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Fitch: Hurricane Ian Compounds Florida Homeowners' Insurer Vulnerability

Fitch Ratings-Chicago/New York-05 December 2022: The Florida homeowners' insurance market's already precarious position will weaken further with the destruction generated by Hurricane Ian, a storm that is potentially the second largest hurricane in terms of insured losses, Fitch Ratings says. Losses will resonate through primary and assumed reinsurance markets with sharp changes in pricing and underwriting terms, and future primary market capacity and reinsurer risk appetite uncertain.

The broader concern is that a lack of property coverage availability for Florida residents could promote economic repercussions affecting the state's real estate, mortgage and labor markets. Hurricane Ian could lead to further market exits by Florida homeowners' insurers, as many private carriers face capital concerns, coupled with reduced availability and sharply higher costs for reinsurance.

Catastrophe modeling experts have pegged insured loss estimates for Ian of between \$35 million and \$73 billion, with economic losses from the event likely exceeding \$100 billion. Losses from November's category 1 storm, Hurricane Nicole, will incrementally compound this total with insured loss estimates of between \$1 billion and \$2 billion.

The effects of Ian losses on different types of (re)insurance organizations will vary but will still influence future pricing and market conditions and the ability of (re)insurers to withstand the next major Florida weather event. Signs of new insurers entering the Florida homeowners primary market are few, which will lead to further policy count growth at insurer of last resort, Citizens Property Insurance Corporation (Citizens/AA Stable).

Incurred loss information on Ian continues to accumulate as insurers report estimated losses in third-quarter results. A compilation of reported net losses for 42 individual entities currently totals approximately \$30 billion, with over 40% associated with state-sponsored entities Citizens and the Florida Hurricane Catastrophe Fund (FHCF; AA/Stable).