.





## **Conclusion**

OIR will continue to analyze and report Hurricane Michael claims to provide Florida consumers and policymakers with information regarding the long-term impact Hurricane Michael continues to have on families, individuals, and small businesses. OIR will continue to work with Governor Ron DeSantis, Chief Financial Officer Jimmy Patronis, Attorney General Ashley Moody, and Department of Agriculture and Consumer Services Commissioner Nikki Fried to offer a data-driven approach and collaboratively identify solutions for the claims handling process.

