

Florida Insurance Industry in Better Shape to Face Hurricane Season

By REUTERS

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ORLANDO, Fla. — The 2015 Atlantic hurricane season opens on Monday, and a combination of a forecast for fewer-than-average storms and the highest level ever of financial resources on hand in Florida to pay claims may help homeowners and businesses there weather fears of a storm.

Florida, the riskiest place in the United States for hurricane strikes, has had nine hurricane-free years, allowing state insurers to build up record capital reserves. But that lucky streak could end at any time depending on Mother Nature.

“The state can sleep much easier at night,” said Robert Hartwig, president of the Insurance Information Institute, a trade association. “The insurance industry is rock solid financially.”

Hurricane Andrew, the world’s second costliest natural disaster in terms of insured losses, came ashore near Miami in 1992, a year that had been forecast as a mild season.

U.S. government forecasters predict another below-normal 2015 season, with six to 11 tropical storms, three to six reaching hurricane status of 74-mile-per-hour (120 kph) winds, due to cooler seas and a strong El Niño effect.

Florida officials report some of the strongest financial reserves since the 2004 and 2005 seasons when a rare string of five major hurricanes resulted in billions of dollars in losses.

The state-run Citizens Property Insurance Company, which became the largest insurance carrier in Florida after 2005, has reduced its number of policies to 592,000, about 1 million less than its peak in 2012. It says it now has \$7.4 billion in reserves, the highest level since its creation in 2002.

Over the years the state's Hurricane Catastrophe Fund has also built up its reserves to a record \$17 billion, said Jack Nicholson, the fund's chief operating officer.

"Florida remains the single largest market for property catastrophe reinsurance in the world," Hartwig said.

Most homeowners are insured through relatively new Florida-based insurance companies that opened after most major national carriers left the state following Andrew and the 2004-2005 seasons.

Weiss Ratings, a consumer-oriented agency, has warned for several years that many of the new carriers started out small and undercapitalized, raising questions about their ability to pay claims in a timely manner.

Weiss senior analyst Gavin Magor said preliminary results of 2014 insurance data indicate Florida insurance carriers continue to strengthen incrementally with each hurricane-free year.

“Obviously, they’re not where we would like them to be. I’m fairly certain that there will be some struggles for some insurers if we had a major hurricane,” Magor said.

(Additional reporting by Bill Cotterell in Tallahassee and David Adams in Miami; Editing by Leslie Adler)