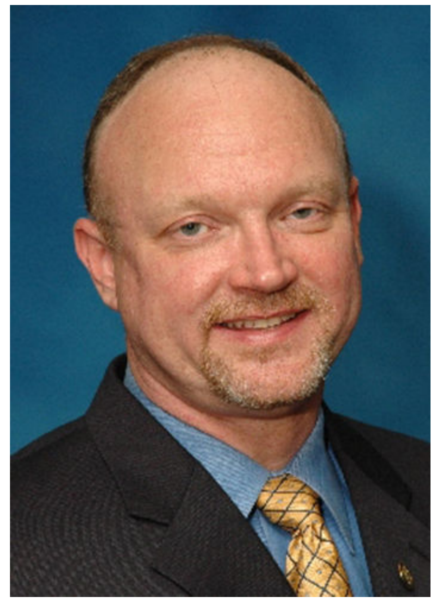
Tampa Bay Times
WINNER OF 10 PULITZER PRIZES

Column: Florida homeowners insurance market is strong

By Kevin M. McCarty, special to the Times

Thursday, July 10, 2014 2:57pm



The Florida homeowners insurance market is the strongest it has been in 10 years. Florida companies, which make up a majority of this market, have built $4.5 billion in surplus, $16 billion in reinsurance capacity and renewed profitability that has created new competition in the market. As a result, Florida consumers now have more options and choices for homeowners coverage.

In his June 25 column "Another costly homeowners insurance mistake for Florida," the *Times'* John Romano made several comments requiring clarification on the recent failure of Sunshine State Insurance Co., an insurer with 37,684 of the approximately 6.1 million residential property policies in Florida.

These failures do not happen as frequently as claimed. Over the past 10 years, eight homeowners insurance companies that assumed policies from the state-backed Citizens Property Insurance Corp. or its predecessor have failed. This is in a universe today of 119 companies with homeowners policies in Florida.

To the column's point, there were indeed no hurricanes during the more recent period when four of those eight failed. But there were sinkholes. According to our data, companies have lost billions of dollars in sinkhole claims in recent years. It wasn't a hurricane catastrophe, but it was nevertheless a claims catastrophe, which the Legislature subsequently — and successfully — addressed. The industry endured one of the worst economic periods since the Great Depression and has only returned to profitability in the past few years.

Nor is anyone lax in monitoring these insurance companies, as the column claimed. We have toughened the rules and procedures over the past three years and continue to evaluate our efforts. Private insurers must have a minimum of $15 million in surplus, up from $5 million previously required.

The Office of Insurance Regulation does a critical analysis of companies that participate in the Citizens depopulation program. We challenge their business plans and marketing assumptions. We look at whether the insurer employs viable business strategies for underwriting, policy selection, geographic distribution of risk and the selection of rates.

We also run stress tests — based on current and potential scenarios — to determine a company's tolerance to changing market conditions. We work to ensure that the policies they takeout, they can actually keep.

This spring the Legislature gave us additional tools to aid in the ongoing supervision of insurance holding companies. New solvency standards make fundamental changes in the way insurance companies and their affiliates are supervised by our office.

Yet, companies do fail; it happens in any business. In the finance, insurance and real estate sector, only 58 percent of startups are still operating after four years, according to Statistic Brain Research Institute.

Sometimes, insurers fail because of mismanagement or fraud. Some insurers have filed false financial statements or made misrepresentations to regulators as to the health of the company.

But we live in a competitive system, and that involves failures — and successes. A number of startup companies that began with $5 million in surplus a few years ago now have tens of millions of dollars or more in surplus. They employ thousands of people and some have expanded their operations beyond Florida.

The Florida Office of Insurance Regulation will continue its diligence to ensure that insurance companies licensed to do business in Florida are financially viable, operating within the laws and regulations governing the insurance industry, and offering insurance policy products at fair and adequate rates that do not unfairly discriminate against the buying public.

Kevin M. McCarty is Florida's insurance commissioner.

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