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September 27, 2024

Hurricane Helene Challenges Insurers Dealing with Increased Losses and Higher Reinsurance Rates

Flooding will stress NFIP; large inland insured losses expected

Principal Takeaways

- AM Best expects higher losses from Hurricane Helene to that of Idalia due to its larger wind span, and its track near Tallahassee, Atlanta, and other inland urban areas.
- Primary insurers are likely to bear the brunt of the losses given that attachment points have increased over the last couple of years. Losses could creep into reinsurance layers depending upon the ultimate impact of the storm.
- Florida property cat risk specialists have reported a higher loss ratio than the national writers in Florida in each of the last five years, except for 2023. For insurers with a smaller level of absolute surplus, on a relative basis, retentions may be lower and reinsurance would be expected to kick in.
- Excluding Citizens, the market share of Florida property cat specialists has hovered between 21% and 23% over the last five years. This could be a stress test for the newly formed takeout companies that are thinly capitalized.

AM Best expects higher losses will result from Category 4 Hurricane Helene than from Hurricane Idalia in August 2023, which caused around \$2.5 billion to \$4 billion in insured losses, according to Verisk. Based on the loss estimates from Idalia, the strength of Helene, and potential inland damage, AM Best expects insured losses from Helene of around \$5 billion. The actual magnitude will depend upon the determination of perils (flood vs. wind) that caused the damage, as well as business interruption losses (based on the length of power outages, repair costs, and demand surge). Helene's strong wind fields stretched over a much wider area, accompanied by coastal storm surge and inland flooding. Helene's impacts reach significantly further from its center compared to Idalia's 150 miles. Significant inland damage is expected as well, impacting parts of Georgia, Tennessee, Kentucky, and the Carolinas. The storm's track near Tallahassee and Atlanta would likely result in higher insured losses. Roughly 55% of Tallahassee has tree cover—37% of which is not wind-resistant, according to Florida State University. Primary insurers would bear the brunt of the losses given that attachment points have increased over the last couple of years, resulting from a hardened reinsurance market. The storm will also be a test for newly formed reciprocals and the take-out companies that are absorbing policies from Citizens. AM Best is monitoring this dynamic situation, having conversations with rated insurers, and will provide updates as necessary.

Flood losses will affect the National Flood Insurance Program (NFIP), which is expected to be extended before its expiration on September 30, as well as the appetite of those carriers providing flood coverage in the market. Increasing coastal buildup has helped drive Florida to be the highest risk for flood damage.

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2024-126

Companies Concentrated in Florida See Growing Market Share

National insurers—which have a level of diversification and capital—continue to be the largest property cat risk writers in Florida, and can more easily absorb potential losses versus more concentrated companies. However, the market share of the top 20 companies when excluding Citizens has shrunk notably since 2019 (**Exhibit 1**). The companies with a concentration in Florida catastrophe risk (those with Florida cat risk premium totaling more than 70% of total direct premiums written) have seen their share of DPW grow from 24% in 2019 to nearly 33% in 2023 as national companies scaled back or exited the Florida market, while Citizens’ market share grew (**Exhibit 2**). Excluding Citizens, however, the market share of these companies has held steady at around 21% to 23% over the last five years.

Exhibit 1

Florida Property Cat DPW Market Leaders

(\$ millions)

AMB#	Company Name	DPW ¹	2023 Market Share %	2019 Market Share %	FL Property Cat Premium Concentration %
11712	Citizens Property Insurance Corp	5,071.0	11.5	3.8	100.0
00811	Berkshire Hathaway Insurance Grp	3,270.7	7.4	9.0	5.5
00780	Progressive Insurance Grp	3,161.0	7.2	8.1	5.0
00088	State Farm Grp	2,899.0	6.6	6.4	3.1
00008	Allstate Insurance Grp	1,871.4	4.2	4.4	3.7
18752	Universal Insurance Holdings Grp	1,563.3	3.5	4.6	81.3
04080	USAA Grp	1,369.9	3.1	3.9	4.3
18498	Chubb INA Grp	1,259.0	2.8	3.2	3.9
18636	Tower Hill Grp	908.3	2.1	2.8	83.5
18549	Zurich Insurance US PC Grp	852.2	1.9	1.7	4.6
18790	Florida Peninsula Grp	850.8	1.9	1.4	100.0
12201	First Protective Insurance Co	813.2	1.8	1.4	73.6
18523	Assurant P&C Grp	796.8	1.8	2.4	11.8
18540	American International Grp	750.9	1.7	3.2	4.7
00060	Liberty Mutual Insurance Cos	708.2	1.6	2.5	1.5
21343	Slide Insurance Co	679.6	1.5	0.0	99.0
18891	Heritage Insurance Holdings Grp	676.9	1.5	2.1	50.2
18848	HCI Insurance Grp	649.1	1.5	1.6	84.6
13765	American Integrity Ins Co of Florida	645.9	1.5	1.5	99.7
18881	United Insurance Grp	635.6	1.4	3.2	94.9
Top 20 Excluding Citizens		29,432.7	55.1	63.3	

¹ Property catastrophe premium comprises fire, allied lines, multi peril crop, federal flood, private crop, private flood, homeowners/farmowners, commercial multi-peril (non-liability), inland marine, earthquake, private and commercial auto physical damage.

Source: AM Best data and research

Florida Property Cat Specialists Post Higher Loss Ratios

Where each insurer writes within Florida will determine the magnitude of losses on a company-by-company basis. However, the Florida property cat risk specialists have reported a higher loss ratio than the national writers in Florida, except for 2023 (**Exhibit 3**). While there was improvement in 2023, partially due to a relatively milder cat year, with Idalia being the only hurricane to impact the state, the level has yet to prove sustainable. The tailwinds presented by legislative reform, de-risking efforts, and rate increases provide a good base to maintain momentum, but we remain on the front end of the positive swing in results.

Exhibit 2

Most Concentrated Companies to Florida Property Cat Risk and Market Share, 2023

(\$ millions)

AMB#	Company Name	Florida Property Cat DPW Concentration %	FL Property Cat DPW	Market Share %	Total NPW/ PHS
21040	American Mobile Insurance Exch	100.0	13.8	0.0	0.2
11712	Citizens Property Insurance Corp	100.0	5,071.0	11.5	0.7
18761	Florida Family Grp	100.0	173.4	0.4	1.2
18790	Florida Peninsula Grp	100.0	850.8	1.9	1.8
21483	Loggerhead Reciprocal Interins Exch	100.0	35.4	0.1	1.4
22318	Monarch National Insurance Co	100.0	284.3	0.6	3.3
11468	Security First Insurance Co	100.0	444.2	1.0	1.7
12991	Southern Oak Insurance Co	100.0	259.8	0.6	2.5
20873	Trusted Resource Underwriters Exch	100.0	36.2	0.1	0.1
21309	Vyrd Insurance Co	100.0	87.9	0.2	1.3
21717	Orange Insurance Exch	99.9	2.7	0.0	0.6
13765	American Integrity Ins Co of Florida	99.7	646.7	1.5	1.2
13848	Olympus Insurance Co	99.5	361.1	0.8	0.8
13075	American Traditions Insurance Co	99.4	178.0	0.4	1.1
21343	Slide Insurance Co	99.0	680.5	1.5	2.7
18881	United Insurance Grp	94.9	635.6	1.4	1.5
11245	USPlate Glass Insurance Co	94.5	9.4	0.0	0.2
18977	Kin Insurance Grp	92.3	314.6	0.7	0.8
11716	Frontline Insurance Unlimited Co	91.1	261.2	0.6	2.0
13934	People's Trust Insurance Co	87.5	332.9	0.7	1.8
18848	HCI Insurance Grp	84.6	649.1	1.5	2.5
18636	Tower Hill Grp	83.5	915.2	2.1	0.9
18619	InSure Homes Grp	83.3	153.7	0.3	0.9
18752	Universal Insurance Holdings Grp	81.3	1,565.2	3.5	3.5
12201	First Protective Insurance Co	73.6	813.2	1.8	2.8

Source: AM Best data and research

Data as of June 30, 2024, indicates that nearly twenty companies had kept rates stable or requested small rate decreases, likely due to a combination of a more orderly reinsurance process compared to 2023 and the benefit of recent tort reforms taking hold, reducing defense and cost containment and loss adjustment expenses.

Revised Reinsurance Programs to be Tested

With the onset of the hardened reinsurance market over the last few years, reinsurance carriers have increased rates, reduced capacity, and pushed for higher retentions, and in some cases, sought lower limits to protect their financial positions. As a result, programs

Exhibit 3

Florida Property Cat Direct Incurred Claims and Loss Ratio

(\$ billions)

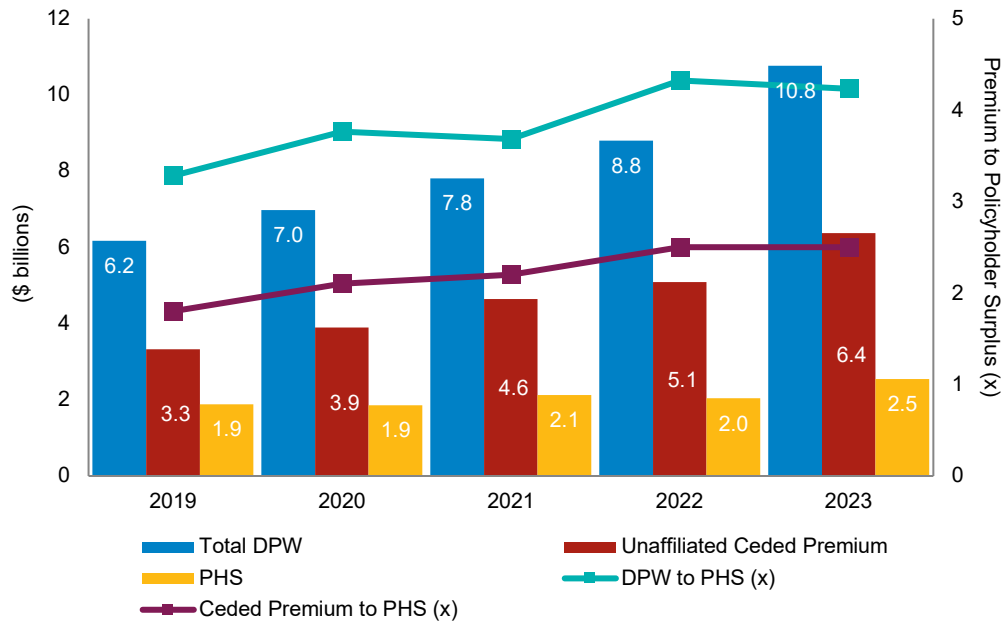
	FL Property Cat Incurred Claims (Specialists)	Citizens Incurred Claims	FL Property Cat Incurred Claims (Other Cos)
Incurred Claims			
2019	3.9	0.5	10.7
2020	3.6	0.4	11.7
2021	3.4	0.6	10.4
2022	9.9	3.9	25.9
2023	4.0	1.4	12.9
Loss Ratio			
2019	78.5	60.6	58.3
2020	66.0	41.9	60.9
2021	53.8	40.3	51.6
2022	138.8	159.5	115.9
2023	45.1	32.1	47.3

Source: AM Best data and research

at primary insurers have been adjusted to balance cost with protection and the effectiveness to insulate balance sheets. Ultimately, while this may improve the bottom line, the decisions are expected to be made prudently as it may increase retained losses and net exposure. These revised programs may be further tested depending on which companies experience the most notable losses from Hurricane Helene.

Nonetheless, the considerably higher level of dependency among Florida carriers indicates greater sensitivity to changes in reinsurance pricing and availability. The tradeoff of a high reinsurance dependency is that the net leverage positions are moderated due to the risk transfer. The muted position, however, does partially mask the considerable direct exposure held by insurers in this space. Unaffiliated ceded premium to policyholder surplus for concentrated Florida property cat specialists held steady in 2023, which was the first year in the last five that surplus growth was not notably lower than ceded premium growth (**Exhibit 4**).

Exhibit 4
Florida Property Cat Specialists – Premium Leverage (excl. Citizens)



Source: AM Best data and research

Published by AM Best

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