



# Financial Services Dynamics in Florida

## Fourth Quarter 2021

### The Florida Department of Financial Services

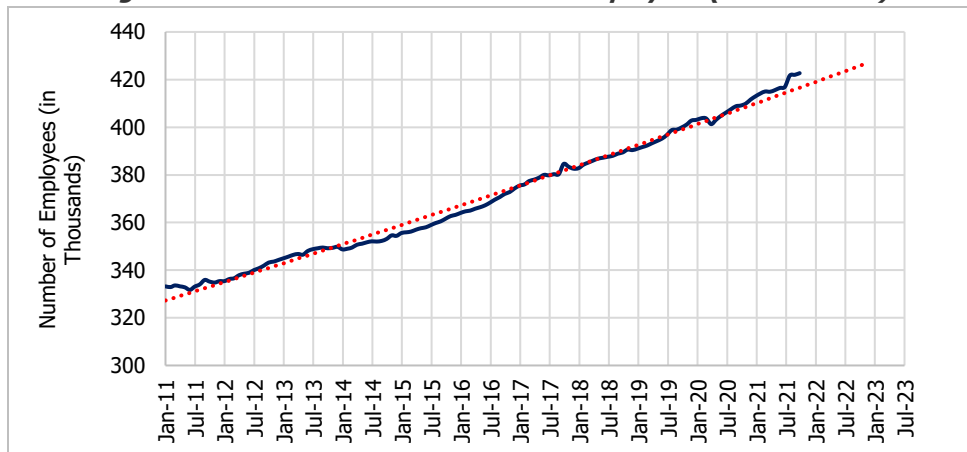


REF.: Florida Statutes Section 20.121(6)

December 21<sup>st</sup>, 2021

From October 2020 to October 2021, statewide seasonally adjusted net employment gains in Financial Activities/Finance and Insurance, was 13,600. This net gain was higher than monthly (*e.g.*, Jan-to-Jan) averages at a net of 11,567. The net gain mentioned was also higher than the monthly averages for the successive quarters; 2021Q1 (10,533), 2021Q2 (12,600) and 2021Q3 (12,733), and clearly higher than the monthly average over the same period last year 2020Q4 (8,933). Figure 1 depicts a longer-term perspective, where present employment development with the Financial and Insurance sector is clearly above its' trend. Since late 2019 there even seems to be a further "sprint" in employment growth within Florida's Finance and Insurance sector.

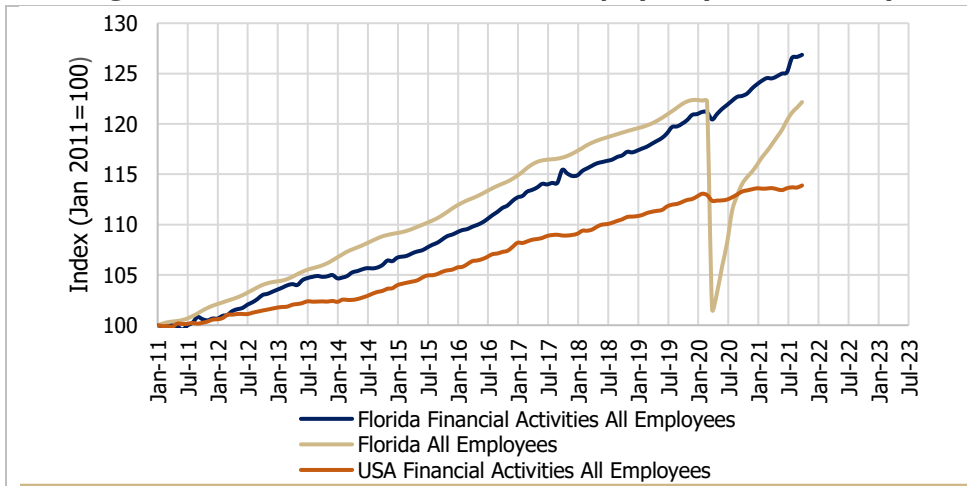
**Figure 1. Florida Financial Activities All Employees (in Thousands)**



Source: BLS

For comparison purposes, (see Figure 2) the Florida Finance and Insurance net employment growth is compared with growth of All Employees in Florida on the one hand, and with the Financial Activities All Employees USA growth on the other, all on the same base index (Jan-2011=100). In the most recent complete year (Oct-Oct), annualized growth in Florida Finance and Insurance was 2.86 percent as compared to 0.77 percent for the same national sector.

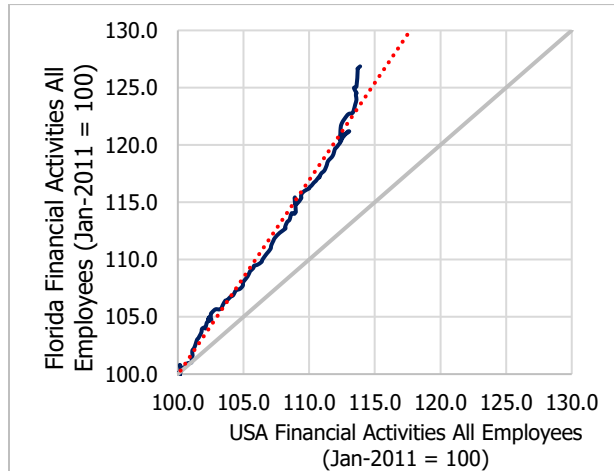
**Figure 2. Florida Financial Activities All Employees (Jan 2011=100)**



Source: BLS

From Figure 2 it may be taken that a longer time-perspective is necessary. This because net job creation in Florida on a shorter timeframe (*i.e.*, after April 2020) would show Florida outperforming Finance and Insurance employment gains, due to rebounding from its loss in overall employment due to the COVID-19 pandemic. The pandemic's impact on Florida's Finance and Insurance employment however proved rather insignificant, which as noted also seems to hold for the sector nationwide. In comparison with the national sector, Florida Finance and Insurance is clearly outperforming national employment growth in Finance and Insurance sectors. The comparison with the USA Finance and Insurance indices on the horizontal axis and the same for Florida on the vertical axis is depicted in Figure 3. Any datapoint over the 45<sup>o</sup>-degree line favors the Florida's employment growth over that of the national Finance and Insurance sector. In fact, Florida's sector has been outperforming the national sector employment growth at an average annual rate of 1.38 percent since Jan-2011 (*i.e.*, deviation of the trend with respect to the 45<sup>o</sup>-line).

**Figure 3. USA Financial Activities versus Florida Financial Activities All Employees (Jan 2011=100)**



Source: BLS

### Trends in Total Premiums Written

Regarding Insurance Activities, Table 1 shows some statistics; Total Premiums Written (TWP), and Policies in Force from the Office of Insurance Regulation (OIR).<sup>1</sup> Two recent developments may be read from Table 1 but are better depicted in Figures 4

**Table 1. Total Premiums Written (TWP) and Policies in Force from the Office of Insurance Regulation**

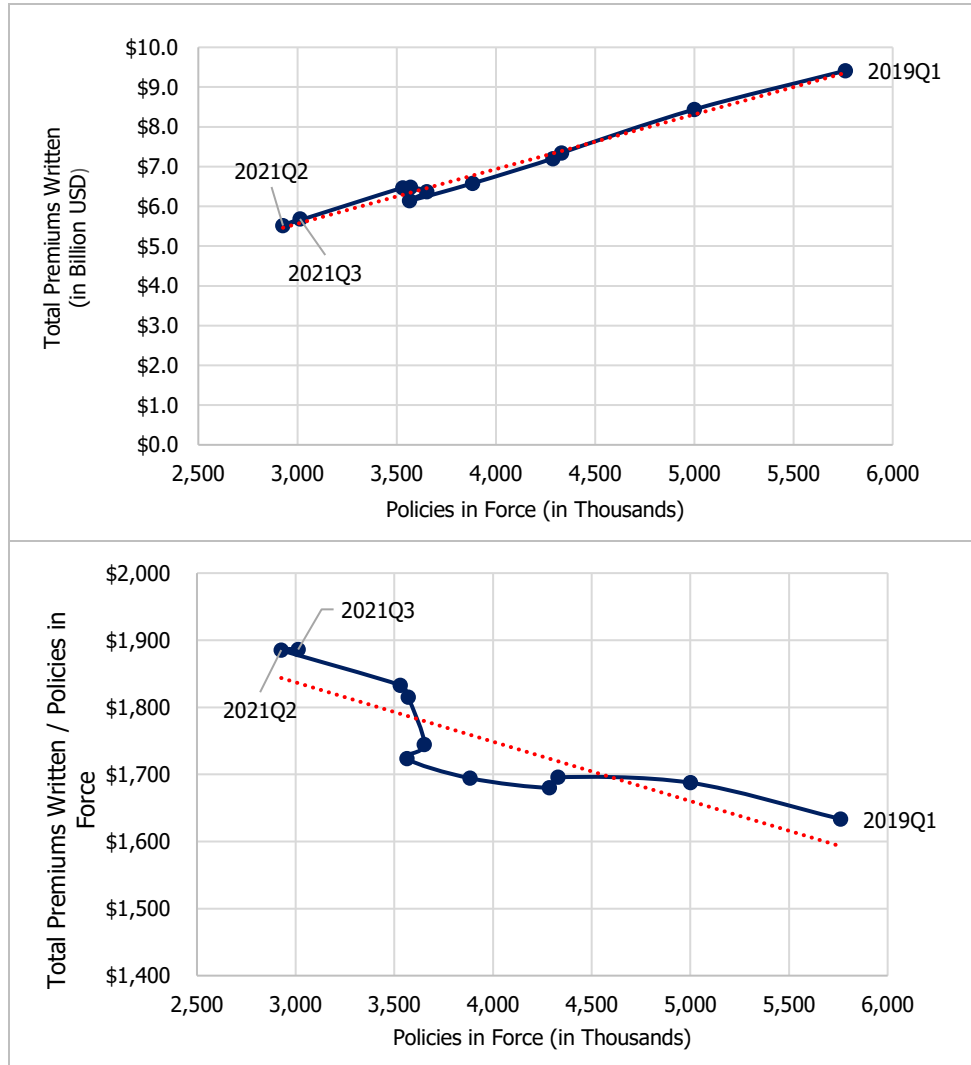
Year	Total Premiums Written (in Million USD)				Policies in Place			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2009	\$9,579	\$9,372	\$9,308	\$9,317	6,202,486	6,205,409	6,200,470	6,187,895
2010	\$9,225	\$9,610	\$9,759	\$9,855	6,050,632	6,148,212	6,152,914	6,143,073
2011	\$10,042	\$10,052	\$10,239	\$10,335	6,166,048	6,148,212	6,135,455	6,118,559
2012	\$10,438	\$10,593	\$10,733	\$10,678	6,094,080	6,079,419	6,102,249	6,091,153
2013	\$10,758	\$10,938	\$11,101	\$11,118	6,078,151	6,074,699	6,097,455	6,106,620
2014	\$10,531	\$10,600	\$10,563	\$10,382	5,730,202	5,759,338	5,797,043	5,809,767
2015	\$10,204	\$10,299	\$10,101	\$10,202	5,830,897	5,899,683	5,941,081	5,999,252
2016	\$10,143	\$10,094	\$10,059	\$10,010	6,013,626	6,049,763	6,088,498	6,108,851
2017	\$9,415	\$9,422	\$9,524	\$9,659	5,943,681	5,960,818	6,033,732	6,020,669
2018	\$9,726	\$9,869	\$9,953	\$9,995	6,026,215	6,064,154	6,090,294	6,092,005
2019	\$9,412	\$8,439	\$7,343	\$7,202	5,762,326	5,000,540	4,330,444	4,286,884
2020	\$6,580	\$6,143	\$6,372	\$6,480	3,883,550	3,564,425	3,652,419	3,570,428
2021	\$6,471	\$5,518	\$5,683		3,530,793	2,926,913	3,012,903	

Source: OIR Quarterly and Supplemental Reporting System - Next Generation (QUASRng)

<sup>1</sup> See: <https://www.flair.com/> data taken from the OIR Quarterly and Supplemental Reporting System - Next Generation (QUASRng)

and 5. Figure 4 (top) depicts the Total Premiums Written (TPW) on all Policies in Force, from 2019Q1 through 2021Q3. The depiction clearly shows (significant) declining premium revenues (18.3% annualized). Figure 5 (bottom) depicts the demand-sales curve for the same period 2019Q1 through 2021Q3 (setting aside the changes in USA dollar values or inflation). Clearly prices (p) are rising (5.9% annualized), and volume or number of policies in force (q) are declining (at 22.8% annualized), making for a set-back in TPW or premium revenues ( $q \times p$ ) as shown in Figure 4 (top). Hence, it is noted that the price range of recent and depicted Insurer operations is clearly elastic ( $E_d < -1$ ).<sup>2</sup>

**Figure 4. Office of Insurance Regulation Total Premium Written (in Billion USD), and Figure 5. Office of Insurance Regulation Total Premiums Written / Policies in Force**



Source: OIR Quarterly and Supplemental Reporting System – Next Generation (QUASRng)

On the Florida Surplus Lines Service Insurers (vide FLSO), some monthly premium data is shown in Table 2.<sup>3</sup> The top part of the table shows not-seasonally adjusted data, whereas the bottom part shows the same data but seasonally adjusted. The data is also depicted in Figure 6.

<sup>2</sup> Price elasticity of demand is (with cause always in the denominator, and effect in the numerator):  $E_d = \frac{\text{relative change } q_d}{\text{relative change } p_d} = \frac{-22.8\%}{5.9\%} = -3.86$

<sup>3,4</sup> See <https://www.fslso.com/Florida/MarketData/home>

**Table 2. Total Premiums Written (TWP) Florida Surplus Lines Service Insurers (in Million USD)**

Not-Seasonally Adjusted												
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2020	\$607.40	\$482.57	\$680.96	\$717.14	\$752.45	\$920.58	\$685.08	\$544.89	\$502.96	\$527.33	\$459.15	\$681.89
2021	\$610.02	\$626.52	\$886.86	\$902.68	\$998.08	\$1,196.57	\$712.31	\$743.33	\$668.22	\$625.12	\$607.29	

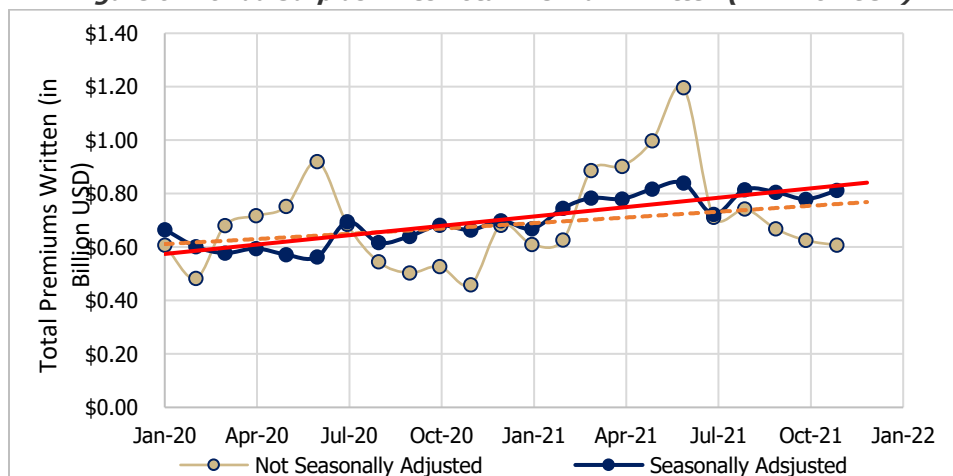
  

Seasonally Adjusted												
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2020	\$665.57	\$601.68	\$577.56	\$594.66	\$571.60	\$563.48	\$694.99	\$616.59	\$640.46	\$681.54	\$663.80	\$699.07
2021	\$668.19	\$745.63	\$783.45	\$780.19	\$817.23	\$839.47	\$722.22	\$815.03	\$805.72	\$779.34	\$811.93	

Source: Florida Surplus Lines Service Insurers (FSLSO)

The not-seasonal adjusted TPW timeseries shows a clear seasonal pattern, with a not so clear but upwards trend. Meanwhile the seasonal adjusted TPW timeseries is clearer in its upward trajectory. Neither breakout data to premium (p) nor quantity (q) was available on a monthly basis. Therefore in quoting the FLSO: "A 13% premium increase combined with a 9% decrease in policy count resulted in a record price per policy in 2020."<sup>4</sup> If this statement holds presently in terms of order, it suggests a different dynamic is at work in this Surplus Lines market segment, namely price in-elasticity of demand (*i.e.*, smaller negative responses in the numerator given any relative change in the denominator ( $0 < E_d < -1$ )). Put differently, the surplus lines market consumers appear to be less sensitive to price changes than their counterparts buying insurance in the domestic market. In addition, the June-Nov months (hurricane season months) may exert a stronger impact on TPW than the off-season months (Dec-May). For the eleven months of TPW data available for 2021, the trend seems to follow through with regards to TPW with an increase of 24.8 percent (year to date), making for a potential annualized increase of 27.3 percent in TPW for the Surplus Lines.

**Figure 6. Florida Surplus Lines Total Premium Written (in Billion USD)**



Concern is inflation surging and action to be taken by the Federal Reserve (FED). Tapering is accelerated and coming to an early close, clearing the way for interest rates increases potentially as early as March. FED rate hikes typically mean Americans will pay a little more for everything from mortgages and Insurance to car loans, credit card bills and student loans, curbing consumer demand. This will impact the Finance and Insurance activities in Florida as elsewhere. Inflation, and reason for FED policy on the other hand will eat into assets of Financial Institutions. Both rate increases and inflation are hurting economic activities, of which each potential impact depends on the mastery of the FED and the Federal Government to walking the fine line between the two. For now, is too early to tell

