

A PERSPECTIVE ON THE FLORIDA PROPERTY INSURANCE MARKET

WHERE DO WE GO FROM HERE?



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FL OIR
CAS- June 2007

Was There a Problem?

- **We Think So. More Importantly,**
- **You Should Think So. Because Most Importantly,**
- **Your Customers Think So**



Florida's Newest Gaming Trend: Renewal Roulette

- **Get to Play every year (Actually have to play)**
- **For the Policyholder, no way to win**
- **A compound game, will you get renewed, then at what rate?**
- **Winning is actually minimal losing (I got renewed, premium only up 60%)**



Consumer Reaction

*Fear and
Desperation on Top
of Anger*

Anger

Market Response

- **Approximate Population Increase: 4 -5 %**
- **Increase in Insurance PIF**
 - **HO: 0.5%**
 - **Mobile: -14%**
 - **Condo Unit: -4%**
 - **HO Assn: -60%**
 - **Apt Bldgs: -24%**



Source: FL OIR QUASR 3/06 to 3-07

Why Customers Don't Like the Product

- **Significant Durational Mismatch between the Risk and the Insurance Contract**
- **Result:**
 - *Unacceptably high levels of price and quantity volatility*
 - *Difficult, if not impossible to budget and manage*



Consumers Choice Perception

- **Pre Legislative Session:** *Pay a lot, whether the wind blows or not. Pay way more and have less availability if the wind does blow.*
- **Post Session:** *Pay some now, pay lots when the wind blows.*



Availability and Affordability

- **Private market mechanisms described work great, but,**
- **What do you do when the threshold price to get to the mechanism is perceived as out of range, e.g. can't pay to get into the game**

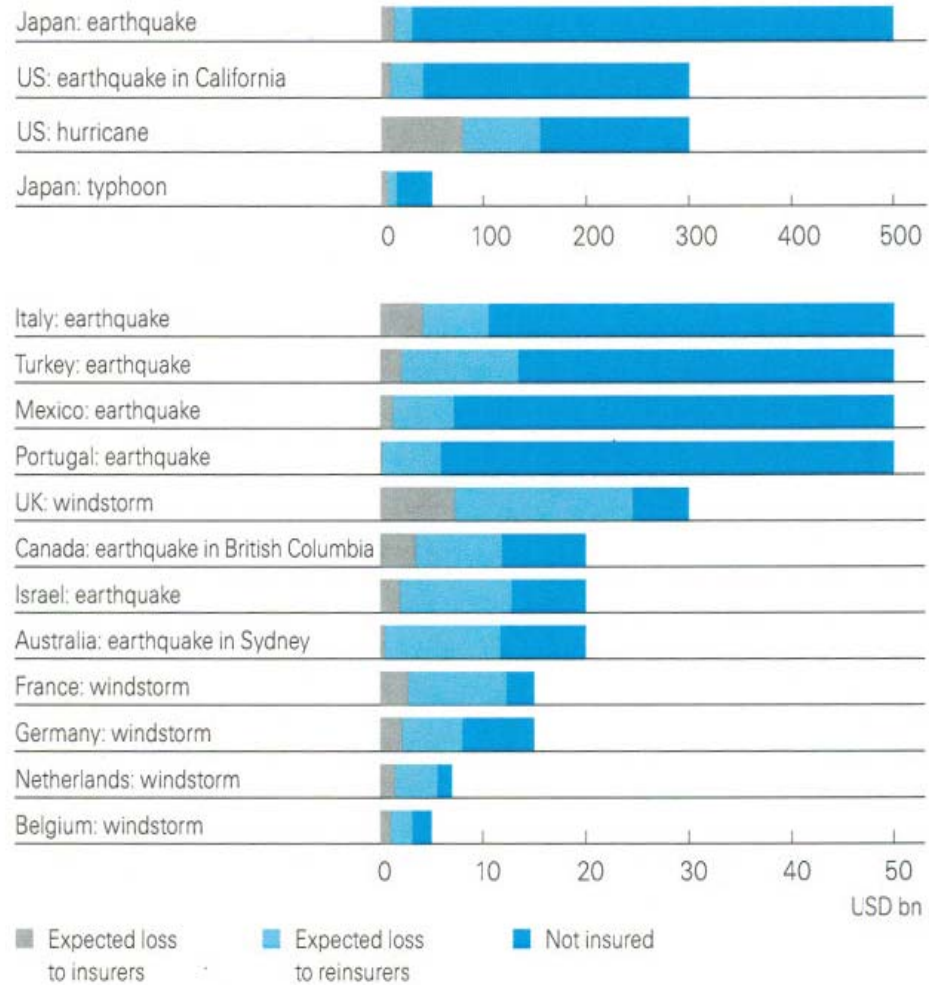


How Much More

**Private Insurance And Catastrophic
Risk**



Figure 5
Reference losses in the US, Japan and other important markets



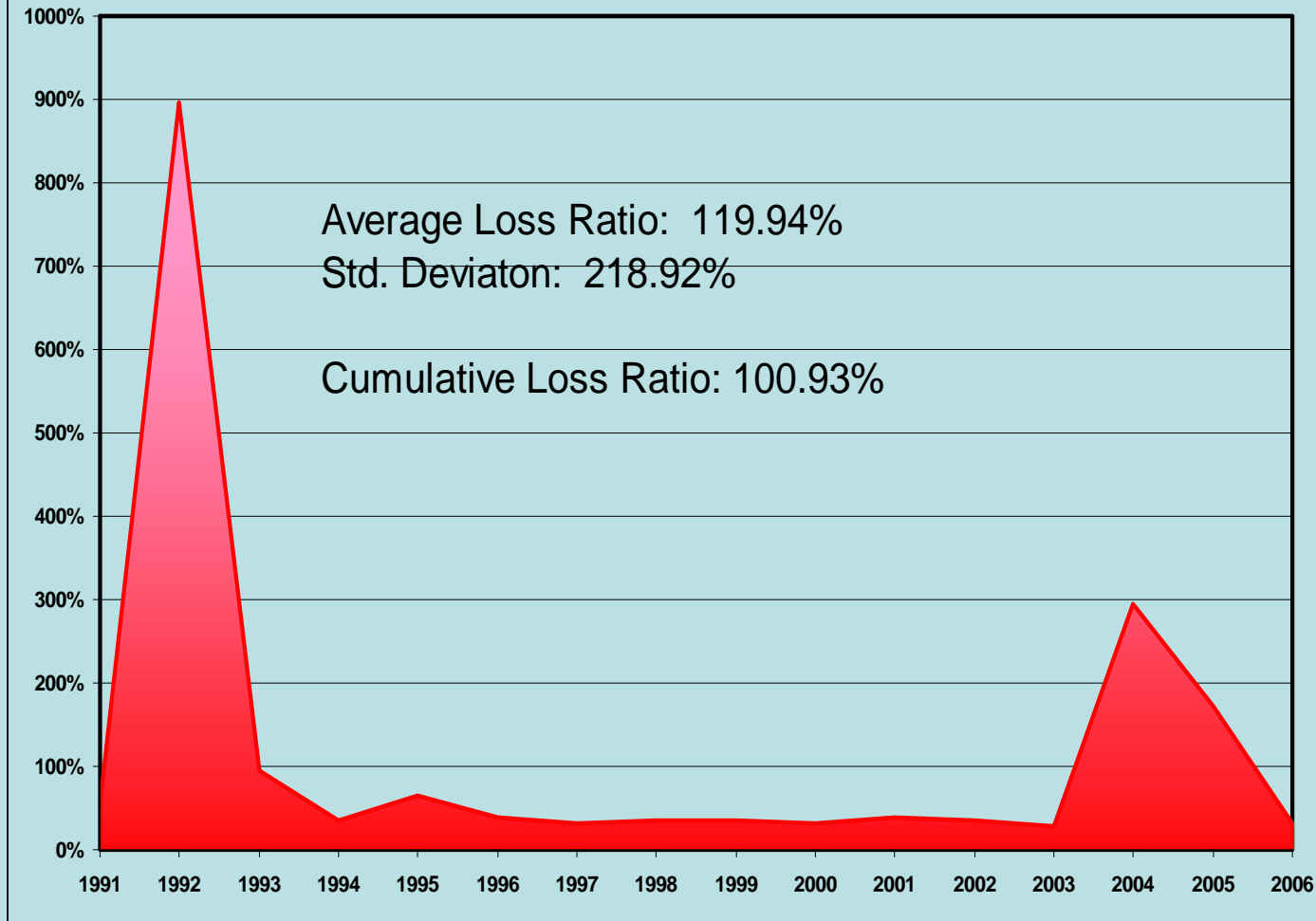
- **US hurricane largest risk mostly insured in private sector**
- **For those saying FL is implicitly creating a national plan, CA owns that distinction.**
- **We're still trying to insure**



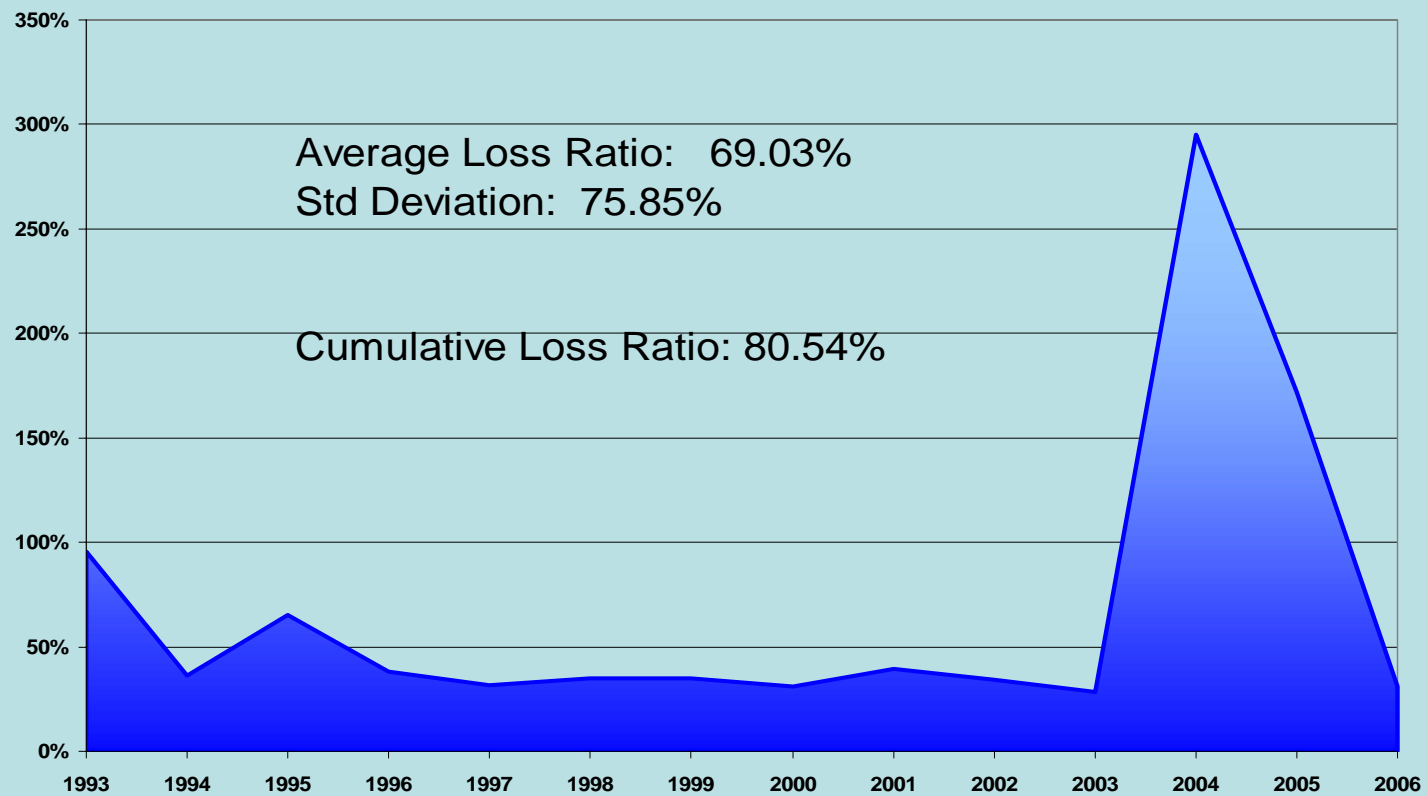
How Long Do We Get Punished for the Past?



Direct Loss Ratio 1991-2006



Direct Loss Ratio 1993-2006



Yes Mrs. Lincoln, but other than that.....

- **First dollar loss to policyholder via deductibles**
- **Cat Fund**
- **other**



Spreading the Risk?

- **Maybe a Disagreement on Meaning**
- **Consumer is feeling that the spreading is only to whom do they pay the outrageous premium**
- **Why can't the underlying risk be spread**



OIR, a National Cat Plan, and Benefits to Industry

- **Better mitigated risks**
- **More participation in Private Insurance Market**
- **Minimize or Eliminate Risk of Ruin to Insurers from Catastrophic Disasters**
- **Need positive inputs from all sectors**



Thank You

Questions?

