



## Frequently Asked Questions Annual Reinsurance Data Call & Catastrophe Stress Test

### 1. What is the purpose of the Catastrophe Stress Test?

The Catastrophe Stress Test is used by the Office to assist in reviewing the impact historical storm scenarios (ex. hurricanes) would have on an insurance company's surplus position. It is primarily for Florida-based insurance companies and is performed in conjunction with the Florida Office of Insurance Regulation's Annual Reinsurance Data Call (Data Call). A company successfully passes the Catastrophe Stress Test with a post-event surplus after each scenario greater than the minimum amount of surplus required under Florida law.

### 2. How many insurance companies participated in the 2015 Catastrophe Stress Test?

67 insurance companies participated in the Catastrophe Stress Test.

### 3. How is an insurance company selected to participate in the Catastrophe Stress Test?

Any Florida-based company selected to participate in the Data Call is directed to participate in the Catastrophe Stress Test. In addition, United Services Automobile Association, USAA Casualty Insurance Company, Castle Key Indemnity Company, Castle Key Insurance Company, and Citizens Property Insurance Corporation were also directed to participate in this year's Catastrophe Stress Test because of their significant market share.

### 4. Is the Catastrophe Stress Test the only tool utilized by the Office to assess this type of exposure?

No. The Office uses the Catastrophe Stress Test in conjunction with the Data Call to review Florida property insurers' exposure to catastrophic losses. The Office also receives financial statements and other regulatory filings throughout the year that are utilized to review the overall financial condition of property insurance companies operating in Florida.

**5. Does the Catastrophe Stress Test evaluate an insurance company's surplus adequacy or amount of reinsurance?**

The Catastrophe Stress Test evaluates both. The basis for successfully passing the Office's Catastrophe Stress Test is whether or not an insurance company maintained surplus in compliance with Florida's minimum required surplus amount after each scenario. Arriving at this post-event surplus is a combination of both an insurance company's existing surplus position as well as the reinsurance program they have placed in order to protect that surplus.

**6. Which historical storm scenarios were used in the 2015 Catastrophe Stress Test of insurance companies?**

Three historical storm scenarios were used in the 2015 Catastrophe Stress Test to include the 1947 Fort Lauderdale Hurricane, 1921 Tampa Bay Hurricane and the four hurricanes of 2004 (Charley, Frances, Ivan, and Jeanne).

**7. Did all the property insurance companies participating in the Catastrophe Stress Test ultimately pass?**

Yes. After deducting the modeled net loss in each catastrophe scenario from the insurance company's most recently filed surplus figure, each insurance company still maintained enough surplus to be in compliance with Florida law. Successful completion of the Catastrophe Stress Test does not guarantee the performance of any insurance company, but it is an indication of its ability to withstand catastrophic losses.

**8. Does passing the Catastrophe Stress Test mean every insurance company will be able to pay claims resulting from a hurricane?**

The projections, assumptions and modeled losses reported by insurance companies for the Catastrophe Stress Test are NOT expected outcomes. Rather, they are modeled projections generated using the best science and technology available. Actual results for an insurance company may be very different, including exceeding projected losses.

**9. What is the Data Call?**

The Data Call collects information from participating significant property insurance companies over the course of three parts and is the primary mechanism for the Office to gauge the adequacy of the catastrophe reinsurance program purchased by each of these insurance companies to mitigate the risk of catastrophic losses resulting from hurricanes. Insurance companies pass the Data Call when they meet both the financial standards for capital and surplus required under Florida law while having enough reinsurance for at least a 1-in-100 year storm event. There are three parts to the Data Call – Part 1 (insurance companies provide an estimate of how much reinsurance it anticipates purchasing); Part 2 (insurance companies tell the Office how much reinsurance it has purchased); and, Part 3 (insurance companies submit information about the reinsurance companies being utilized on its reinsurance program).

**10. How many insurance companies participated in the 2015 Annual Reinsurance Data Call?**

A total of 112 significant property insurance companies participated in the 2015 Annual Reinsurance Data Call. This translated into 90 reinsurance programs after taking into consideration consolidated reinsurance programs.

**11. Did all the property insurance companies participating in the 2015 Data Call have enough excess surplus and catastrophe reinsurance to cover a 1-in-100 year storm?**

Yes.

**12. Are property insurance companies in Florida required to have a specific amount of reinsurance?** There is no provision for a specified amount of reinsurance. However, the acceptable industry standard is the purchase of catastrophe reinsurance to mitigate the risk of at least a 1-in-100 year storm event. The Florida Office of Insurance Regulation (Office) looks at the totality of the catastrophe risk when evaluating an insurance company's risk portfolio and its surplus position.

**13. What are the minimum surplus amounts required by insurance companies in Florida?**

Pursuant to Section 624.408, Florida Statutes: For property insurance companies licensed after July 1, 2011, the minimum amount of surplus required is the greater of \$15,000,000 or 10% of total liabilities; For property insurance companies licensed prior to July 1, 2011, the minimum amount of surplus required is the greater of \$5,000,000 or 10% of total liabilities. This amount will increase to \$10,000,000 effective July 1, 2016 and to \$15,000,000 effective July 1, 2021.

**14. What is the industry standard on excess surplus amounts?**

While there is a minimum required surplus amount, there is no industry standard in terms of how much excess surplus, the amount of surplus beyond the minimum amount required, a company should hold. Each company's risk profile and risk appetite varies.

**15. Information provided by insurance companies for the Data Call and Catastrophe Stress Test is entitled to protection under Florida law, so it is not available for public review. Is the information provided reliable?**

Yes. The information provided is accompanied by an affidavit as to its truthfulness and accuracy. Pursuant to Section 624.319, Florida Statutes, this information is considered exempt from public records. The results of this year's Catastrophe Stress Test are being given to provide better transparency about the overall process and performance of these companies. However, the Office must also be cautious in not encouraging irresponsible reinsurance buying behavior, which may actually serve to drive consumer rates up.

**16. Do the insurance companies have the financial capability to provide coverage to the Florida property owners they insure?**

According to the results of the Data Call and the Catastrophe Stress Test, participating insurance companies have all demonstrated the capacity to withstand a 1-in-100 year storm event while maintaining the minimum capital and surplus required under Florida law.

**17. What is reinsurance?**

Reinsurance is insurance purchased by an insurance company (the ceding company) from one or more other insurance companies (known as 'reinsurers'). This transfer of risk helps to protect the insurance company when an insured event, such as a hurricane, occurs and causes catastrophic claims for its policyholders.

**18. What other resources are available for me to locate financial and other information on insurance companies writing homeowners insurance in Florida?**

The Office of Insurance Regulation has a variety of resources available to consumers for locating financial and other related information on insurance companies writing in Florida. These include the following:

- Florida's largest property insurance company [websites and claim numbers](#)
- [CHOICES](#) (search for sample homeowners insurance rates by county)
- [Significant Florida Residential Property Writers Surplus and Underwriting Results](#) (updated quarterly)
- [Residential market share reports](#) (Quarterly top 25 policies in force, structure exposure, premiums written, new policies written, etc.)
- [Companies participating in the Personal/Commercial Residential Take-Out Program](#)

**19. Who would I call to ask a question about my own insurance or to file a complaint?**

The Department of Financial Services Division of Consumer Services provides assistance to consumers regarding all types of insurance and filing a complaint. For more information, visit <http://www.myfloridacfo.com/Division/Consumers/contactus.htm>.