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Hurricane Ian & the Deteriorating FL Home Insurance Market

Hurricane Ian – Large Storm / Widespread Damage

- Although a massive storm, wind losses largely transferred to (paid by) reinsurance companies; flood losses largely assumed under separate flood policies (FEMA)
- However, a "man made" storm existed long before Hurricane Ian, caused by:
    - Rampant litigation – Florida represents nearly 10% of all home insurance claims in the US, but accounts for nearly 80% of all home insurance litigation!
    - Over 70% of home insurance claims payouts went directly to attorneys
    - Assignment of Benefits ("AOB") combined with litigation incentives led to pervasive "free roof" schemes
- The result of this "man made" storm?
    - Massive net losses and need for fresh capital infusions into home insurance companies
    - Approx. dozen company insolvencies; thousands of policy non-renewals; limited markets open for new business
    - Substantial rate increases! Florida average home insurance premium approx $4,300 (3x national average); Sarasota County nearly $2,700!
- Good news! Hurricane Ian illuminated these issues and "transformational" legislation was passed in Dec. 2022 to eliminate the "man made" storm issues

What is to Come?

- While legislation was meaningful, the impact will take much longer to realize – at least 18-24 months. Rate filings with state regulators are based upon historical information, so results must be present to demonstrate rate relief.
- Hurricane Ian doesn't help with this timeline, as there's debate as to whether legislative changes apply to Ian claims – and this will get fought in court
- Biggest remaining impact: REINSURANCE ("insurance for insurance companies" typically involving catastrophic risks – e.g., hurricane)
    - Reinsurers hit hard by Ian (and waiting to see the "full" impact over coming year+) along with other worldwide disasters
    - Less investment into reinsurers; waiting to see the impact of legislative changes – all resulting in less coverage/capacity offered, strict payment terms, and rates increasing at least 50% on average
- In Summary: things will get worse before they get better – more steep rate increases are coming and fewer companies are offering new policies. New companies will eventually enter the market and, hopefully with a quieter storm season, we'll begin seeing some stabilization in 2024