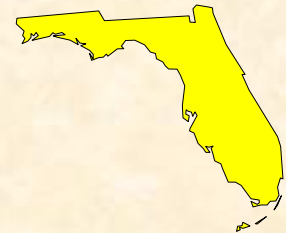


# Florida Property Insurance Markets

## *Economic and Financial Update*

**Insurance Information Institute  
Media Briefing  
Tallahassee, FL**



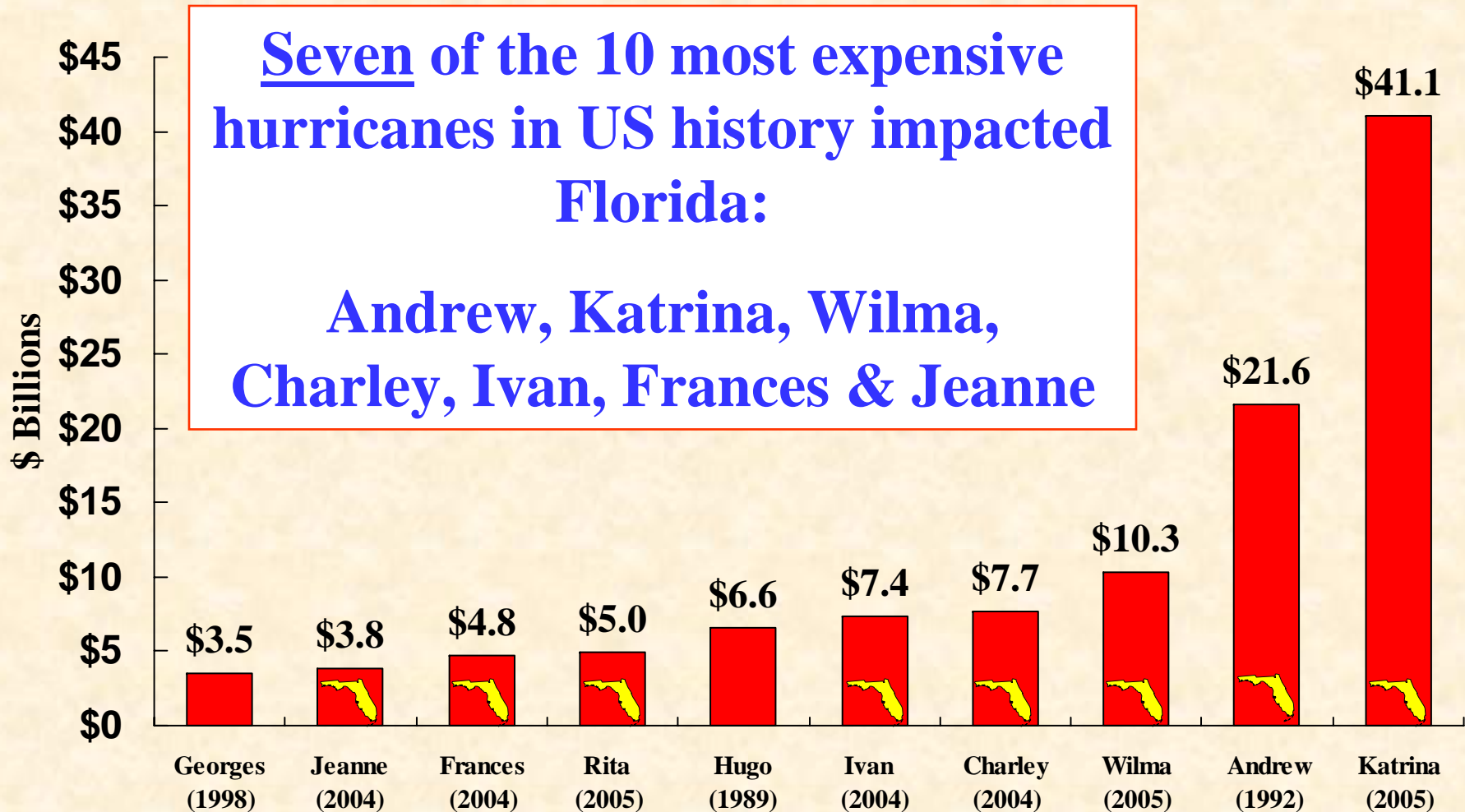
**January 22, 2008**

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**Robert P. Hartwig, Ph.D., CPCU, President**  
**Insurance Information Institute ♦ 110 William Street ♦ New York, NY 10038**  
**Tel: (212) 346-5520 ♦ Fax: (212) 732-1916 ♦ bobh@iii.org ♦ www.iii.org**



# Top 10 Most Costly Hurricanes in US History, (Insured Losses, \$2005)



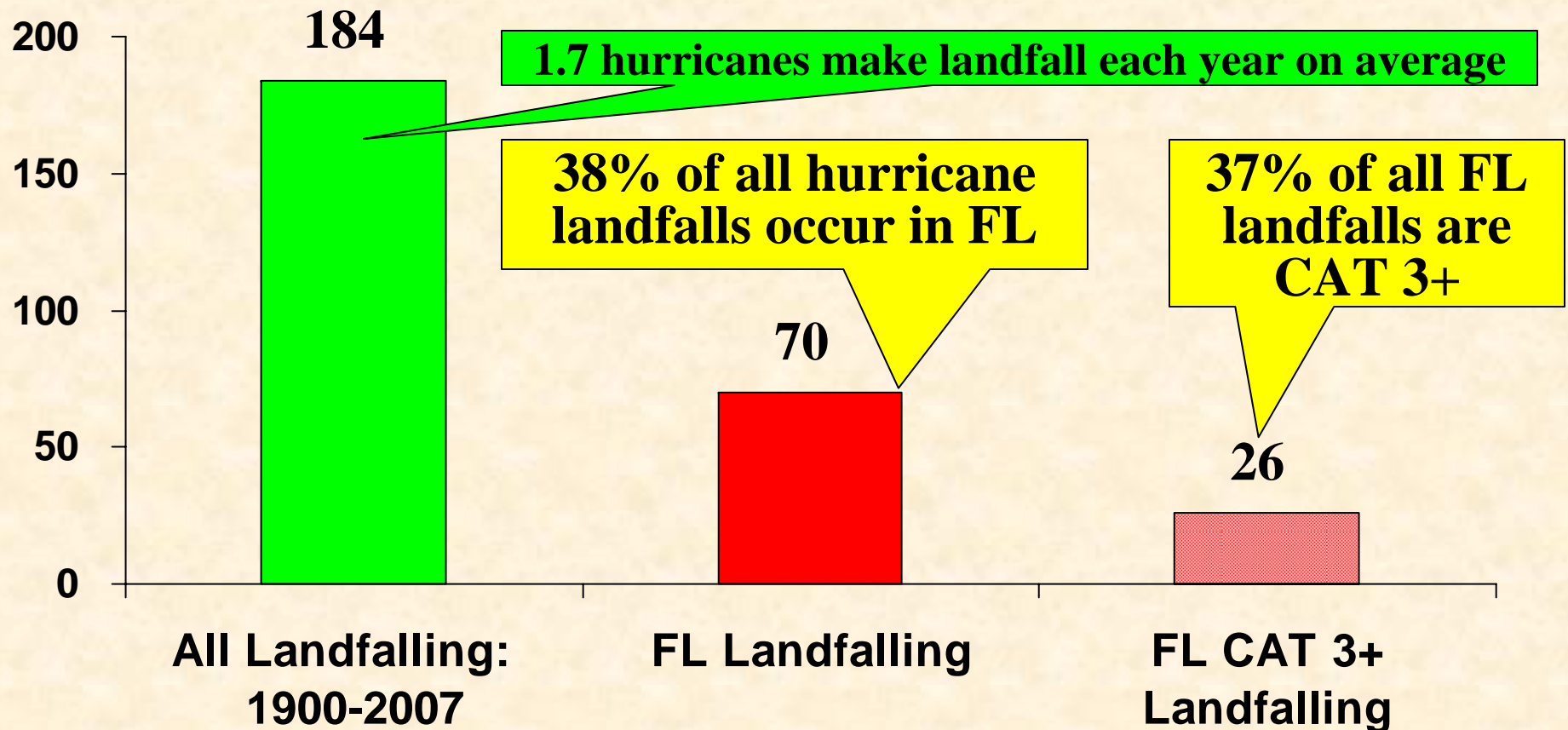
Sources: ISO/PCS; Insurance Information Institute.



# Landfalling Hurricanes: 1900-2007

## FL Landfalls are Common

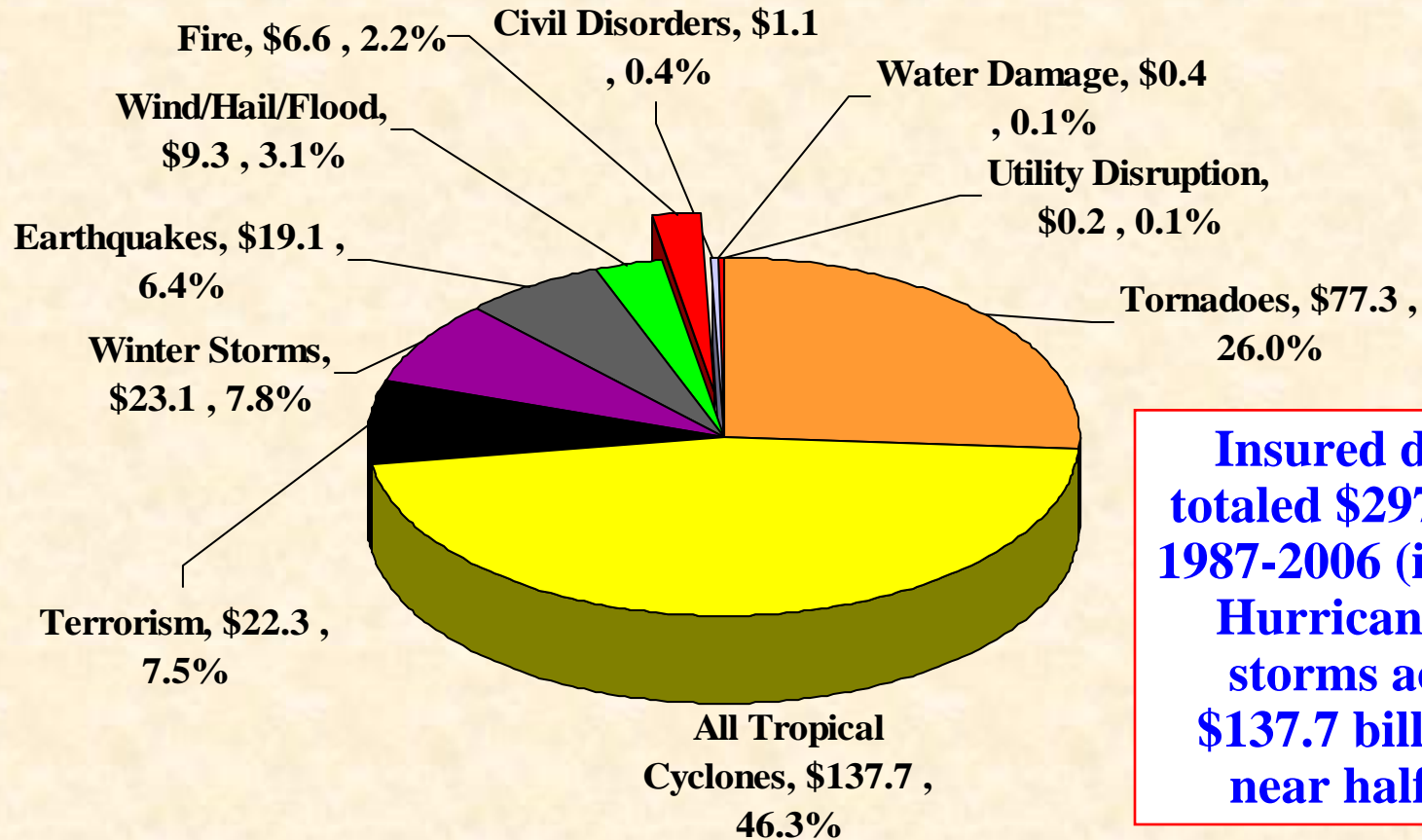
**A hurricane strikes FL every other year on average—CAT 3+ every 4 years**



Source: HURDAT database; Insurance Information Institute.



# Inflation-Adjusted U.S. Insured Catastrophe Losses By Cause of Loss, 1987-2006<sup>1</sup>



**Insured disaster losses totaled \$297.3 billion from 1987-2006 (in 2006 dollars). Hurricanes & tropical storms accounted for \$137.7 billion of these—near half of the total.**

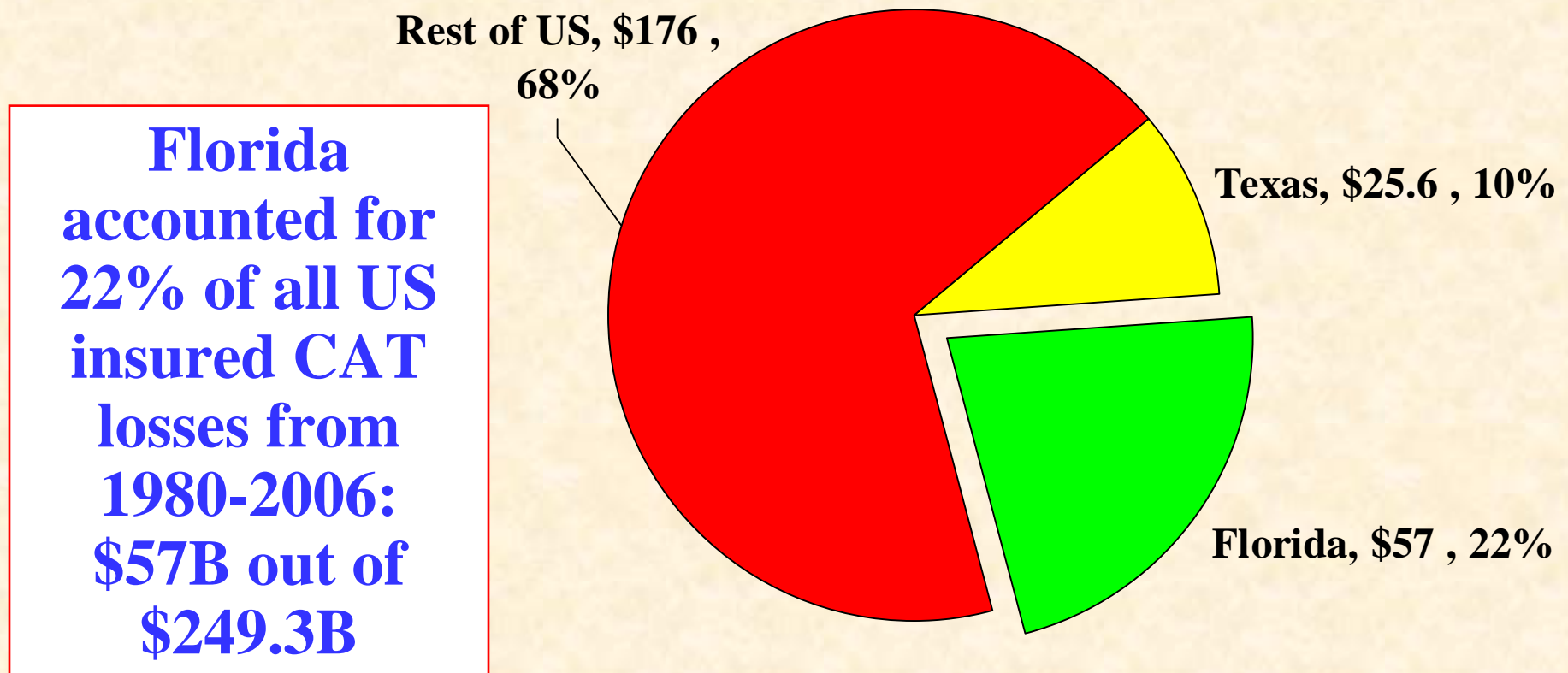
<sup>1</sup> Catastrophes are all events causing direct insured losses to property of \$25 million or more in 2006 dollars.

Catastrophe threshold changed from \$5 million to \$25 million beginning in 1997. Adjusted for inflation by the III.

<sup>2</sup> Excludes snow. <sup>3</sup> Includes hurricanes and tropical storms. <sup>4</sup> Includes other geologic events such as volcanic eruptions and other earth movement. <sup>5</sup> Does not include flood damage covered by the federally administered National Flood Insurance Program. <sup>6</sup> Includes wildland fires.

# *Distribution of US Insured CAT Losses: TX, FL vs US, 1980-2006\**

**\$ Billions of 2005 Dollars**

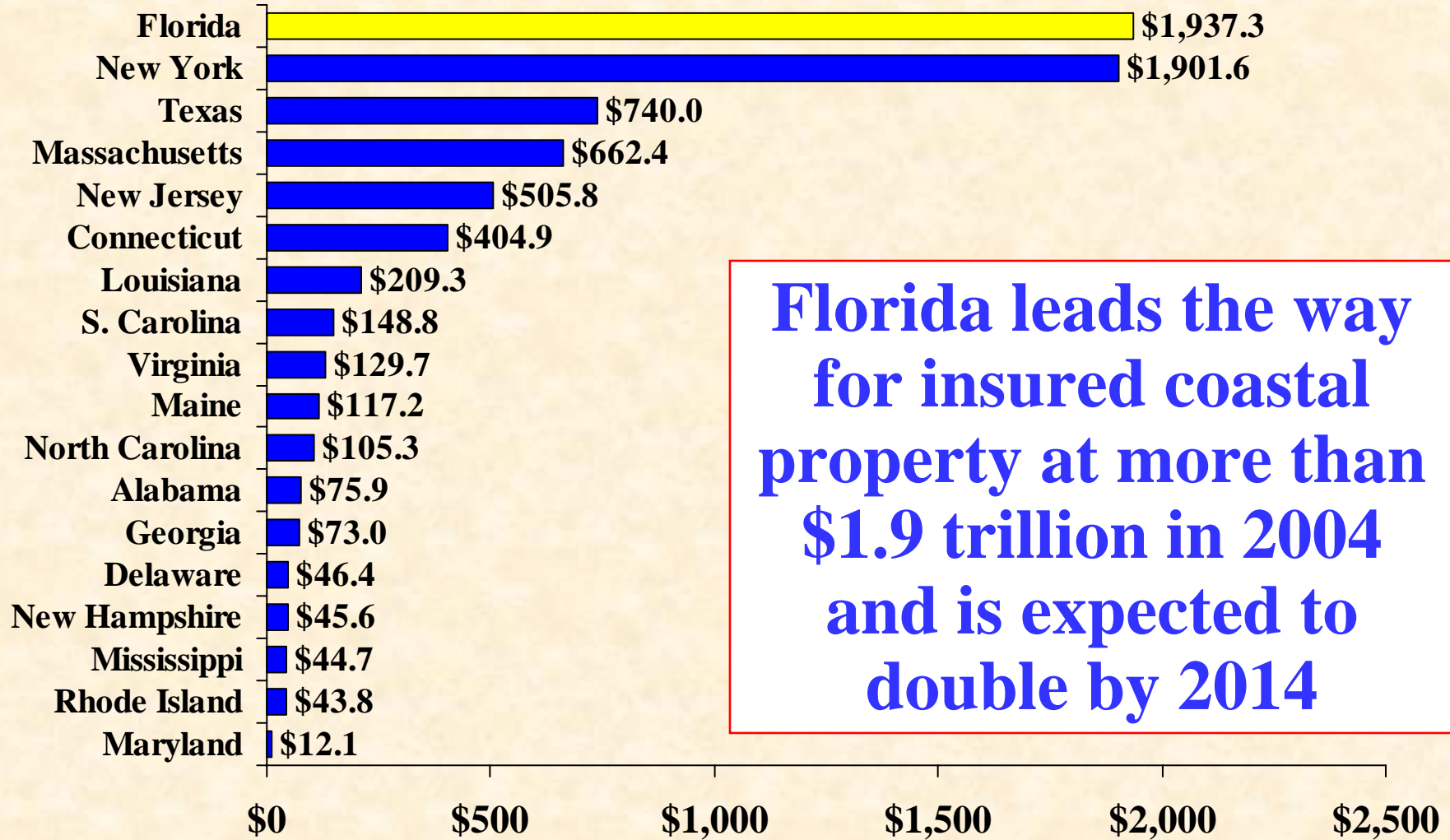


\*All figures (except 2006 loss) have been adjusted to 2005 dollars.

Source: PCS division of ISO.



# Total Value of Insured Coastal Exposure (2004, \$ Billions)

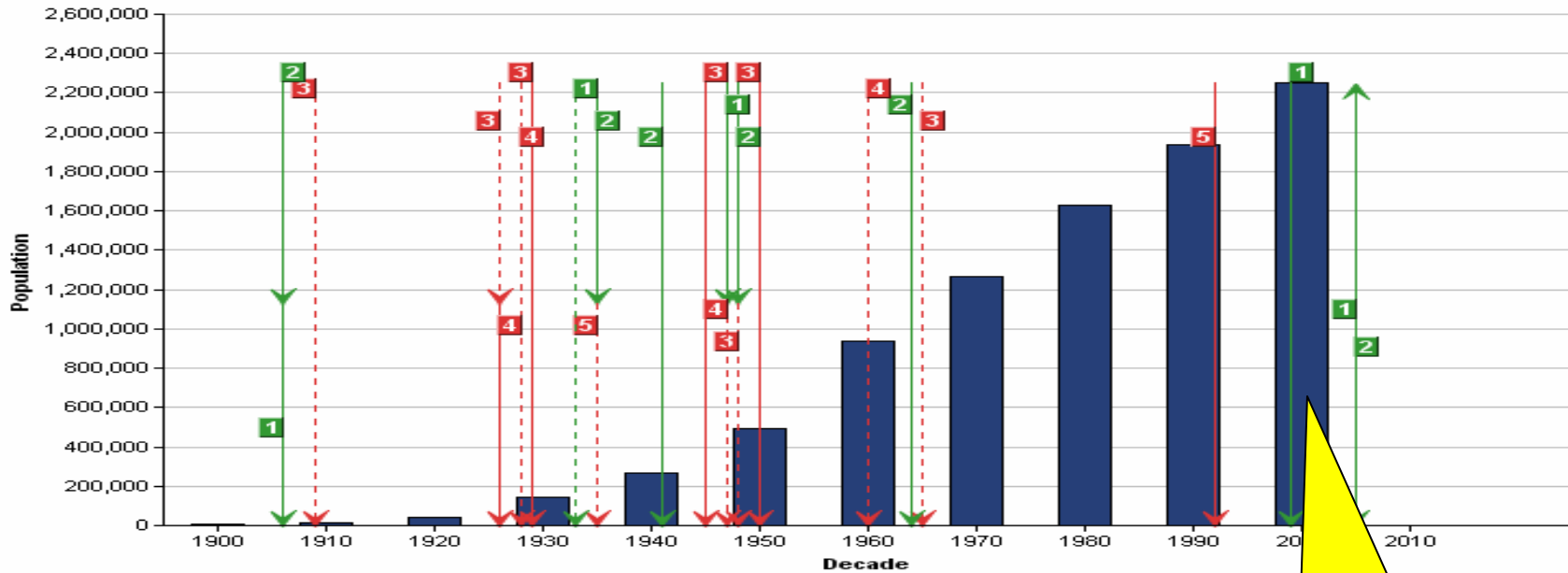


Source: AIR Worldwide



# Historical Hurricane Strikes in Miami-Dade, FL, 1900-2007

Hurricane Strikes vs Population for Miami-Dade, Florida



**Legend**

- X Hurricane Category 1-2
- X Hurricane Category 3-5
- X\* Storm moving faster than 30 m.p.h.
- Direct Strike
- - - Indirect Strike
- ∇ Conventional Landfall (Moving from water to land)
- ▲ Exiting or Inland Storm (Moving from land to water)

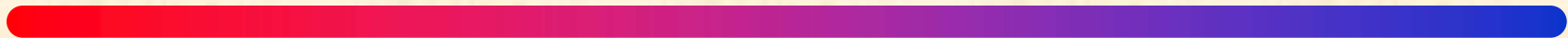
**Population of Miami-Dade County is 10 times what it was when the last period of intense activity began in the 1930s, lasting 30 years**

Hurricane Strike Data: National Hurricane Center  
 Population Data: U.S. Census Bureau  
 NOTE: Population values may be missing in some counties, particularly for earlier periods. This is most often attributable to the fact that population values had not yet been established.  
 NOTE: There may be discrepancies between the strike data shown in this chart and the HURDAT strike data used in the HURDAT database. The National Hurricane Center is currently updating the strike data used for these charts.  
 For more information visit [http://www.aoml.noaa.gov/hrd/data\\_sub/re\\_anal.html](http://www.aoml.noaa.gov/hrd/data_sub/re_anal.html)  
 NOTE: Population data is current as of 2000 U.S. Census. X-axis on graphs depict years through 2010 to illustrate storms that have occurred from 2000-2006.

***FLORIDA HURRICANES  
& INSURER  
PROFITABILITY:***

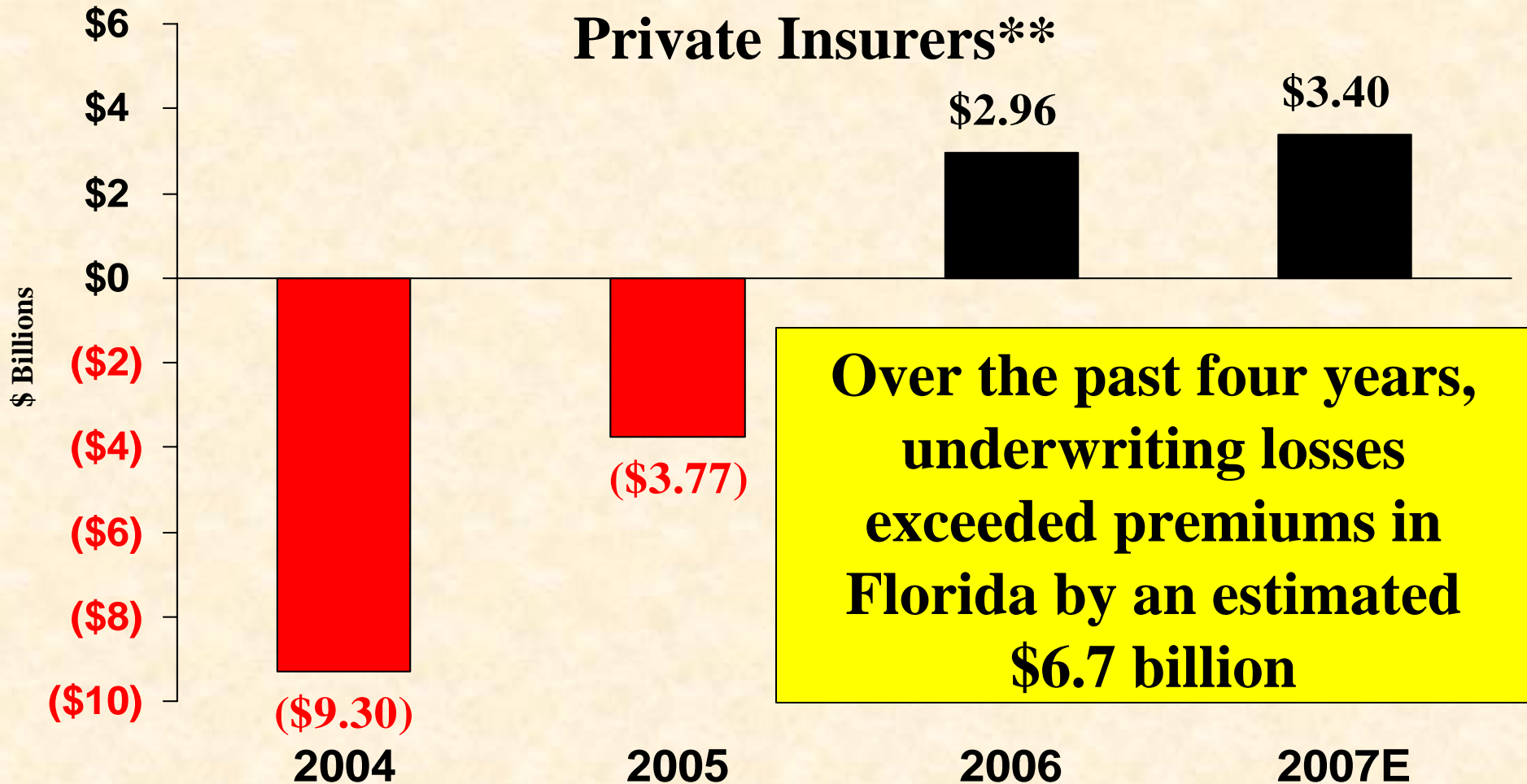
**Selling Home Insurance in**

**Florida is Challenging**





# *Underwriting Gain (Loss) in Florida Homeowners Insurance, 2004 - 2007E\**



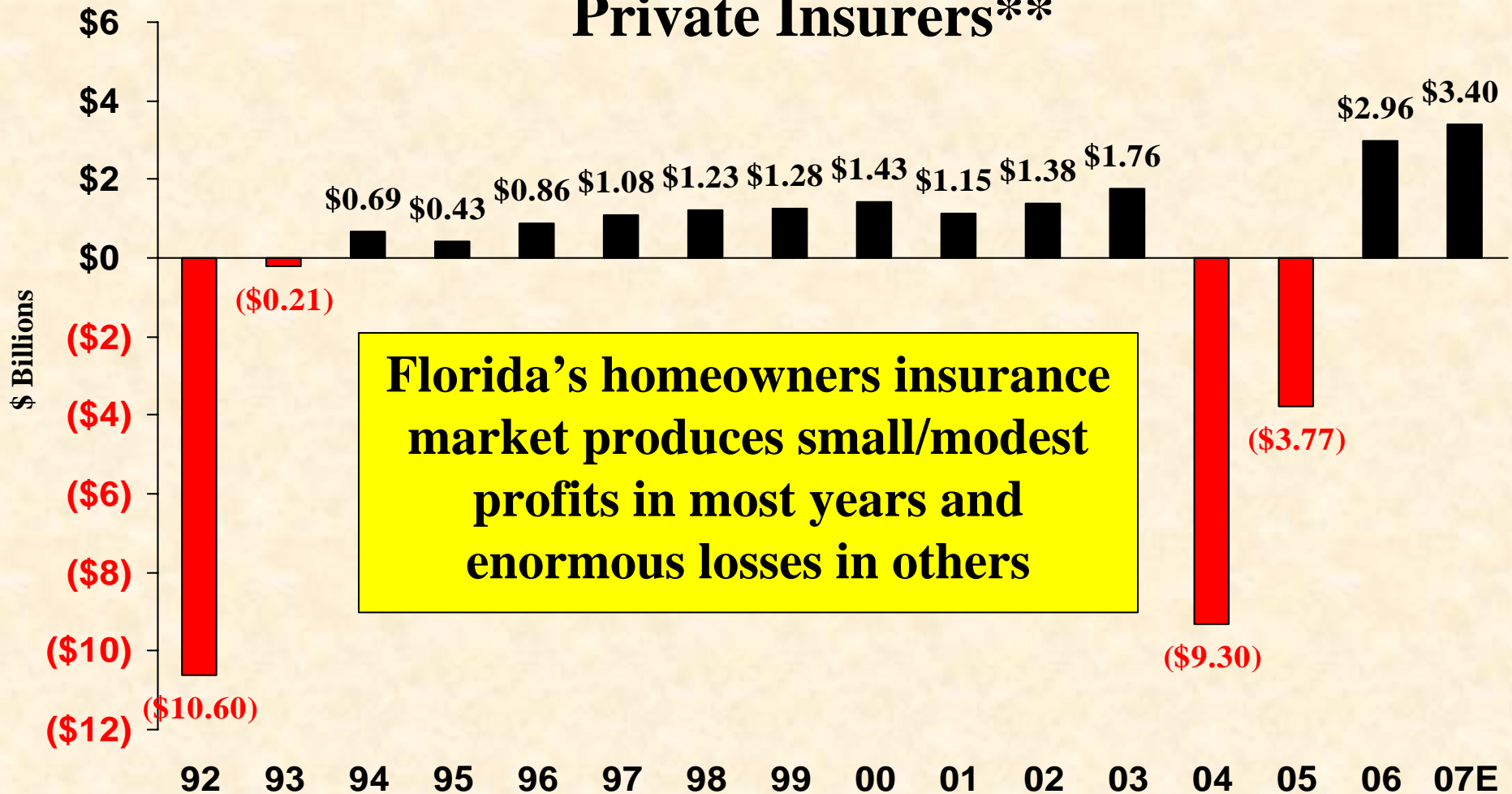
\*2007 estimate by Insurance Information Inst. based on historical loss, expense and premium data for FL.

\*\*Does not include Citizens Property Insurance Corporation results.



# Underwriting Gain (Loss) in Florida Homeowners Insurance, 1992-2007E\*

## Private Insurers\*\*

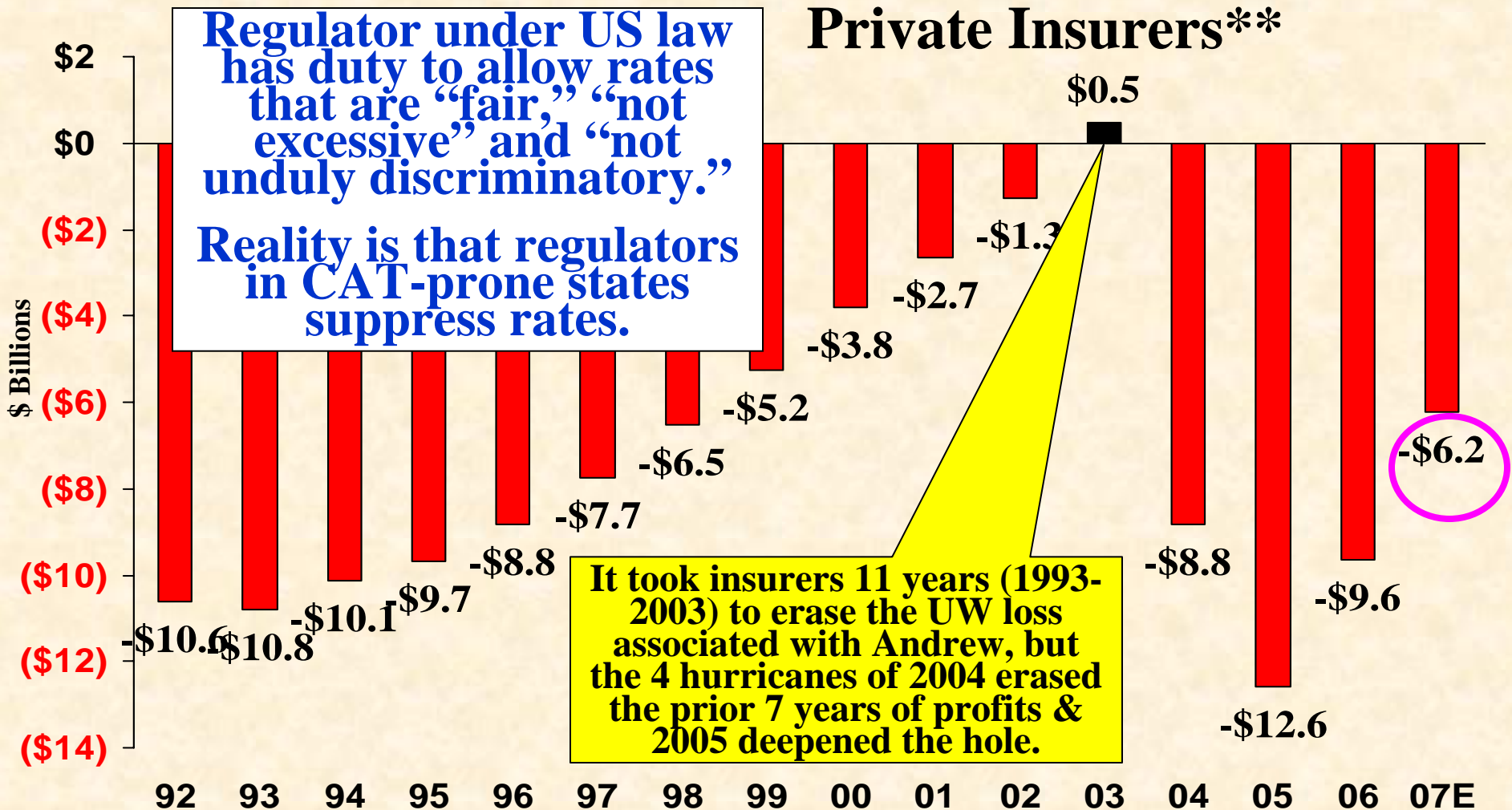


Florida's homeowners insurance market produces small/modest profits in most years and enormous losses in others

\*2007 estimate by Insurance Information Inst. based on historical loss, expense and premium data for FL.  
\*\*Does not include Citizens Property Insurance Corporation results.



# Cumulative Underwriting Gain (Loss) in Florida Homeowners Insurance, 1992-2007E\*

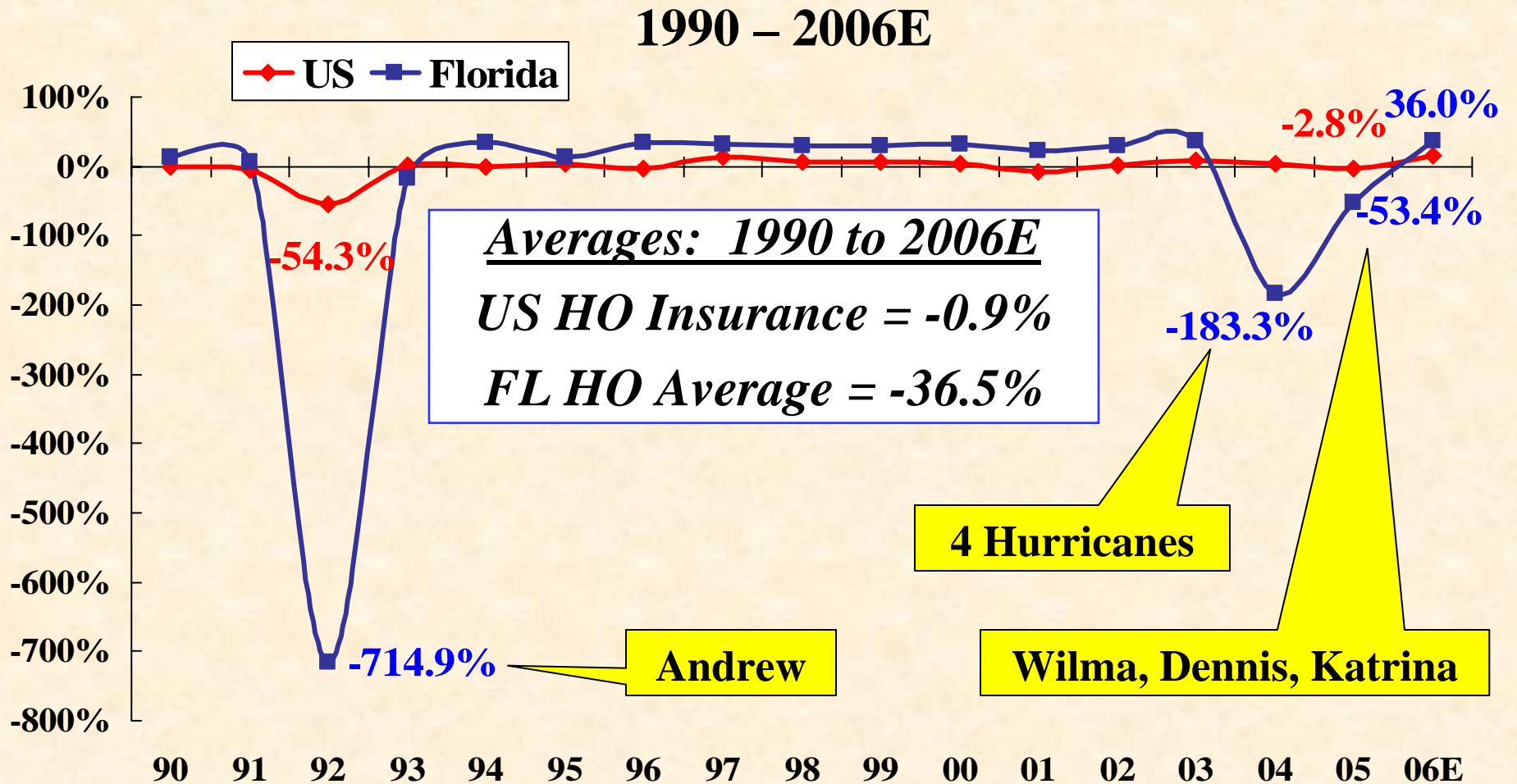


\*2007 estimate by Insurance Information Inst. based on historical loss, expense and premium data for FL.

\*\*Does not include Citizens Property Insurance Corporation results.



# Rates of Return on Net Worth for Homeowners Ins: US vs. Florida



Source: NAIC; 200/6 US and FL estimates from the Insurance Information Institute.

# *The Facts About Homeowner*

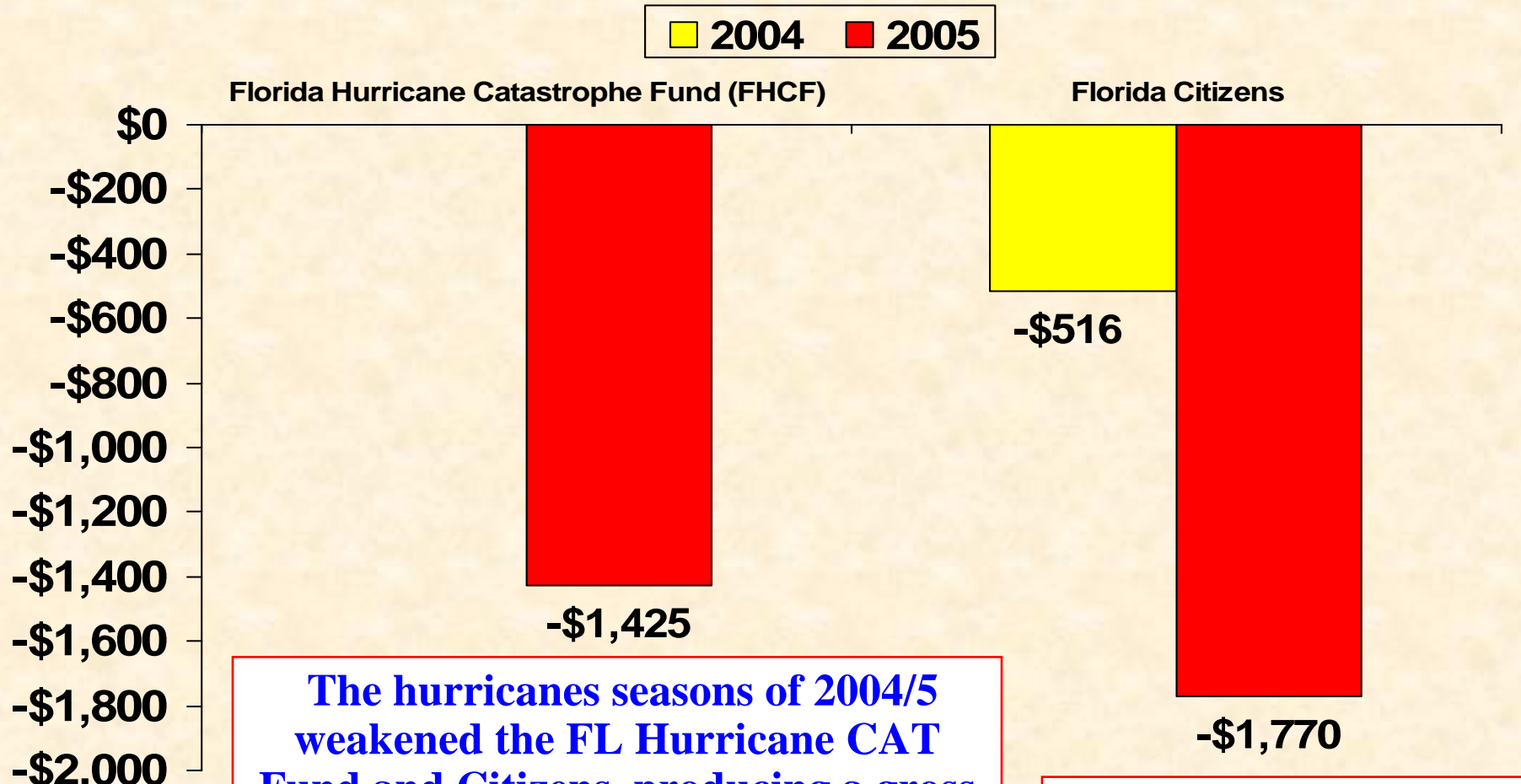


## *Insurer Profits and Losses in Florida*

- **During the period from 1992 through 2007, private home insurers in Florida paid an estimated \$6.2 billion more in claims than they received in premiums**
  - This \$6.2 billion underwriting loss remains even after including \$2.96 billion in profits in 2006 and \$3.4 billion in 2007 (est.)
  - It will take until 2009 for insurers just to get to the breakeven point for the 15 year period 1992-2009 even if there no storm losses in 2008 *and* 2009
- **Florida Has Been a Money-Losing Proposition for Most Home Insurers in Terms of Return**
  - The average annual rate of return on FL homeowners insurance was -36.5% from 1990-2006, despite a profitable 2006
  - Even if insurers were to earn a 40% rate of return (implying no storm activity) every year, the average return for insurers will not exceed 0% until 2022. To reach the current 5% *risk-free* return on 10-year Treasury bonds would take until 2026 and a 10% return is unachievable until 2033



# Florida State-Run Insurer Residual Deficits 2004/2005 (Millions of Dollars)



The hurricanes seasons of 2004/5 weakened the FL Hurricane CAT Fund and Citizens, producing a gross state-run insurer deficit of \$3.7 billion

FL's guarantee fund will also assess for at least \$400 million

Source: Insurance Information Institute research.



*Insurance Information  
Institute On-Line*

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*If you would like a copy of this presentation, please  
email me at [bobh@iii.org](mailto:bobh@iii.org)*