



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



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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."



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2017 Historic Storms & Wildfires

Impact on Consumers

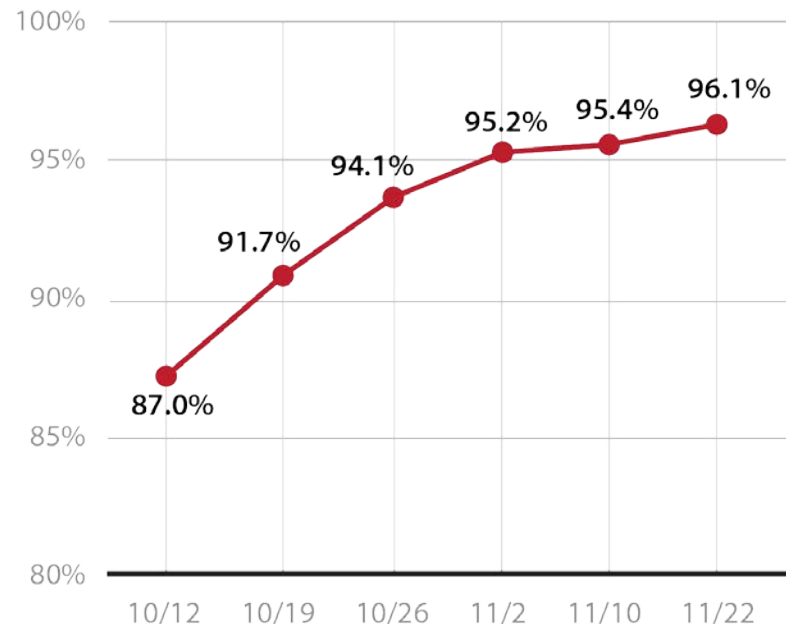
- Over 27 million people live in disaster zones impacted by Harvey and Irma
- Over 8 million housing units are in declared disaster zones throughout Texas and Florida
- Nearly 300,000 licensed adjusters reside in Texas and Florida alone
- Insurers have already settled over 800,000 claims, paying over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



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Florida Farm Bureau Irma Claims Statistics

Date	Reported Claims	Percent Closed
10/12/2017	8,620	87.0%
10/19/2017	8,787	91.7%
10/26/2017	8,926	94.1%
11/2/2017	9,000	95.2%
11/10/2017	9,085	95.4%
11/22/2017	9,170	96.1%

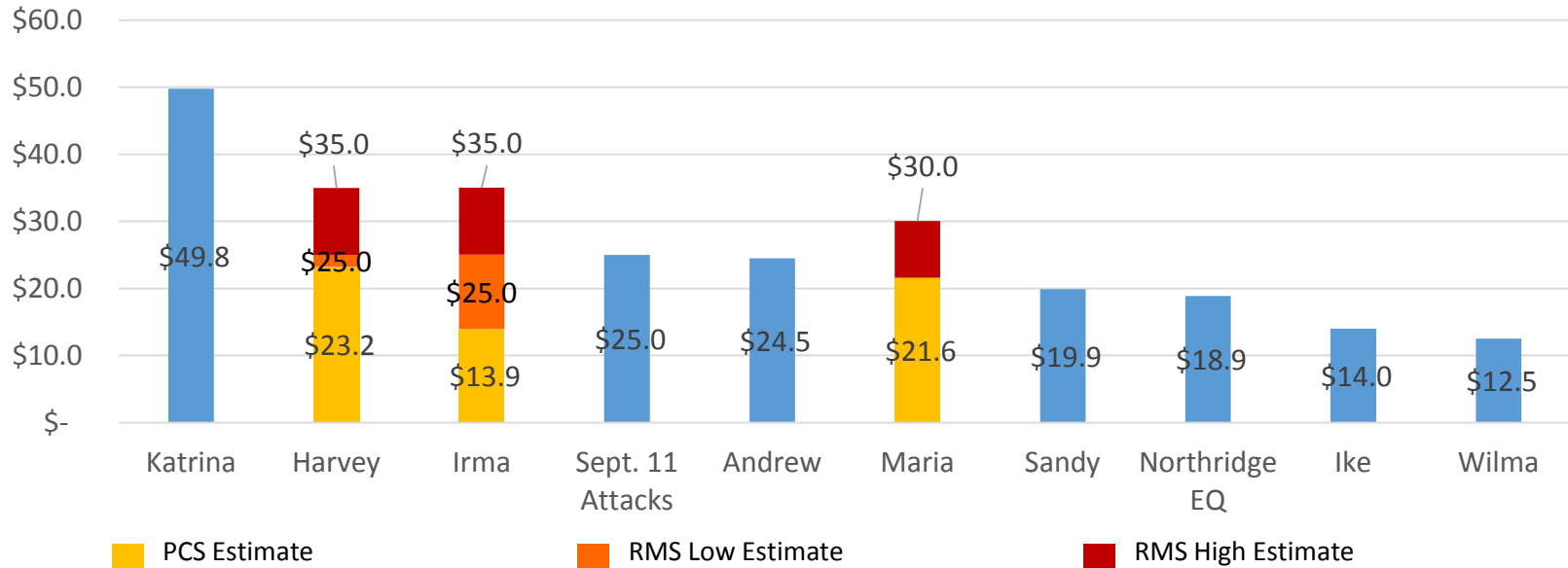




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Historical Ranking

Top 10 Costliest U.S. Catastrophes – Insured Losses



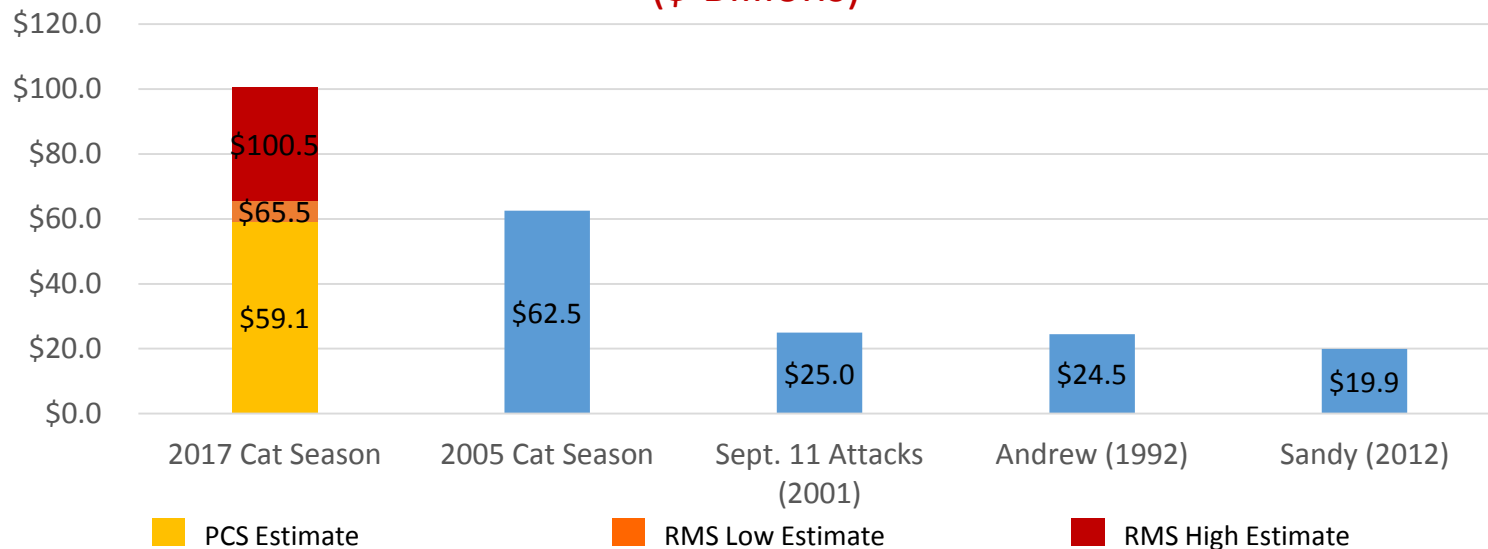


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Historical Ranking

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

Costliest U.S. Disaster Years (\$ Billions)





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Insurance Market Impact

Likely private insured losses from Harvey:

\$18 to \$25 billion¹

Likely private insured losses from Irma:

\$22.5 to \$29.5 billion²

Likely private insured losses from Maria:

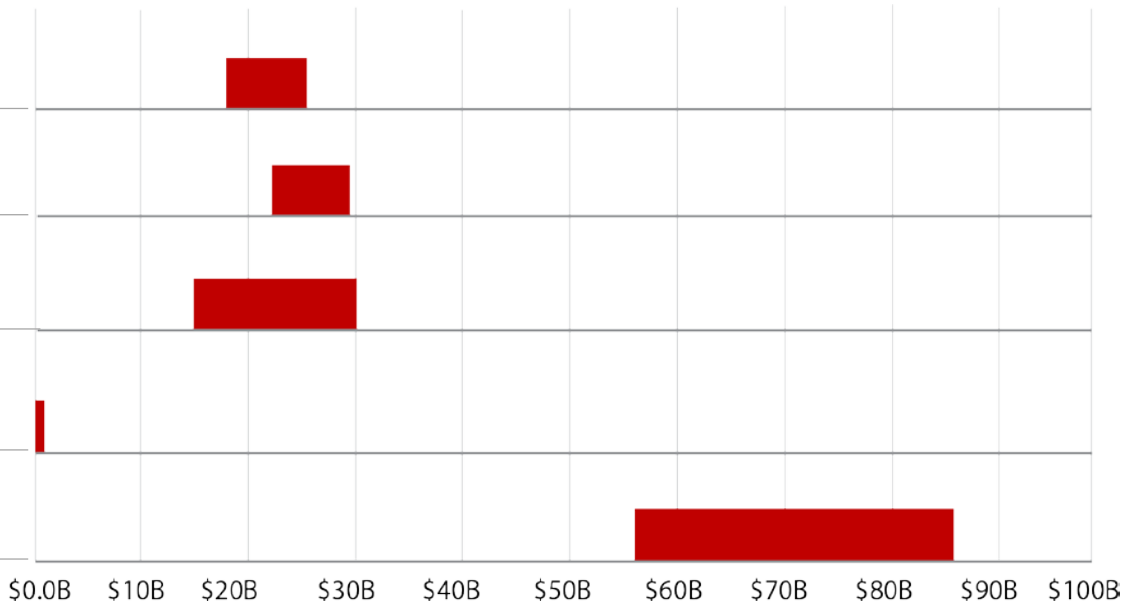
\$15 to \$30 billion³

Likely private insured losses from Nate:

\$0.5 billion⁴

Likely private insured losses all storms:

\$56 to \$85 billion



¹ <http://www.rms.com/newsroom/press-releases/press-detail/2017-09-09/rms-estimates-hurricane-harvey-insured-losses-from-wind-storm-surge-and-inland-flood-damage-will-be-between-usd-25-and-35-billion; 25-35 billion less 7-10 billion in NFIP>

² [http://www.businessinsurance.com/article/20170920/NEWS06/912315969/Insured-Irma-losses-could-reach-\\$55-billion-Risk-Management-Solutions](http://www.businessinsurance.com/article/20170920/NEWS06/912315969/Insured-Irma-losses-could-reach-$55-billion-Risk-Management-Solutions)

³ <http://www.rms.com/newsroom/press-releases/press-detail/2017-09-28/rms-estimates-insured-losses-from-hurricane-maria-will-be-between-usd-15-and-30-billion>; includes damage to other Caribbean nations not yet broken out

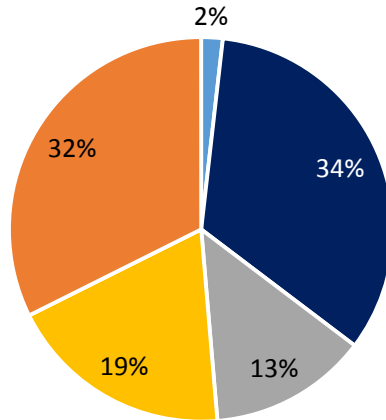
⁴ <http://www.insuranceinsider.com/karen-clark-puts-nate-loss-at-500mn>



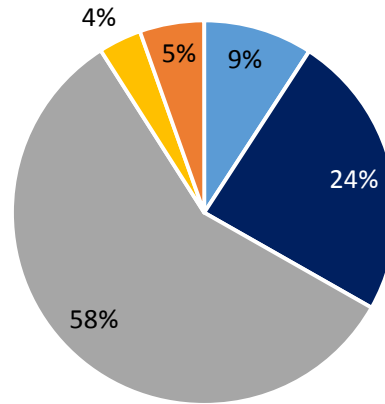
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Hurricanes Impact Across Lines of Business

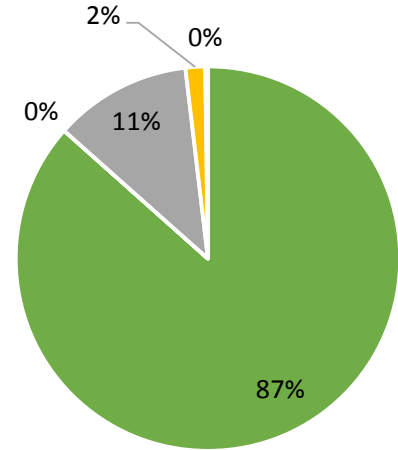
Harvey



Irma



Maria



Commercial Flood
Commercial Property
ex. Flood

Auto Property
Residential Property

NFIP (PCI Estimate)
Commercial Flood & Property



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Hurricane Irma

Estimates as of Oct. 15, 2017

Building characteristics:

- 7,262,161 buildings in exposed regions of FL¹ with an estimated worth of \$2.2 trillion.
- Estimated 880,000 damaged/destroyed buildings.
- Only 22% of homes² in highest wind areas were built below 1995 building code revision (post-Andrew).

Declared FL disaster zones:

Designated IAPA in FEMA map as of 9/13/2017

https://gis.fema.gov/maps/dec_4337.pdf

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

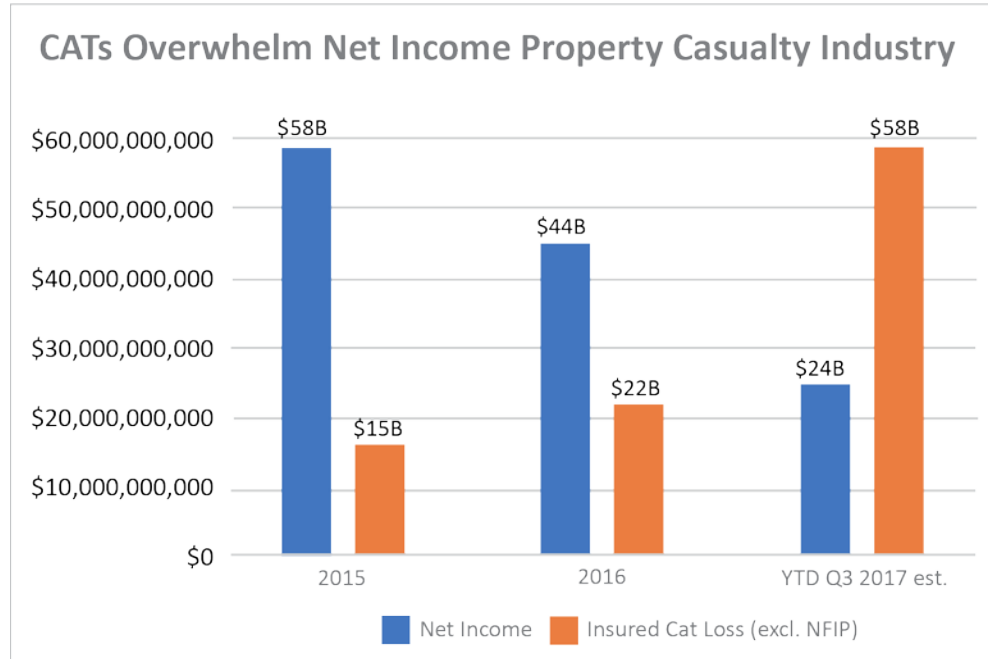
• ¹ FEMA HAZUS Model 9/11/2017

• ² CoreLogic presentation: Hurricane Irma, the Story Unfolds 9/21/2017



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CAT Impact on Insurers' Net Income

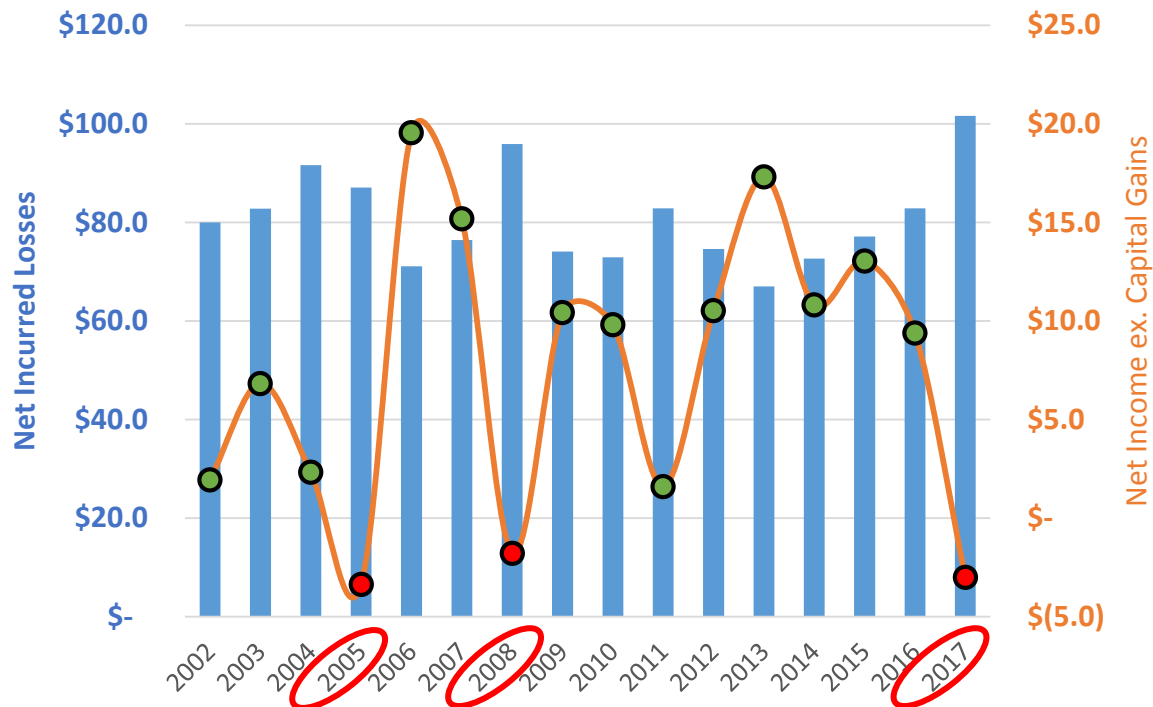


Sources: Net Income, S&P Global Market Intelligence; CAT losses, 2015-2016 PCS via III, and 2017 PCI est. Harvey, Irma, Maria, CA fires using PCS



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CAT Impact on Insurers' Net Income



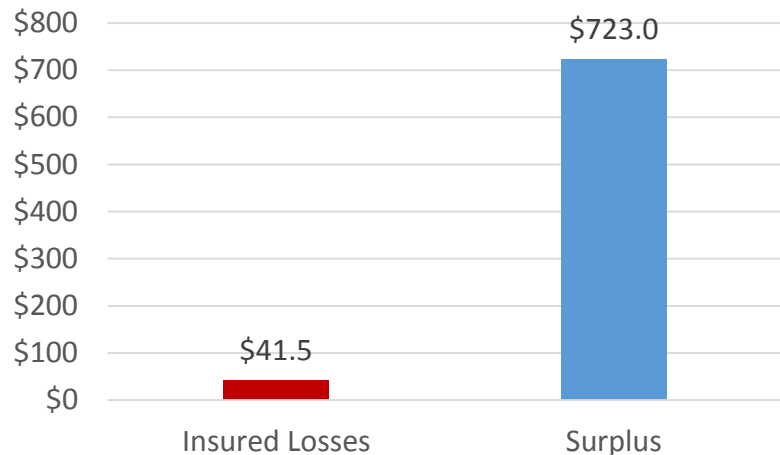


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Impact on Primary/Reins. Market

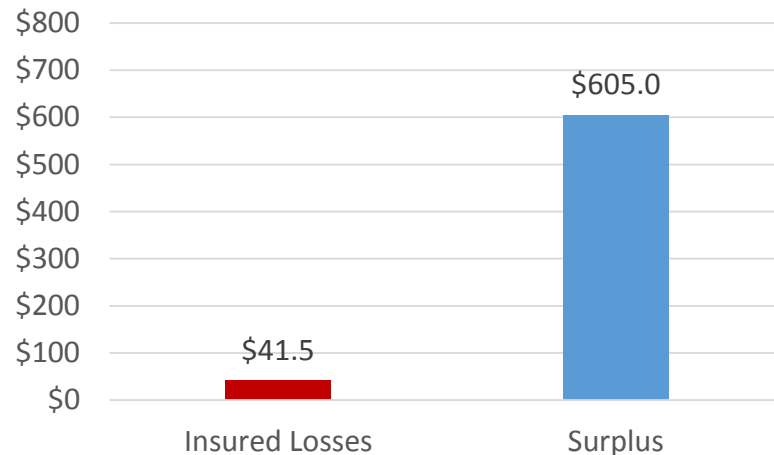
Harvey/Irma/Maria/Nate (HIMN)

Primary P&C (\$ Billions)



Sources: RMS, S&P Global Intelligence

Reinsurance (\$ Billions)



Sources: RMS, Aon-Willis, I.I.I., PCI/Verisk



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Lessons Learned



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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.



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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.



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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.



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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

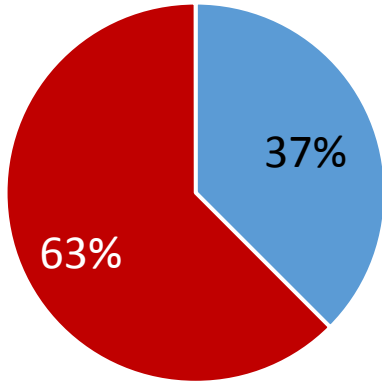


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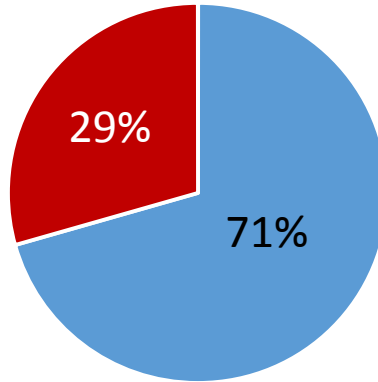
Industry Lessons Learned

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

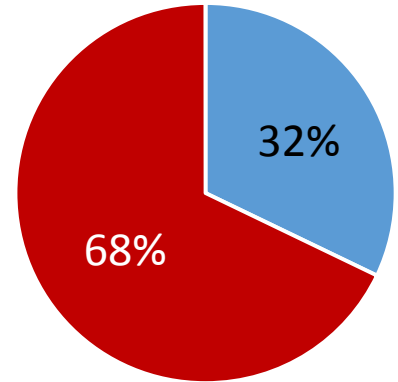
RMS Initial Harvey Estimates



RMS Initial Irma Estimates



RMS/Moody's Initial Maria Estimates



 Insured Economic Losses

 Uninsured Economic Losses



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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

https://www.washingtonpost.com/news/wonk/wp/2017/08/29/where-harvey-is-hitting-hardest-four-out-of-five-homeowners-lack-flood-insurance/?utm_term=.2cbe373edd63

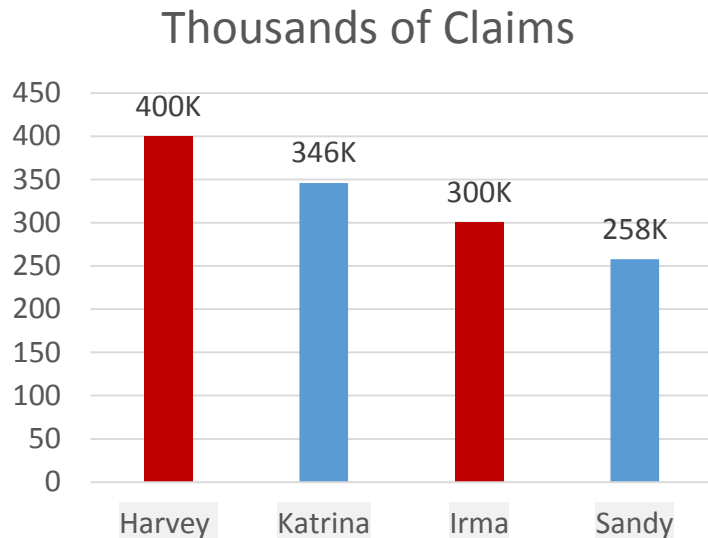


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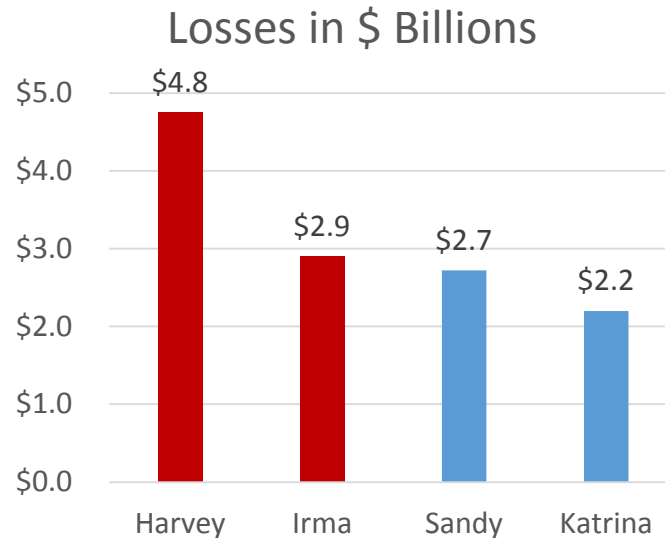
Industry Lessons Learned

Protect Your Vehicles

Harvey and Irma = estimates



Sources: I.I.I.-RMS-Cox Automotive



Sources: Insurance
Council of Texas, Fortune



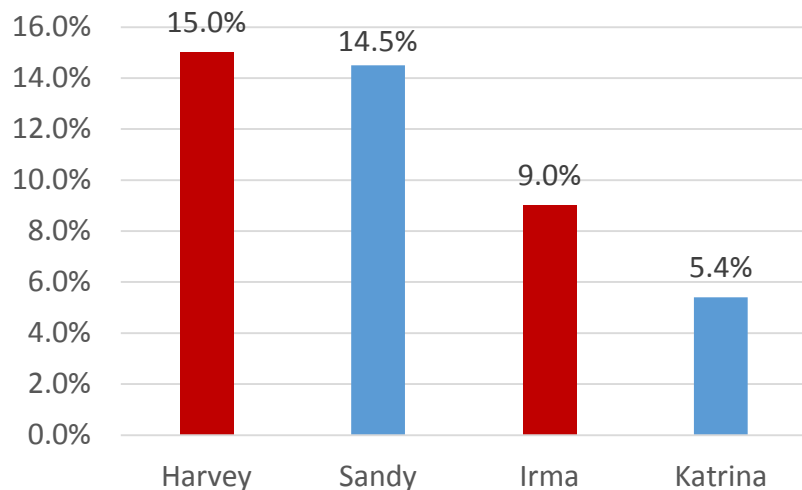
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Industry Lessons Learned

Protect Your Vehicles

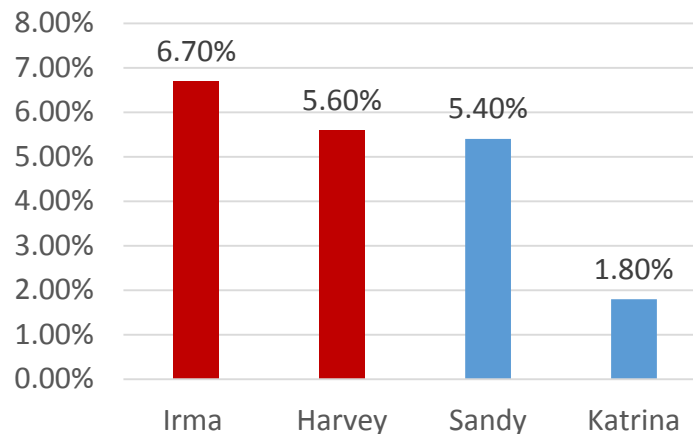
Harvey and Irma = estimates

Percentage of Total Insured Losses



Sources: RMS, CoreLogic,
Morgan Stanley, Fortune

Percentage of Total Economic Losses



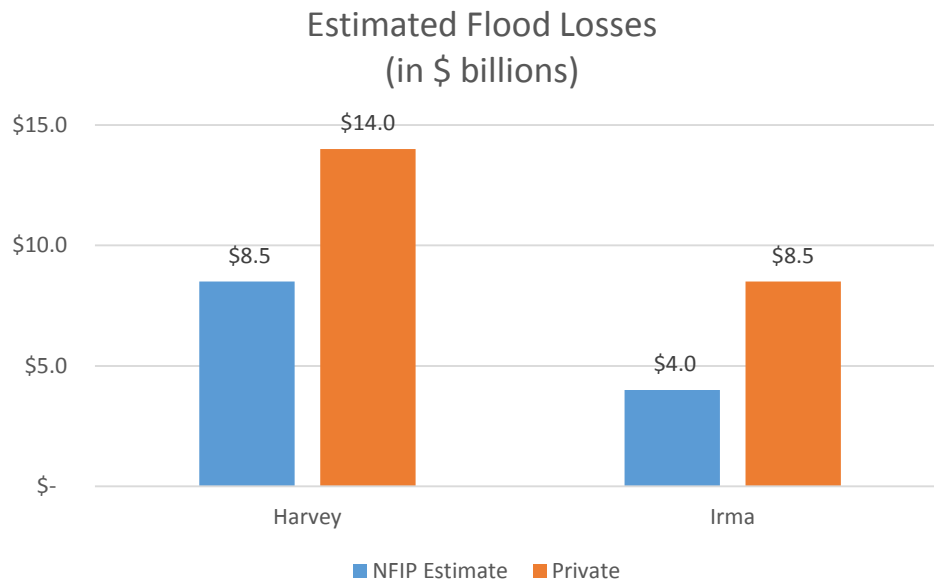
Sources: RMS, CoreLogic,
Morgan Stanley, Fortune



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Industry Lessons Learned

Private Flood Insurance Losses Greater Than NFIP Losses



Sources: RMS-FEMA



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Long-Term Challenges



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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

- <http://disastersafety.org/wp-content/uploads/2015/07/rating-the-states-2015-public.pdf>; <https://disastersafety.org/ibhs-public-policy/building-codes/>
- *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

CONSUMER ALERT:

MAJOR RISE IN AUTO GLASS ABUSE IN FLORIDA

And now, auto insurance costs are on the rise



Have a cracked or damaged windshield?
Don't fall victim to an insurance glass claim scam

FLORIDA CONSUMERS

Beware of glass repair shops that approach you at car washes, gas stations, parking lots, or even at your home.

With a quick signature you could be signing away your insurance rights to the glass shop and entering into an insurance scheme called "Assignment of Benefits Abuse"

WHAT COMES NEXT:

INFLATED GLASS CLAIM BILL

UNNECESSARY LAWSUIT AGAINST YOUR INSURER

HIGHER INSURANCE COSTS

LOOK AT THE NUMBERS:

400 IN 2006

20,000 IN 2016

ASSIGNMENT OF BENEFIT LAWSUITS HAVE SKYROCKETED NEARLY 5,000%

WHAT CAN YOU DO?

FLORIDA CONSUMERS:
Always contact your insurance company before signing any documents.

FLORIDA LAWMAKERS:
Step in to protect consumers from AOB abuse

PCI
Property Casualty Insurers
Association of America
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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”



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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



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Public Affairs Impact

Adjuster Ride Along | Florida Farm Bureau | Media Interviews

