FLORIDA'S COMMERCIAL PROPERTY MARKET

JULY 15, 2024

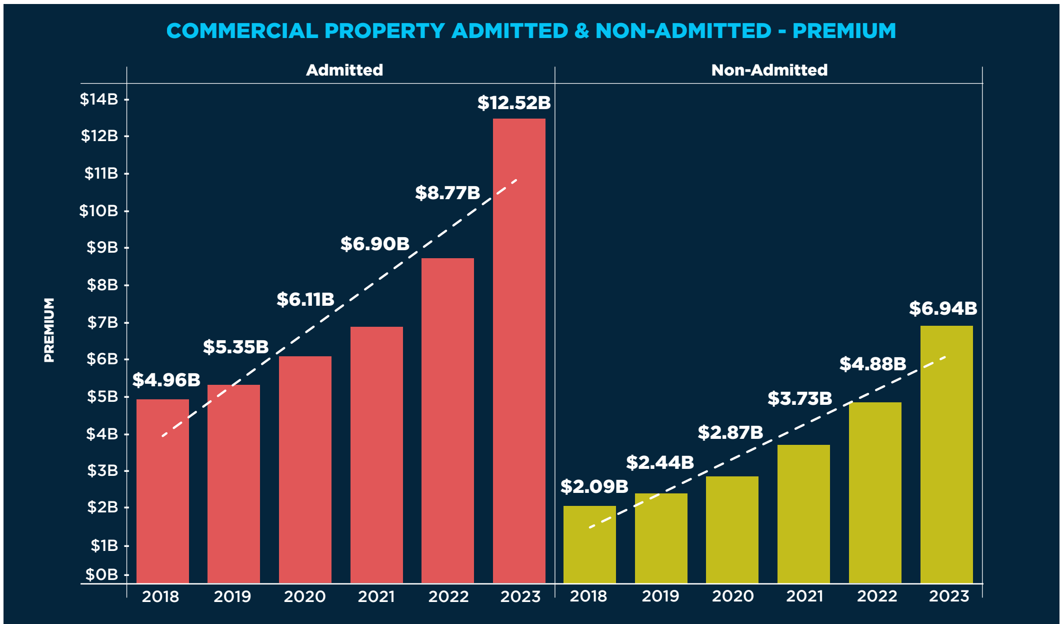
The commercial property insurance landscape in Florida has demonstrated consistent growth over the past five years, with both the admitted and non-admitted markets experiencing steady increases in premiums. Notably, the non-admitted market has shown higher gains in market share during this period, reflecting evolving dynamics within the insurance sector.

The following analytics are based on information provided by S&P Global and the Florida Surplus Lines Service Office. Lines of business included in this analysis include Fire, Allied Lines and Commercial Multi-Peril (non-liability) for admitted market reporting; Commercial Property, Commercial Builders Risk, Business Income and Commercial Windstorm and/or Hail for non-admitted market reporting.

COMPARING TWO MARKETS BY PREMIUM VOLUME

In 2023, Florida's commercial property insurance market experienced growth in both the admitted and non-admitted sectors, driven by inflation, escalating labor costs, and rising materials expenses. The admitted market, reported a substantial premium volume of $12.52 billion for the year, while the non-admitted market, closed with $6.94 billion in premiums.

These increases reflect the industry's response to economic pressures, with insurers adjusting premiums to mitigate heightened risks and expenses associated with property coverage in Florida. Despite these challenges, the market's ability to expand underscores its resilience and adaptability in meeting the evolving needs of commercial property owners across the state.



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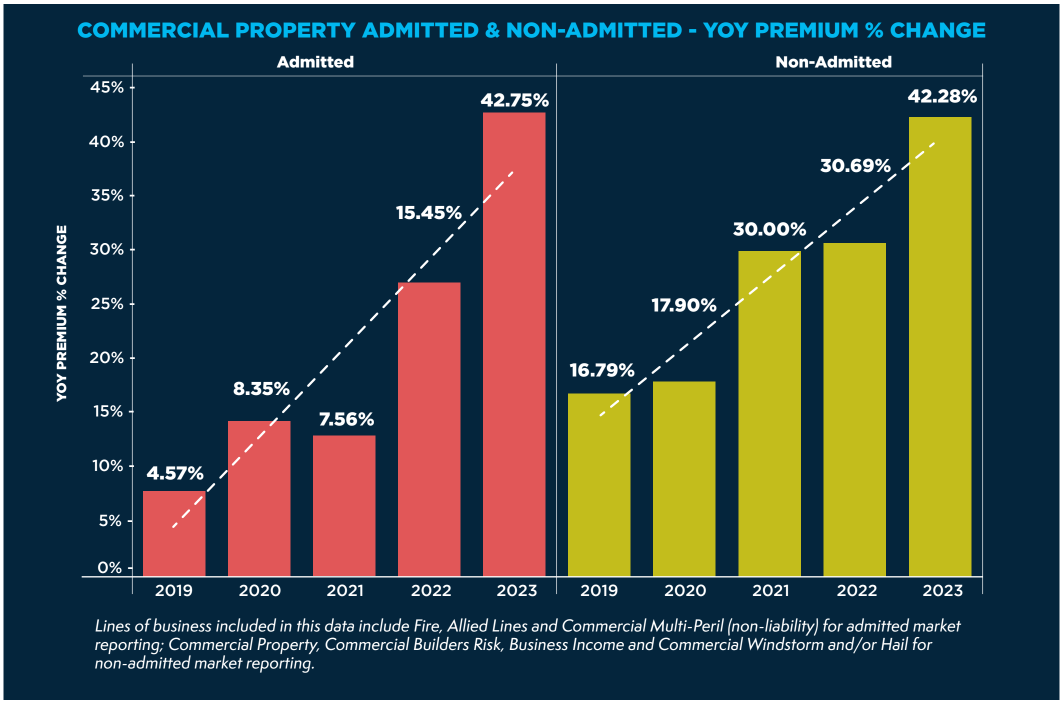
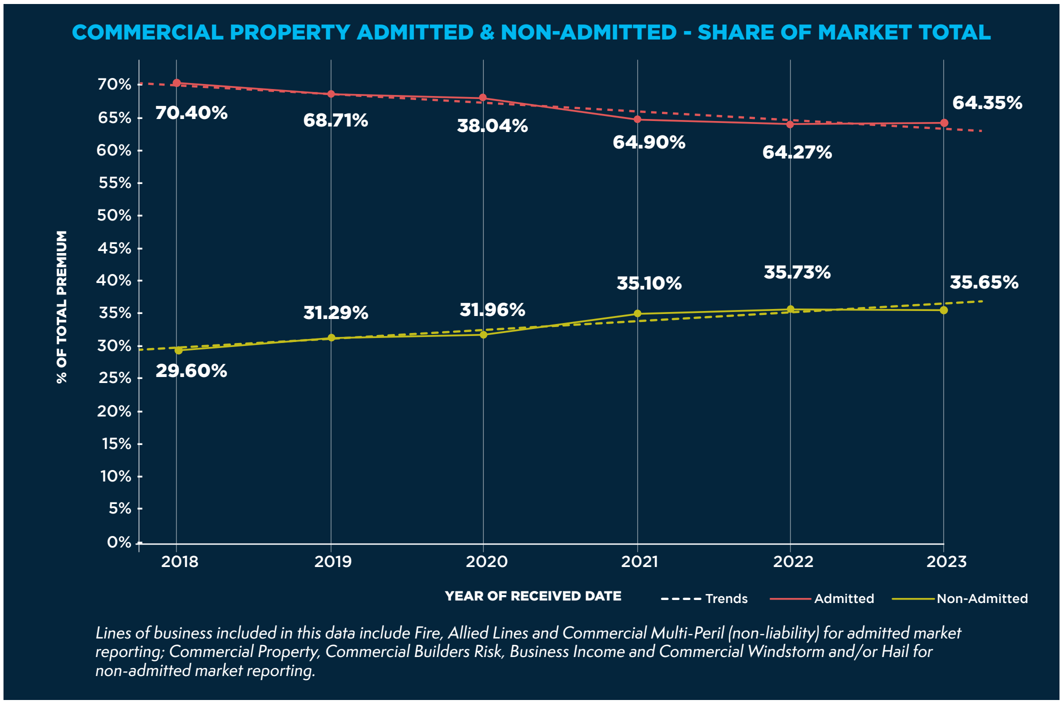
Both markets have experienced steady increases in premiums, with the admitted market registering a noteworthy year-over-year (YoY) rise of 42.75% in 2023, and the non-admitted market closely following at 42.28% over the same period.



In terms of market share, there has been a gradual but consistent transition. The admitted market held a dominant position with a market share of 70.40% in 2018, which decreased to 64.35% by 2023. Conversely, the non-admitted market has steadily increased its share, rising from 29.60% in 2018 to 35.65% in 2023.



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COMPARING NON-ADMITTED MARKET DISTRIBUTION IN 2023 AND 2024

The charts on page 3 and 4 provide additional analysis of the distribution of policies and premiums in the non-admitted market across various segments within Commercial Property. This data includes premium and policies reported in the first two quarters of 2023 and 2024.

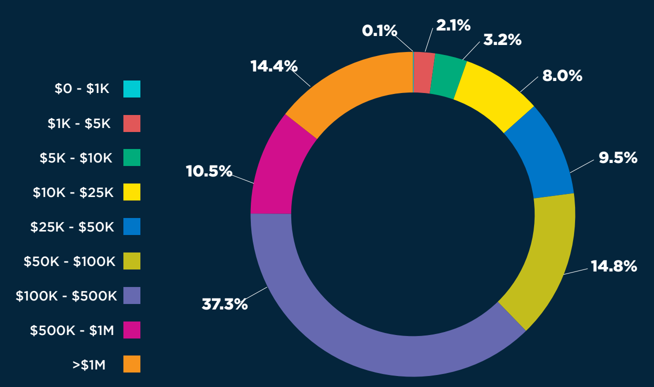
At the lower end of the spectrum, policies with premiums ranging from $0 to $1,000 constitute a modest 7.8% of the market in policy count, experiencing a slight uptick of 1.8% from 2023 to 2024. However, the premium share for this tier decreased by 0.6%, indicating potential shifts in coverage preferences among policyholders.

Moving up the scale, the $1,000 to $5,000 premium tier holds a significant 28.6% market share in policy count, with both policy and premium percentages showing notable increases. This suggests a growing demand for coverage within this price range, possibly driven by expanding businesses seeking adequate protection in addition to the inflation related factors mentioned above.

Moreover, the data reveals a dramatic surge in policy and premium percentages for policies exceeding $1 million. While representing a smaller portion of the market, this tier experienced staggering growth rates of 71.8% in policy count and 33.5% in premium growth. Such sharp increases signal a rising demand for high-value insurance coverage to safeguard premium commercial assets.

MARKET SHARE BY PREMIUM VOLUME

NON-ADMITTED MARKET COMMERCIAL PROPERTY MARKET SHARE BY PREMIUM FOR Q1 & Q2 2024

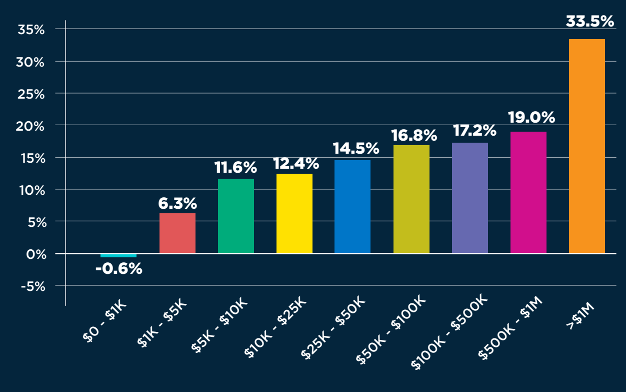


This data is inclusive of policies submitted to FSLSO as Commercial Property only.

This data is based on information reported to FSLSO from January 1 to June 30, 2024.

NON-ADMITTED MARKET COMMERCIAL PROPERTY YOY % OF CHANGE BY PREMIUM

Comparison of Q1/Q2 2023 vs. Q1/Q2 2024



This data is inclusive of policies submitted to FSLSO as Commercial Property only.

This data is based on information reported to FSLSO from 1/1/23-6/30/23 and 1/1/24-6/30/24.

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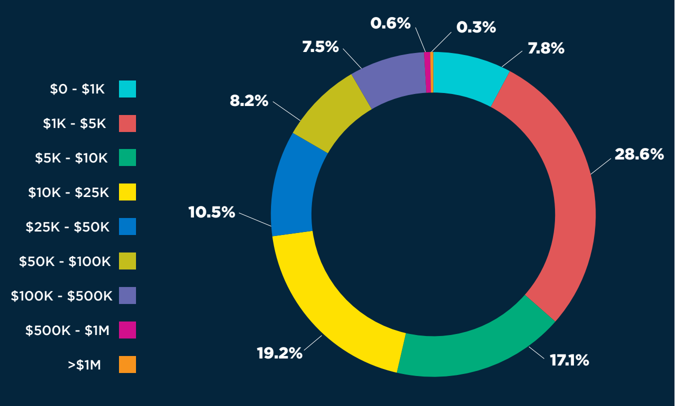
MARKET SHARE BY POLICY COUNT

NON-ADMITTED MARKET COMMERCIAL PROPERTY MARKET SHARE BY POLICY COUNT FOR Q1 & Q2 2024



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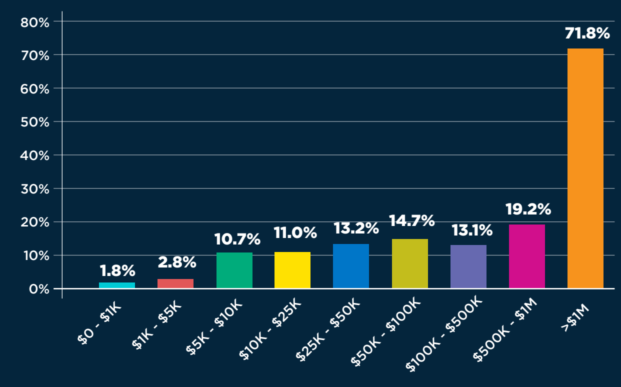
NON-ADMITTED MARKET COMMERCIAL PROPERTY YOY % OF CHANGE BY POLICY COUNT

Comparison of Q1/Q2 2023 vs. Q1/Q2 2024



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In conclusion, the narrative painted by the charts illustrate dynamic shifts and evolving trends within the commercial property insurance market. From the diversification of coverage preferences across different tiers to the escalating demand for comprehensive protection for large-scale properties, these insights offer valuable perspectives for insurers, policyholders, and industry stakeholders navigating the ever-changing landscape of commercial property insurance.

For a more detailed year-by-year breakdown of Florida's commercial property insurance market, please refer to the data extrapolated from ***FSLSO's Market Data Reports***.

DISCLAIMER: This report is based on information extrapolated from publicly available market data reports from the Florida Surplus Lines Service Office (FSLSO) and S&P Global. It is intended for informational purposes only and does not represent an opinion on current or future market conditions.

ABOUT FSLSO: The Florida Surplus Lines Service Office is a not-for-profit entity created by statute and regulated by the Florida Department of Financial Services and the Florida Office of Insurance Regulation. It is overseen by a nine-member Board of Governors and responsible for one of the largest surplus lines markets in the U.S., as measured by the billions in premium written annually by the industry in Florida.

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