

Appendix Five: The Private Insurance Market

The Task Force studied quite a bit of information and testimony regarding the private residential property insurance market in Florida during their deliberations. The report provides information verifying that, as previous reports have shown, even with the presence of Citizens, the residential insurance market would be characterized as competitive on the state level.

The report also refers to the policy count growth and premium growth experienced in the Florida market from the end of 2004 through the end of the third quarter of 2005.

The Table below provides more detail on this growth by type of property insurance:

Policy Type	Policies in Force 12-31-04	Policies in Force 9-30-05	Policies Excluding Wind 12_31_04	Policies Excluding Wind 9-30-05	Written Premium 12-31-04	Written Premium 9-30-05
Homeowners (Excl. Tenant and Condo)	3,560,095	3,561,193	282,845	279,369	\$4,096,079,687	\$4,636,867,632
Farmowners	1,124	2,012	1	1	\$1,585,139	\$3,489,211
Mobile Homeowners	519,710	481,114	26,217	17,059	\$272,881,748	\$292,458,637
Condominium Unit Owners	657,264	670,002	90,621	90,873	\$334,274,210	\$375,351,954
Dwelling, Fire and Allied Lines	478,554	520,745	70,596	76,997	\$274,180,281	\$338,326,491
Tenants	244,417	266,382	11,279	11,253	\$70,447,072	\$80,836,020
Apartment Buildings	17,816	13,895	4,028	2,001	\$85,501,173	\$81,289,820
Condominium Association	9,580	6,605	1,459	874	\$196,369,145	\$84,962,764
Homeowners Association	2,867	3,016	178	174	\$10,496,681	\$11,905,946
WindOnly Mobile Homeowners	12,606	13,849	0	0	\$10,658,967	\$11,428,628
WindOnly Condominium Unit Owners	73,297	68,291	0	0	\$42,179,679	\$57,972,176
WindOnly Dwellings	323,021	325,918	0	0	\$538,402,434	\$647,737,668
WindOnly Tenants	6,312	6,079	0	0	\$1,855,642	\$2,121,156
WindOnly Apartment Buildings	8,503	8,438	0	0	\$17,569,366	\$19,396,865
WindOnly Condominium Association	7,096	7,639	0	0	\$122,471,695	\$165,634,847
WindOnly Homeowners Association	330	350	0	0	\$2,402,862	\$2,931,468
Totals:	5,922,592	5,955,528	487,371	478,822	\$6,077,355,781	\$6,812,711,283

Source: OIR QUASR Summary Reports

As the Table shows, both policy count and premium growth have risen over the nine month period, but as generally true for the Florida market, the majority of the policies and premium are in the homeowner's multi-peril market. The mobile home market represents an exception to this growth as total policy count actually declined by 38,596 policies over the period.

The data reported to QUASR also provide some indication of the growth of the total insured structural value of residential insurance in the state. As the Table below shows, the total insured structural value rose by approximately \$100 million during the nine month period. And, as is also generally true in the Florida market, the clear majority of that increase came from the homeowner's market.

Policy Type	Structural Exposure to Wind 12_31_04	Structural Exposure to Wind 9-30-05
Homeowners (Excl. Tenant and Condo)	\$912,946,650,243	1,008,797,118,698
Farmowners	\$359,409,652	1,127,675,905
Mobile Homeowners	\$25,145,460,397	25,852,292,330
Condominium Unit Owners	\$44,429,714,774	47,993,814,943
Dwelling, Fire and Allied Lines	\$48,686,343,192	58,446,331,749
Tenants	\$10,380,772,887	11,402,686,734
Apartment Buildings	\$14,799,527,039	12,613,997,953
Condominium Association	\$47,625,825,545	22,850,715,964
Homeowners Association	\$1,077,016,243	1,245,825,169
WindOnly Mobile Homeowners	\$595,387,598	677,848,038
WindOnly Condominium Unit Owners	\$7,867,733,060	7,665,870,650
WindOnly Dwellings	\$98,807,732,641	106,659,795,927
WindOnly Tenants	\$352,633,150	362,088,923
WindOnly Apartment Buildings	\$4,035,199,368	4,283,658,090
WindOnly Condominium Association	\$43,470,354,099	51,559,189,920
WindOnly Homeowners Association	\$738,527,956	862,789,149
Totals:	\$1,261,318,287,844	1,362,401,700,142

Source: OIR QUASR Summary Reports

The Task force heard testimony from the NAIC and the OIR on rate filing issues during their deliberations. The report summarizes the information, but for additional clarity, the Table below, compiled by the Insurance Information Institute provides a comparison of Florida's rate regulation with other states.

STATE REGULATION OF RATES (1)

As of December 2004

State	Prior Approval	Modified Prior Approval	Flex Rating	File and Use	Use and File	State Prescribed	No File-Record Maintenance
AL	Personal lines, medical malpractice and any other type of coverage with an overall rate increase of 10% or more			All rate filings for property/casualty commercial lines except medical malpractice and any other type of coverage involving a rate increase of 10% or more			
AK	All lines except designated commercial lines			Designated commercial lines (2)			
AZ					All lines except exempt lines and industrial insureds		Exempt lines and industrial insureds
AR				Personal lines, employers liability and professional liability			Commercial risks excluding employers' liability and professional liability
CA	All lines						
CO				All lines except exempt commercial policyholders			Exempt commercial policyholders
CT	Employers liability and private passenger territories			All lines except employers liability and private passenger territories			
DE				All lines except certain large risks (3)			Certain large risks
DC				All lines except exempt commercial risks			Exempt commercial risks
FL				All lines except commercial inland marine (4) (Option)	All lines except commercial inland marine (5) (Option)		Commercial inland marine

GA	Private passenger automobile rate increases		Rate increases for all lines except private passenger automobile and large commercial risks. Rate decreases for all lines except large commercial risks.		Large commercial risks
HI	All lines				
ID				All lines (6)	
IL				All lines (7)	
IN			All lines except insurance, other than workers compensation or professional liability, issued to exempt commercial policyholders		Insurance, other than workers compensation or professional liability, issued to exempt commercial policyholders
IO	All lines except private passenger automobile and homeowners		Private passenger automobile and homeowners		
KS	Health care provider liability		All lines except health care provider liability and special risks		Special risks
KY	Personal lines and designated lines where rates increase or decrease more than 25% within 12 months, except insurance issued to industrial insureds and exempt commercial policyholders	Rate changes for personal lines and designated commercial lines within the "flex band" are "use and file." Rate changes for personal lines and designated commercial lines outside the "flex band" are "prior approval"		Personal lines and designated commercial lines where rates increase or decrease 25% or less within 12 months, except insurance issued to industrial insureds and exempt commercial policyholders	Industrial insureds and exempt commercial policyholders
LA		All lines where the company's rate increase or decrease is not eligible for filing under the "flex rating" or "file and use" provisions	Lines where the overall average rate level increase or decrease of 10% or less above or below company's rates in effect	Lines where filing is based solely on loss experience and includes no change in the relationship between rates and expenses	

ME		All lines except large commercial policyholders		Large commercial policyholders
MD	Medical malpractice (8)	All lines except medical malpractice		
MA	Company deviations for private passenger automobile	All lines except private passenger automobile and large commercial policyholders	Private passenger automobile (9)	Large commercial policyholders
MI	All lines except private passenger automobile, homeowners and dwelling fire (Option), and exempt commercial policyholders	Private passenger automobile, homeowners and dwelling fire (10) (Option)		Exempt commercial policyholders
MN		Personal lines and professional liability covering individuals. NOTE: Professional liability can receive immediate approval without Department review		Commercial policies except professional liability covering individuals
MS	All lines (11)		All lines except commercial casualty and commercial property; commercial casualty and commercial property are filed for informational purposes only	
MO				
MT		All lines		
NE	All personal lines, farmowners, employers liability and medical professional liability	Commercial except farmowners, employers liability and medical professional liability and lines issued to exempt commercial risks		Exempt commercial risks
NV	Personal lines and designated professional liability classes			Commercial lines except designated professional liability classes

				Commercial lines except employment practices liability, directors and officers liability, boiler and machinery and policies issued to large commercial policyholders	Employment practices liability, directors and officers liability, boiler and machinery and policies issued to large commercial policyholders
NH			All personal lines (12)		
	Personal lines except private passenger automobile and homeowner rate increases of no more than 5%, decreases or rate changes that are revenue neutral and private passenger automobile rate increases or decreases except statewide average base rate increases of no more than 7% and initial multiple ratings tier filings	Statewide average private passenger automobile base rate increases of no more than 7%; homeowners rate increases of no more than 5% overall, rate decrease s or rate changes that are revenue neutral			
NJ				Commercial lines except special risks	Special risks
NM	All lines Vehicle for hire (including buses and school buses) rate increases, private passenger automobile, medical malpractice and territories and classifications (all lines)		Designated commercial lines	All lines except private passenger automobile, vehicles for hire (including buses and school buses) rate increases, designated commercial lines, medical malpractice, inland marine, exempt lines and rating classifications or territories (all lines)	Inland marine and exempt lines
NY					
NC	Private passenger automobile, homeowners, dwelling fire and mobile homeowners			All lines except private passenger automobile, homeowners, dwelling fire and mobile homeowners	
ND	All lines				

OH	All property lines	Motor vehicle insurance and casualty lines such as homeowners and commercial multi-peril and package policies or programs which contain both property and liability components	All lines except medical professional liability and "commercial special risks"	Commercial special risks
OK	Medical professional liability	All lines except specified commercial liability markets subject to prior approval		
OR	<p>"Prior Review" procedures apply to rate increases greater than 15% for the following commercial liability markets: child care, commercial automobile, long haul trucking, D&O, liquor law, municipal, medical professional, nonprofit philanthropic and civil activity, products liability, professional liability other than medical, public, recreational.</p> <p>"Prior Review" procedures apply to rate increases or decreases exceeding 15% for changes in: total limits base rates, rating basis, rating plans, manual rules, territorial definitions and combination of such rating system components</p>			

PA	All lines (13) other than motor vehicle except those with rate decreases of 10% or less, small commercial risks with rate increases or decreases of less than 10%, large commercial risks, and motor vehicle filings involving any rate increase and those involving rate decreases in excess of 10%	Lines (14) other than motor vehicle involving rate decreases of 10% or less and small commercial risks with rate increases or decreases of 10% or less	Motor vehicle filings with decreases of 10% or less	Large commercial risks
PR	All lines except exempt commercial lines			Exempt commercial lines
RI	Medical malpractice		Personal lines overall statewide rate increases or decreases of more than 5% and all commercial lines except medical malpractice and commercial special risks	Specifically designated commercial special risks and commercial special risks
SC	All lines except exempt lines, personal lines filings which increase or decrease overall rate levels by up to 7% above or below company's existing rate and exempt existing rate and exempt commercial policies		Personal lines filings which increase or decrease overall rate levels by up to 7% above or below company's existing rate	Exempt lines and exempt commercial policies
SD			All lines except exempt commercial policyholders	Exempt commercial policyholders
TN	"Personal Risk" insurance			Commercial lines

			Commercial property, general liability, boiler and machinery, crime, glass, miscellaneous casualty, commercial umbrella and excess liability, farm and ranchowners, medical professional liability, commercial automobile, inland marine, commercial multi-peril and personal casualty (including personal liability and personal umbrella) except exempt lines	
TX	Private passenger automobile filings outside the flex band, homeowner and dwelling fire	Private passenger automobile filings within the flex band		Exempt lines
UT			All lines except commercial excess and umbrella liability	Commercial excess and umbrella liability
VT	Claims made liability		All lines except claims made liability	
VA			All lines except exempt lines	Exempt lines
WA	All lines except commercial lines and large commercial accounts		Commercial lines except large commercial accounts	Large commercial property and casualty accounts
WV	All lines			
WI			All lines except inland marine	Inland marine
WY	Non-competitive markets			All lines except non-competitive markets

(1) This chart is based on the December 2004 ISO State Filing Handbook. Generally, this chart reflects the type of state statutory regulation for property and casualty (except surety, fidelity, certain non-filed inland marine insurance and workers compensation) insurance rates for insurers. [Endnotes indicate where the state regulators' practice or procedures in implementing the law differ from or otherwise modify a state's statutory requirements.] This chart does not set forth the types of state statutory regulation for policy forms, rules or other supplementary rating information, or requirements that may only apply to rating, rate service or advisory organizations. The information contained in this publication was obtained from sources believed to be reliable. ISO, its companies and employees make no guarantee of results and assume no liability in connection with the information herein contained.

(2) The Director shall adopt regulations by 7/1/2002 for NAIC Model Act (21.39.040(k). The regulations were not available as of 11/04.

(3) Insurance Department advises that it processes all filings under prior approval procedures.

(4) Insurance Department interprets statutes not to require commercial inland marine filings.

(5) Insurance Department interprets statutes not to require commercial inland marine filings.

(6) Idaho Code §41-1439 only set forth record maintenance requirements. However, in Bulletin 91-1 (1/2/91), the Idaho Department of Insurance requests that rates be submitted on a use and file basis.

(7) While there are no statutory provisions for lines other than medical liability, Department of Insurance regulations promulgate filing procedures and requirements.

(8) Certain rate decreases and certain subsequent modifications to such decreases are subject to use and file provisions.

(9) Insurer deviations from the state-prescribed rates are subject to prior approval.

(10) All lines except private passenger automobile, homeowners and dwelling fire may be filed in accordance with prior approval provisions (Mich. Comp. Laws §§500.2406, 500.2408, 500.2606, 500.2608) or file and use provisions (Mich. Comp. Laws §§500.2430, 500.2628).

(11) While Miss. Code Ann. 83-7-2 provides that certain filings of rate adjustments not involving a change in expense relationship or rate

classification are subject to “file and use”, the Insurance Department advises that it processes all filings under “prior approval” procedures.

(12) Pursuant to insurance regulations Ins 902, if the commissioner has a consulting actuary or consulting actuarial firm analyze a rate filing, the rate change shall not become effective until the actuarial review is completed, submitted to the insurance department and approved by the commissioner.

(13) Certain filings that decrease approved rates may be submitted on a file and use basis. However, if the commissioner finds the filings unacceptable, he/she must notify the insurer within 15 days.

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Table Source: Insurance Information Institute, www.iii.org

One of the questions that arose during the Task Force’s deliberations concerned the relative frequency of file and use versus use and file rate filings by insurers in Florida. For filings made in 2005, the OIR has compiled the following summary:

Type of Rate	Use and File (number / %)	File and Use (number / %)
Homeowners	79 (42%)	109(58%)
Private Passenger Auto	69 (46%)	80 (54%)

These counts are based on filings that had rate impact in the market. They do not include zero rate filings, rule filings, or Citizens recoupment filings. The figures show that both types of filings are frequently used in the Florida market, and moreover, the distribution of rate filing type is virtually indistinguishable between the homeowner’s market and the private passenger automobile market.

The Task Force also received information regarding the importance of the global private reinsurance market to the Florida insurance market. OIR provided an overview presentation on the global reinsurance market (see below).

Overview of the Florida Hurricane Risk Market

Florida Office of Insurance
Regulation

August 24, 2005

Purpose

- Hurricane Risk is what makes the Florida Property Insurance Market Unique and why this Task Force was assembled
- This Overview is intended to provide context for the Task Force