Florida Farm Bureau Insurance Helping you is what we do best.

Strong Insurance Commitment to Consumers after Record 2017 Natural Disasters

Federal Advisory Committee on Insurance
December 6, 2017
Florida Farm Bureau

- Florida Domestic with State Office located in Gainesville, Florida.
- Approximately 425 employees and exclusive agents located around the State of Florida.
- Through our parent, Southern Farm Bureau Casualty Insurance Company we’ve been insuring Floridians since 1947.
- We were here before Hurricane Andrew and we’ve been here through Charley, Francis, Ivan, Jeanne, Dennis, Katrina, Rita, Wilma, Matthew and Irma.
- Rated “A” Excellent, with a size IX Financial rating by A.M. Best.
- Write approximately 1% of the Florida homeowners and auto market. “What we lack in size, we make up in service.”
2017 Historic Storms & Wildfires

Impact on Consumers

• Over 27 million people live in disaster zones impacted by Harvey and Irma
• Over 8 million housing units are in declared disaster zones throughout Texas and Florida
• Nearly 300,000 licensed adjusters reside in Texas and Florida alone
• Insurers have already settled over 800,000 claims, paying over $36 billion, to help homeowners across the nation get back on their feet
Florida Farm Bureau

Irma Claims Statistics

<table>
<thead>
<tr>
<th>Date</th>
<th>Reported Claims</th>
<th>Percent Closed</th>
</tr>
</thead>
<tbody>
<tr>
<td>10/12/2017</td>
<td>8,620</td>
<td>87.0%</td>
</tr>
<tr>
<td>10/19/2017</td>
<td>8,787</td>
<td>91.7%</td>
</tr>
<tr>
<td>10/26/2017</td>
<td>8,926</td>
<td>94.1%</td>
</tr>
<tr>
<td>11/2/2017</td>
<td>9,000</td>
<td>95.2%</td>
</tr>
<tr>
<td>11/10/2017</td>
<td>9,085</td>
<td>95.4%</td>
</tr>
<tr>
<td>11/22/2017</td>
<td>9,170</td>
<td>96.1%</td>
</tr>
</tbody>
</table>
Historical Ranking

Top 10 Costliest U.S. Catastrophes – Insured Losses

- Katrina
- Harvey
- Irma
- Sept. 11 Attacks
- Andrew
- Maria
- Sandy
- Northridge EQ
- Ike
- Wilma

- PCS Estimate
- RMS Low Estimate
- RMS High Estimate
Historical Ranking

(*2017 and 2005 Cat Seasons include hurricane damage only)

Costliest U.S. Disaster Years

($ Billions)

2017 Cat Season: $59.1
2005 Cat Season: $65.5
Sept. 11 Attacks (2001): $25.0
Andrew (1992): $24.5
Sandy (2012): $19.9

PCS Estimate
RMS Low Estimate
RMS High Estimate
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Insurance Market Impact

Likely private insured losses from Harvey: $18 to $25 billion

Likely private insured losses from Irma: $22.5 to $29.5 billion

Likely private insured losses from Maria: $15 to $30 billion

Likely private insured losses from Nate: $0.5 billion

Likely private insured losses all storms: $56 to $85 billion


4 http://www.insuranceinsider.com/karen-clark-puts-nate-loss-at-500mn
Hurricanes Impact Across Lines of Business

Harvey
- Commercial Flood: 34%
- Commercial Property ex. Flood: 13%
- Auto Property: 19%
- Residential Property: 32%
- NFIP (PCI Estimate): 2%

Irma
- Commercial Flood & Property: 58%
- Commercial Flood: 4%
- Commercial Property ex. Flood: 5%
- Auto Property: 9%
- Residential Property: 24%

Maria
- Commercial Flood & Property: 87%
- Commercial Flood: 0%
- Residential Property: 0%
- Auto Property: 11%
- NFIP (PCI Estimate): 2%

PCS Initial Insured Losses
Building characteristics:

- 7,262,161 buildings in exposed regions of FL\(^1\) with an estimated worth of $2.2 trillion.
- Estimated 880,000 damaged/destroyed buildings.
- Only 22% of homes\(^2\) in highest wind areas were built below 1995 building code revision (post-Andrew).

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Declared FL disaster zones:
Designated IAPA in FEMA map as of 9/13/2017
https://gis.fema.gov/maps/dec_4337.pdf

<table>
<thead>
<tr>
<th>County</th>
<th>Housing Units 2016</th>
<th>Population 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Miami-Dade</td>
<td>1,021,527</td>
<td>2,712,945</td>
</tr>
<tr>
<td>Broward</td>
<td>822,931</td>
<td>1,909,632</td>
</tr>
<tr>
<td>Palm Beach</td>
<td>683,521</td>
<td>1,443,810</td>
</tr>
<tr>
<td>Hillsborough</td>
<td>568,839</td>
<td>1,376,238</td>
</tr>
<tr>
<td>Orange</td>
<td>525,243</td>
<td>1,314,367</td>
</tr>
<tr>
<td>Pinellas</td>
<td>507,425</td>
<td>960,730</td>
</tr>
<tr>
<td>Duval</td>
<td>402,313</td>
<td>926,255</td>
</tr>
<tr>
<td>Lee</td>
<td>385,070</td>
<td>722,336</td>
</tr>
<tr>
<td>Polk</td>
<td>286,515</td>
<td>666,149</td>
</tr>
<tr>
<td>ALL OTHER (39)</td>
<td>3,382,050</td>
<td>7,066,072</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8,585,434</strong></td>
<td><strong>19,098,534</strong></td>
</tr>
</tbody>
</table>

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\(^1\) FEMA HAZUS Model 9/11/2017

\(^2\) CoreLogic presentation: Hurricane Irma, the Story Unfolds 9/21/2017
CAT Impact on Insurers’ Net Income

Sources: Net Income, S&P Global Market Intelligence; CAT losses, 2015-2016 PCS via III, and 2017 PCI est. Harvey, Irma, Maria, CA fires using PCS
CAT Impact on Insurers’ Net Income

Sources: S&P Global Market Intelligence (adjusted for inflation)
Impact on Primary/Reins. Market
Harvey/Irma/Maria/Nate (HIMN)

Primary P&C ($ Billions)

- Insured Losses: $41.5
- Surplus: $723.0

Reinsurance ($ Billions)

- Insured Losses: $41.5
- Surplus: $605.0

Sources: RMS, S&P Global Intelligence

Sources: RMS, Aon-Willis, I.I.I., PCI/Verisk
Lessons Learned
Lessons Learned From Previous Hurricanes

Communication with Policyholders:

- Pre-storm communications with our policyholders emphasized safety first, protection of property.
- Post-storm communications with our policyholders advised of early reporting of claims to our call center.
- Utilized email and social media, as well as, traditional methods.
Lessons Learned From Previous Hurricanes

Pre-storm operational preparations:

- Facilities – generators, communications, out-of-state call center
- Staffing – advance preparation for out of state Farm Bureau adjusters (including emergency licensing and housing needs), advance preparation (contracting) of independent adjusters.
- Systems – Anticipated FLOIR emergency order based on previous storms so, systems were pre-programmed to immediately implement suspended premium billings and cancellations/nonrenewal. Upgraded Claims system since 2005 storms.
- Communications with reinsurers to make sure funds readily available for paying claims.
Lessons Learned From Previous Hurricanes

Post-Storm Operations –

• Contact with policyholders on a local level via local Farm Bureau agents and staff.

• Immediate conference call with Agency Managers to assess damage in each county. We knew early on that Polk County was the hardest hit.

• Geocoding for claims assignment efficiency.

• In addition to central out-of-state call center to handle initial claims, set up a second local call center to handle call backs and follow ups.

• Adjusters – Logistics usually regional, this time Statewide. Advance contract with hotel chain for adjuster lodging.
Lessons Learned From Previous Hurricanes

Post-Storm Operations (continued):

95 Adjusters within first 5 days after storm:

• 41 Farm Bureau staff adjusters
• 33 Farm Bureau adjusters from other states
• 21 Independent Adjusters
Industry Lessons Learned

Need a Better Way to Protect Citizens – Too Many Uninsured Consumers

RMS Initial Harvey Estimates
- Insured Economic Losses: 63%
- Uninsured Economic Losses: 37%

RMS Initial Irma Estimates
- Insured Economic Losses: 71%
- Uninsured Economic Losses: 29%

RMS/Moody's Initial Maria Estimates
- Insured Economic Losses: 68%
- Uninsured Economic Losses: 32%
Industry Lessons Learned
Too Many Uninsured/Underinsured

• Estimated that 80% of Harvey flood victims do not have flood insurance
• Take up rates for flood and earthquake insurance remain low
• Across the nation only 12% of homeowners carry flood insurance, take up rates are slightly better in flood prone Texas and Florida at 17-20%
• Even in earthquake prone California, only 11% of homeowners purchase earthquake insurance
• Consumers should take a proactive role in protecting their property

Industry Lessons Learned

Protect Your Vehicles
Harvey and Irma = estimates

Thousands of Claims

<table>
<thead>
<tr>
<th></th>
<th>Harvey</th>
<th>Katrina</th>
<th>Irma</th>
<th>Sandy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>400K</td>
<td>346K</td>
<td>300K</td>
<td>258K</td>
</tr>
</tbody>
</table>

Losses in $ Billions

<table>
<thead>
<tr>
<th></th>
<th>Harvey</th>
<th>Irma</th>
<th>Sandy</th>
<th>Katrina</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>$4.8</td>
<td>$2.9</td>
<td>$2.7</td>
<td>$2.2</td>
</tr>
</tbody>
</table>

Sources: I.I.I.–RMS-Cox Automotive
Sources: Insurance Council of Texas, Fortune
Industry Lessons Learned

Protect Your Vehicles
Harvey and Irma = estimates

Percentage of Total Insured Losses

<table>
<thead>
<tr>
<th></th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harvey</td>
<td>15.0%</td>
</tr>
<tr>
<td>Sandy</td>
<td>14.5%</td>
</tr>
<tr>
<td>Irma</td>
<td>9.0%</td>
</tr>
<tr>
<td>Katrina</td>
<td>5.4%</td>
</tr>
</tbody>
</table>

Sources: RMS, CoreLogic, Morgan Stanley, Fortune

Percentage of Total Economic Losses

<table>
<thead>
<tr>
<th></th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Irma</td>
<td>6.70%</td>
</tr>
<tr>
<td>Harvey</td>
<td>5.60%</td>
</tr>
<tr>
<td>Sandy</td>
<td>5.40%</td>
</tr>
<tr>
<td>Katrina</td>
<td>1.80%</td>
</tr>
</tbody>
</table>

Sources: RMS, CoreLogic, Morgan Stanley, Fortune
Industry Lessons Learned
Private Flood Insurance Losses Greater Than NFIP Losses

Estimated Flood Losses (in $ billions)

<table>
<thead>
<tr>
<th></th>
<th>Harvey</th>
<th>Irma</th>
</tr>
</thead>
<tbody>
<tr>
<td>NFIP Estimate</td>
<td>$8.5</td>
<td>$4.0</td>
</tr>
<tr>
<td>Private</td>
<td>$14.0</td>
<td>$8.5</td>
</tr>
</tbody>
</table>

Sources: RMS-FEMA
Long-Term Challenges
Long-term Challenges
Building Codes

• Insurance Institute for Business & Home Safety (IBHS) rates Florida as having one of the strongest building codes in the nation

• An IBHS study following Hurricane Charley in 2004 found that homes built to the most recent version of the building code showed a 40% reduction in frequency and 60% reduction in severity of property damage

• Multi-hazard Mitigation Council study found that every $1 spent on mitigation saves society $4


• *Natural Hazard Mitigation Saves: An Independent Study to Assess the Future Savings from Mitigation Activities*, Multihazard Mitigation Council, 2005.
Long-term Challenges
Assignment of Benefits (AOB)

• Issue involves policyholders who sign forms assigning the benefits under their policy to various third parties (e.g., contractors, public adjusters, attorneys, auto glass facilities)

• Certain third parties will then inflate those claims for their own financial benefit

• Florida is ground zero for AOB abuse

• The Florida OIR, Citizens, and insurers have collaborated towards achieving meaningful reforms, including attorney fee reforms which will reduce incentives for AOB abuse
Long-term Challenges
Other Issues

• Claims adjuster squeeze
  – Shortage of qualified adjusters following Hurricanes Harvey and Irma
  – Some adjusters quit contracts to migrate to better offers
  – Improved technology/drone use could help adjustments

• Speeding salvage title/lienholder process
  – Administrative procedures at lenders causing delays in claims settlement of flood damaged vehicles
  – Need centralized contact points and streamlined lender approvals for consumers/adjusters to get liens quickly released on totaled vehicles

• Protecting consumers from “title washing”
Long-term Challenges

Other Issues

• Construction challenges
  – Construction industry expects labor shortages to pose extra challenges and costs for rebuilding after catastrophe-laden year

• Land management issues – floods and wildfires
  – Policymakers need to continue reexamining regulation of rebuilding in flood prone area as well as land use policies impacting wildfires to reduce societal exposure and losses
Public Affairs Impact
Adjuster Ride Along | Florida Farm Bureau | Media Interviews