

2020 INSURANCE CHANGING MARKET PLACE:

Factors that affected Personal and Business Insurance lines:

- Large Losses because of Hurricane Michael (\$6.23 billion in insurance claims in the US) that eroded surplus.
- Large reinsurance recoveries that increased current reinsurance expense by 20-30% further tightening expense models.
- Continuous litigious climate in FL and struggle by carriers over growing utilization of Assignment of Benefits (AOB) in homeowners and auto claims.
- Downgrading of FL Companies

Results of Hardening Market Place:

- Tightening of guidelines and eligibility - Older homes, age of roofs and hot water heater, distance to water, with coverage restrictions.
- Increase in rates and premiums for homeowners type policies, and auto and other lines
- Forced some companies out of business and others to curtail writing of new business and non-renewing accounts to decreasing current book.

Joe Capers

Subject: Security 1st non-renewing 7000 coastal properties

Agent Bulletin

Bulletin (SF-416)

Wednesday, January 29, 2020

Upcoming Business Changes To Manage Hurricane Exposure

Current market conditions combined with increases in reinsurance costs projected again this year are creating a more challenging homeowner's insurance market in Florida and driving insurers to make continual refinements to underwriting and rates and implement changes to manage risk exposure.

At the time of reinsurance renewals last year (July 1), property catastrophe reinsurance rates increased between 5% and 25% for Florida insurers previously hit with hurricane losses and we are expecting similar increases this year. As a result, we are closing many coastal Census Block Groups (CBGs) to wind coverage and we've made the tough but necessary decision to non-renew approximately 7,000 policies with an effective date beginning June 1. This is the first time in our company's history that we've non-renewed policies for hurricane exposure and the decision was not taken lightly.

Agents listed on policies set to non-renew will receive a separate email from us

Downgrades, Discussions, and Decisions

Columbus, Ohio, January 13, 2020: Demotech began involvement with the Florida homeowners' insurance market at the State's invitation in 1996 and today reviews and rates 46 insurers that write approximately 66% of Florida's homeowners' insurance premium. While Demotech reviews and rates 403 entities countrywide, the Florida-focused insurers face a variety of macro-economic and unique state specific issues. These carriers must be positioned to address these issues, or have already addressed them, to sustain the Financial Stability Ratings® (FSRs) assigned to them. The major issues are discussed below.

The major reasons for Florida downgrades have been discussed, if applicable, with carriers

Despite the potential for long-term favorable results from 2019's legislation, the cumulative impact of the economics of the marketplace over the past several years has made it difficult for each of the carriers that Demotech reviews to sustain an FSR of A, *Exceptional*, in the near term. As we see the situation, some of the major market forces and carrier financial metrics include the following:

- Insurer investor capital appears to be exiting, not entering, Florida.
- Current holding company debt, infused to support growth, strengthen loss and loss adjustment expense reserves without diminution of surplus, or support the implementation of business models, is at burdensome levels, particularly given operating losses. Often, the dollar amount of debt is burdensome, as is the interest rate on the debt.
- Carriers have paid or are negotiating their losses from the natural disasters of 2016 through 2019.
- In 2019, the change in the cost of catastrophe reinsurance was, and likely will be in the future, a financial shock to carriers. The impact of the cost of reinsurance protection impacts the net dollars that carriers can retain.
- Although carriers can "true up" reinsurance costs by making filings with the State of Florida Office of Insurance Regulation, the impact of higher reinsurance costs is immediate while the financial impact of the premium increase from "true up" takes time to be realized.
- The cumulative impact of rate revisions over the past several years is a factor. Example: an insurer that accepts a 14.9% rate increase four years in a row, when it needed a 20.0% rate increase in each of the four years, will have secured a compound rate increase of 176%. However, at 20.0%, it would have had a compound rate increase of 207%. At the end of four years, its rates would be below where they should be.
- The pricing structure of Citizens Property Insurance Corporation is too competitive for a "market of last resort." This phenomenon may have suppressed the rate level requests of private carriers.
- Demotech requires carriers to book adequate loss and loss adjustment expense reserves. When an operating environment is characterized by stability of claims procedures, protocols, practices, and judicial decisions that uphold this claim settlement paradigm, this is a realizable objective and attainable metric. However, AOB and numerous other decisions revised the claim settlement landscape. Over time, insurers and the actuaries they depend upon were set on their heels. Each company's own financial statement indicates the efficacy of their response to the revised landscape. Over the past several years as storms struck Florida, the revised rules of engagement on claims settlement had undue impact.

Decisions – by carriers and by Demotech

Carriers that have managed to generate realizable operating income over the recent past are stable. Others with access to sufficient unencumbered cash have the ability to withstand the

Yowzers! 12 years for 3 tab and only 17 for architectural.



FedNat

4 hrs ·



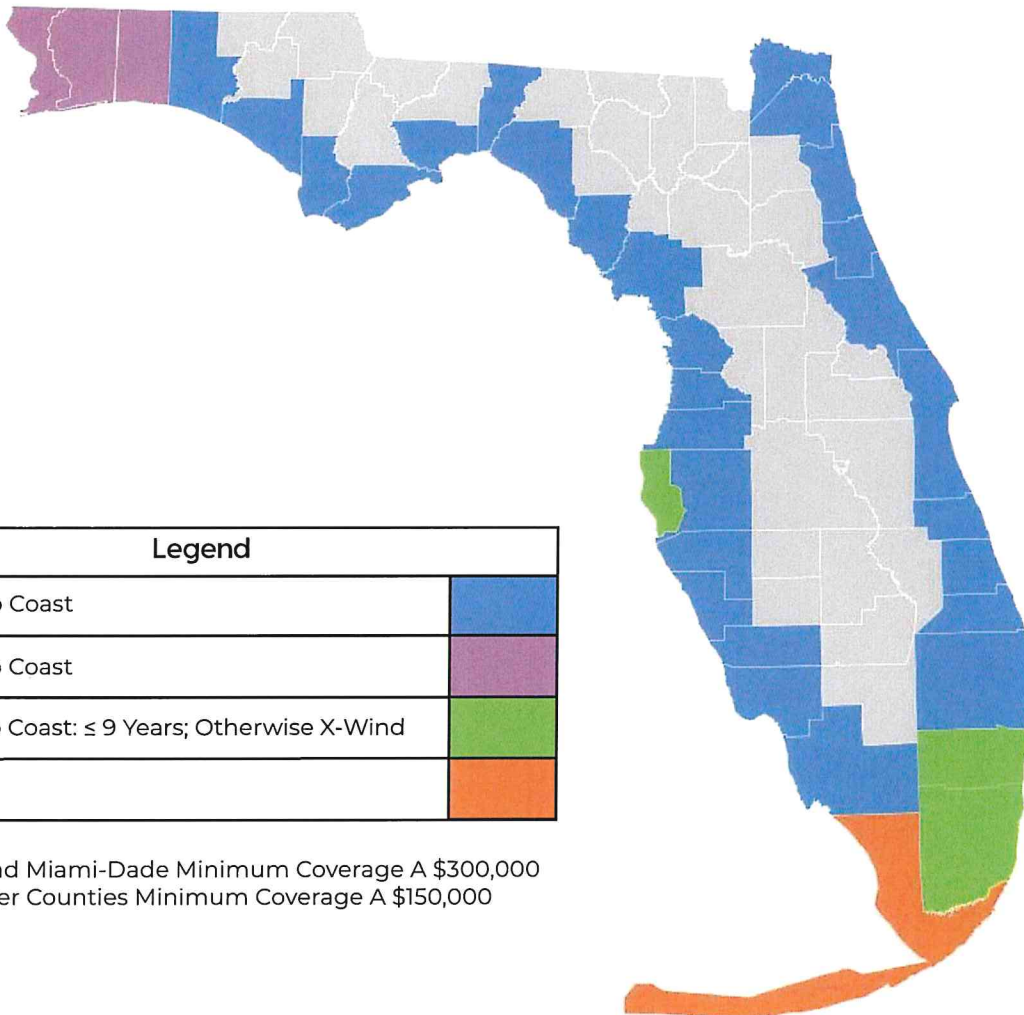
ICYMI - Effective Jan 25th FedNat will no longer accept 5 years of remaining life on older roofs. (Currently, MNIC will still accept risks with roofs that exceed the age requirements but have 5 years of remaining life documented.)

Did you know?

	FedNat	Monarch	
Architectural Shingles	Roofs over 17 of age are ineligible	Roofs over 17 years of age are ineligible unless a roof inspection shows 5+ years of remaining life.	
Composition Shingle (Three Tab)	Over 12 years old is ineligible	Over 12 years old is ineligible unless a roof inspection shows 5 years of remaining life	
Barrel Tile Roof	Acceptable Over 30 years old requires UW approval	Acceptable Over 30 years old requires UW approval and 5 years of remaining life	
Flat Tile Roof	Acceptable Over 30 years old requires UW approval	Acceptable Over 30 years old requires UW approval and 5 years of remaining life	
Flat Roof	Over 12 years old are ineligible This also includes low pitch roofs. Professionally resurfaces flat roof coatings will be evaluated on a per risk basis.	Over 12 years old are ineligible unless a roof inspection shows 5 years of remaining life	
Metal	Acceptable Over 30 years old requires UW approval Tin Roofs are ineligible	Roofs installed prior to 1995 are ineligible	
Rubber Coated Tile/Shingle Roofs	Unacceptable	Unacceptable	



Bankers changed wind guidelines
 Okaloosa county - 5 miles from coast
 Walton county - 2 miles from coast



Legend	
≥ 2 Miles to Coast	Blue
≥ 5 Miles to Coast	Purple
≥ 2 Miles to Coast: ≤ 9 Years; Otherwise X-Wind	Green
X - Wind	Orange

Broward and Miami-Dade Minimum Coverage A \$300,000
 All Other Counties Minimum Coverage A \$150,000



FNIC

Personal

Thursday, January 09, 2020

UPDATE - FEDNAT HOMEOWNER RATE AND RULE FILING

FedNat has a HO-3, HO-4 and HO-6 rate and rule filing effective January 25th, 2020 for new business and March 15th, for renewal business. The filing includes various underwriting changes and the implementation of a 2.8% statewide average rate increase.

Noteworthy updates include:

- Expanded Limited Water Damage buy back options from \$10k to \$80k; not to exceed 10% of Coverage 'A'
- HO-6 Short Term (Daily) Rental will now be eligible
- Roof eligibility updates for New Business (NB) and Renewal Business (RN)
- Shingle – 12 years or newer NB / 15 years or newer RN
- Architectural Shingle – 17 years or newer NB / 20 years or newer RN
- Flat roofs – 12 years or newer NB / 15 years or newer RN
- Tile, Metal and All other allowable – 30 years or newer NB and RN
- 4-Point inspections are now required prior to binding for all risks over 40 years of age
- Water heaters over 20 years of age are ineligible.
- Risks with no prior or a lapse in coverage greater than 45 days, purchased out of foreclosure, short sale or bank owned will have the water damage exclusion endorsement added automatically. The limited water damage buy back up to \$10,000 is available. This is mandatory for the initial year with an option to remove the exclusion upon renewal with submission of an acceptable 4-Point inspection.

Please do not hesitate to contact your Territory Marketing Manager or Underwriting with any questions at (800) 293-2532. As always, thank you for your continued support of our product lines!

Bulletin #138 – Reinsurance Rate Filing

January 16,

2020

Dear Valued Agency Partner,

In July of 2019, Olympus withdrew our initial Limited Reinsurance Filing in order to evaluate the effect of our already-implemented annual rate filing upon our existing book. This review, along with quickly shifting market conditions and continuously increasing reinsurance costs, confirmed our original assessments.

Therefore, Olympus will be implementing our Limited Reinsurance Filing for the purpose of reflecting the change in net reinsurance costs between our 2019-2020 reinsurance program and those underlying our current rates.

Product	Total Average Statewide Indication
HO3	7%
DP3	9%
HO6	1.4%

Effective dates of the rate filing are as follows:

- **New Business:** 1/31/2020
- **Renewals:** 3/12/2020

For quotes already in the system when the new rates are launched:

- If bound with an effective date prior to 1/31/2020, current rates will apply
- If bound with an effective date on or after 1/31/20, revised rates will apply

Thank you for being committed to Olympus' financial strength and profitability. Our goal is to continue to provide you and your insureds with the best, broadest coverage possible, at the most competitive rates. Your support and partnership are key to our mutual continued success!

If you have any immediate questions or concerns, please contact your [Territory Underwriter](#) or your [Regional Sales Manager](#).

Sincerely,

January 21, 2020

Dear Valued Agent,

Weston Insurance Holdings Corporation is pleased to announce that it has entered into an agreement with Anchor Insurance to purchase **Anchor Specialty Insurance Company (Texas)**. Weston's team is excited about the acquisition and the opportunity to combine Anchor's and Weston's growing portfolios. This transaction will enhance and strengthen Weston and **Anchor Specialty Insurance Company's** financial stability, as well as position the group well for future expansion. The purchase does not include Anchor Property & Casualty Insurance Company, nor any of Anchor's Florida policyholders.

Demotech, Inc. recently affirmed the Financial Stability Rating® (FSR) of A, *Exceptional*, assigned to Weston Insurance Company. Demotech also confirmed **Anchor Specialty Insurance Company's** Financial Stability Rating® (FSR) of A, *Exceptional*, will be sustained based upon the pending acquisition by **Weston Insurance Holdings Corporation**.

About Weston Insurance

Weston Insurance Holdings Corporation was formed in 2011 and is the parent of Weston Insurance Company (Florida) and Weston Select Insurance Company (South Carolina). Weston Insurance Company underwrites property insurance for personal residential, commercial residential and commercial non-residential occupancies, and is admitted in 5 U.S. states, Florida, Texas, South Carolina, Mississippi and Alabama. In addition to its surplus, Weston Insurance Company purchases over \$1 billion of reinsurance limit annually to further enhance its claims-paying ability. Weston is dedicated to helping businesses and individuals achieve financial security by providing access to consistent, cost-effective coverage, and responsive, high-quality client service. Weston is headquartered in Coral Gables, Florida, and is led by a senior management team with over 100 years of collective experience in insurance and reinsurance.

Please send questions to agencyervices@weston-ins.com.

Sincerely,
Weston Management



FEDNAT INSURANCE COMPANY
PO BOX 407193
FORT LAUDERDALE, FL 33340
Phone: (800) 293-2532

For Inquiries contact agent of record:

INSURANCE ZONE
24215-00
Phone: (850) 424-6979
Fax: (850) 502-4056

INSURANCE ZONE
PO BOX 6310
MIRAMAR BEACH, FL. 32550

NON-RENEWAL NOTICE

RE: William Mason
3513 Burnt Pine Ln
Miramar Beach, FL 32550

Policy #: FE-0000532098-05

Date of Notice: 8/23/2019

Policy Effective Date: 1/13/2019

Policy Expiration Date: 1/13/2020 12:01 AM

Company: FEDNAT INSURANCE COMPANY

Policy Type: Homeowner

Effective Date of Nonrenewal: 01/13/2020 12:01 AM

Dear: Policyholder

You are hereby notified in accordance with the terms and conditions of the above mentioned policy, and in accordance with law, that your insurance will cease at and from the hour and date of nonrenewal mentioned above for the reason(s) stated below:

Exposure and Risk Management.

To Lienholder:

You are hereby notified that the agreement under the Mortgage Clause Payable to you as Lienholder, which is part of the above policy, issued to the above insured, is hereby nonrenewed in accordance with the conditions of the policy, said nonrenewal to be effective on and after the hour and date mentioned above.

Name and Address of 1st Lienholder:

Name and Address of 2nd Lienholder:

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