

Our Insight, Your Advantage™

September 1, 2023

Hurricane Idalia appears to be an earnings event for insurers

Florida Losses from Hurricane Idalia Are Unlikely To Match Hurricane Ian's

Principal Takeaways

- Hurricane Idalia will most likely be an earnings event for the insurance industry.
- Given hardening reinsurance rates and increased retentions, the effect on reinsurers will be minimal.
- In addition to above average cat losses for the first half of the year from severe convective storms and secondary perils, we expect underwriting results for 2023 to remain under pressure.

On Tuesday, August 30, Hurricane Idalia made landfall in Florida as a Category 3 storm, with winds of over 125 miles per hour. The Big Bend area where it made landfall is more sparsely populated and has some of the lowest insured values in the state, which makes losses unlikely to match those of Hurricane Ian last year. Idalia's fierce winds, torrential rain, and the resulting storm surge battered Florida's Gulf Coast before continuing onto Georgia and South Carolina, causing significant property damage that will result in sizable losses for the insurance industry. On top of above average cat losses in the first half of the year (because of severe convective storms and secondary perils), underwriting results for 2023 will be under pressure. Given hardening reinsurance market conditions and increased retentions in the recent past, the impact on reinsurers is expected to be minimal.

The Florida property market has become more concentrated in just the last two years, as only 15 companies account for over 60% of property direct premiums written (DPW) in the state, compared with 58% in 2020. Citizens Property Insurance Corp.'s premium growth has nearly quadrupled over the last two years, to \$3.2 billion in 2022 from \$774 million in 2020, causing its market share to more than double to 9.8% (**Exhibit 1**). A few market players, such as Farmers Insurance Group, have publicly announced that they would no longer renew policies in Florida; others, such as State Farm, are maintaining their current presence, leading to ongoing market share movement. As a result of risk reduction efforts from some companies, Florida personal property specialist companies, which account for nearly 37% of Florida property DPW, may capture more market share.

Uptick in Use of Non-US Captive Reinsurers

While the total amount of ceded premium to non-US captives by Florida personal property specialist insurers decreased in 2022—largely due to one company—other companies increased their use (**Exhibit 2**). However, only two Florida personal property specialist companies cede more than one-fifth of their total ceded premiums to non-US captives. In addition, less than 4% of the total ceded premium by the Florida personal property specialist companies is ceded to non-US captives. The use of captives may be attributed to insurers trying to fill in gaps with reinsurance protection in the traditional reinsurance market. Nonetheless, ceded leverage remains elevated along with an element of credit risk. Because of the significant losses in Florida in recent years, some reinsurers have been re-evaluating their aggregate exposures and capital

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allocation targets. The losses paid by US reinsurers as a share of premiums assumed from Florida personal property specialists continued to rise in 2022 (**Exhibit 3**). Reinsurers are likely to remain selective about the risks they reinsure, further challenging the Florida property writers. Still, Florida personal property specialist exposure represents less than 5% of the vast majority of each reinsurer’s total portfolio.

Exhibit 1

Florida Property* Lines Market Share

AMB#	Company Name	% of DPW in Florida	2022		2021		2020	
			DPW (\$ 000s)	Market Share (%)	DPW (\$ 000s)	Market Share (%)	DPW (\$ 000s)	Market Share (%)
011712	Citizens Property Ins Corp	100.0	3,190,080	9.8	1,814,135	6.5	1,182,124	4.7
000811	Berkshire Hathaway Ins Grp	4.3	2,423,866	7.4	2,094,761	7.5	1,852,295	7.4
000780	Progressive Ins Grp	4.6	2,407,583	7.4	2,155,479	7.8	1,934,922	7.7
000088	State Farm Grp	2.7	2,098,405	6.4	1,742,441	6.3	1,473,778	5.9
018752	Universal Ins Holdings Grp	83.2	1,536,325	4.7	1,386,570	5.0	1,248,949	5.0
000008	Allstate Ins Grp	3.3	1,498,390	4.6	1,240,565	4.5	1,055,545	4.2
004080	USAA Grp	4.2	1,134,866	3.5	985,913	3.5	920,247	3.7
018498	Chubb INA Grp	3.1	930,452	2.8	813,084	2.9	722,509	2.9
018636	Tower Hill Grp	85.1	766,350	2.3	760,907	2.7	708,371	2.8
012201	First Protective Ins Co	75.2	675,731	2.1	532,408	1.9	394,466	1.6
018790	Florida Peninsula Grp	100.0	656,797	2.0	467,389	1.7	346,609	1.4
018523	Assurant P&C Grp	7.5	653,834	2.0	535,172	1.9	505,743	2.0
018540	American International Grp	3.9	609,687	1.9	584,517	2.1	604,464	2.4
018848	HCI Ins Grp	82.3	591,212	1.8	529,469	1.9	463,078	1.9
018891	Heritage Ins Holdings Grp	45.8	586,407	1.8	547,459	2.0	550,373	2.2
Top 15 Each Year			19,759,985	60.4	16,578,622	59.7	14,503,363	58.0
Total Florida			32,704,273		27,784,042		24,998,151	

* Property = Homeowners/farmowners, fire/allied lines, CMP (property), and auto physical damage lines of coverage.

Source: 

Exhibit 2

Florida Personal Property Specialists – Use of Non-US Captives for Reinsurance

(\$ thousands)

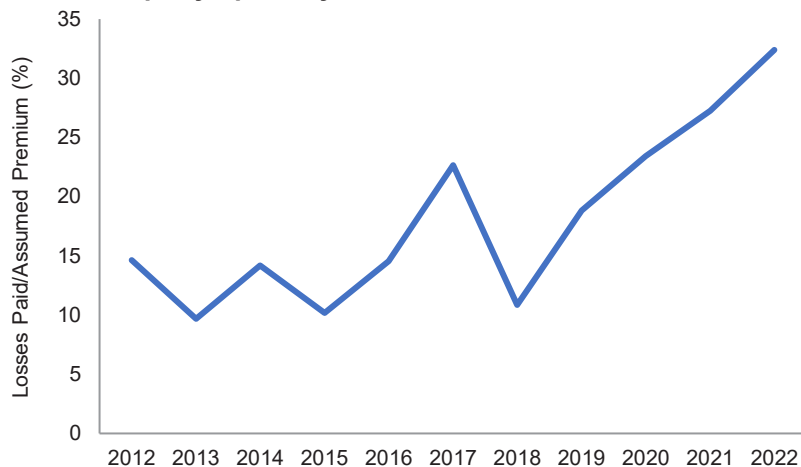
AMB#	Company Name	2022	2021	2022 %	2021 %
		Ceded to Captives	Ceded to Captives	Ceded to Captives	Ceded to Captives
014558	Heritage Property & Casualty Ins Co	89,500	90,000	25.5	27.8
012359	Tower Hill Prime Ins Co	56,016	106,525	20.1	20.4
022603	TypTap Ins Co	17,560	0	11.6	0.0
013087	Florida Peninsula Ins Co	15,438	16,291	7.3	8.7
013833	American Coastal Ins Co	13,191	2,479	8.4	0.6
013077	Edison Ins Co	12,631	8,401	6.6	6.9
013934	People’s Trust Ins Co	9,467	8,855	5.7	4.9
013895	Homeowners Choice Prop & Cas Ins Co	3,085	4,612	1.6	2.9
013075	American Traditions Ins Co	1,806	0	2.2	0.0
012311	United Property & Casualty Ins Co	0	-2,479	0.0	-0.3
012247	Cypress Property & Casualty Ins Co	0	-9,585	0.0	-6.3
013848	Olympus Ins Co	-1,150	3,800	0.0	1.3
010600	Tower Hill Preferred Ins Co	-4,561	4,735	-7.9	2.6
Total		212,983	233,634	3.5	3.9

Source: 

Private Flood Insurance Sees Notable Growth

Given the rise in average pricing of flood policies provided through the National Flood Insurance Program (NFIP), private flood insurance in Florida has seen notable growth, with the number of policies up 30% in 2022 from 2021 (**Exhibit 4**). Five companies account for 95% of the annual growth, with the largest dollar growth coming from Kin Interinsurance Network, which holds the sixth spot for market share by number of policies in force. Standalone first-dollar residential policies grew 65% in 2022, driving the growth in private flood insurance in the state, though first-dollar residential endorsements are up 15% and commercial policies, 7%. Standalone first-dollar residential accounts for 43% of Florida FIP premium, while first-dollar residential endorsements account for 35%, and commercial, another 16%.

**Exhibit 3
US Reinsurers – Losses Paid vs. Assumed Premium from Florida Property Specialty Insurers***



* Excluding Citizens Property Insurance Corp.
Source: AM Best data and research

**Exhibit 4
Top Florida Private Flood Insurance – Policies in Force, 2022**
(\$ thousands)

AMB#	Company Name	Total Florida PIF	Standalone First Dollar Residential	Standalone Excess Residential	First Dollar Endorsement Residential	Excess Endorsement Residential	Standalone or Endorsement on Commercial	Total Florida PIF YoY Growth
011340	Indian Harbor Ins Co	13,144	12,810	0	0	0	334	4,592
002049	American Security Ins Co	13,117	0	0	0	0	13,117	576
002563	Zurich American Ins Co	9,405	8,829	0	0	0	576	5,153
013765	American Integrity Ins Co of FL	9,206	0	0	9,206	0	0	902
022603	TypTap Ins Co	9,028	9,028	0	0	0	0	-1,600
020690	Kin Interinsurance Network	8,071	0	0	8,071	0	0	6,677
002350	Lexington Ins Co	7,705	4,652	2,412	0	79	562	5,204
011468	Security First Ins Co	4,779	0	0	4,779	0	0	-650
020633	Transverse Specialty Ins Co	4,301	4,301	0	0	0	0	4,301
013123	Safe Harbor Ins Co	3,884	0	0	3,884	0	0	-558
Top 10		82,640	39,620	2,412	25,940	79	14,589	24,597
Total Florida		117,979	51,146	4,357	41,749	1,263	19,464	27,301

Source: BESTLINK

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