



PREMIUMS GO DOWN AS COMPETITION HEATS UP HOMEOWNERS INSURANCE IN 2008

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Great News! Although South Florida's palm trees look about the same this time of year as any other, with winter on its way we are pleased to report tremendous improvements in the home, condo and wind insurance marketplace. The lack of hurricanes hitting our shores over the last two years along with an improved global insurance market, robust investment economy, and aggressive state legislature, have combined to improve the market for wind and home insurance rather dramatically in early 2008. In fact, things have improved so much over the latter half of 2007 that we have seen sizable rate decreases and insurers becoming more liberal in what they will write, many now willing to include windstorm.

Wow, what a difference two years makes!

2004 & 2005

Consider that in 2004 Florida was struck by four large hurricanes and suffered from an estimated 2,000,000 claims. Blue tarps became the standard roof covering on homes from Cape Coral to Fort Pierce.

Hurricane Katrina changed everything.

2005, of course, was marked by significant damage from both Wilma and Katrina. After hitting Florida, Katrina went on to devastate New Orleans and the Gulf Coast as it displaced our own Hurricane Andrew as the largest natural disaster ever in America causing an estimated \$60 Billion in damages. To say the very least, Katrina's damage and the prospect of more frequent and larger hurricanes dramatically changed the global insurance and reinsurance markets in 2006.

Here in Florida, insurers were stretched to the limit (and in some cases beyond) due to these storms. The largest insurance company failure occurred in July 2006, when the Poe Financial Group and its three-member insurers were placed in receivership, adding 300,000 new policies to our already burdened state insurer, Citizens. As I said, Katrina changed everything.

Two Years After Katrina

The negative reaction by the global reinsurance industry that followed Katrina started to slow in late 2006 as that year's storm season proved uneventful. Improvement in reinsurance costs have continued ever since and the market today is vastly improved as compared to late 2005 and early 2006, when the cost for insurers to protect themselves increased exponentially as capacity declined. As 2008 begins, reinsurance rates have decreased and capacity has increased largely due to the fact that 2006 and 2007 did not produce a large storm, thus losses.

While the weather has cooperated nicely of late, so too has the investment industry with near record returns in the stock market. Insurers historically make money on their investment portfolio and when rates of return are growing, insurers and reinsurers will often reduce their premiums to attract new customers' money with which to invest. A strong stock market increases investment returns and has helped stabilize and improve premiums as insurers seek new business.

Signs of Progress & The Future

Much remains to be corrected in Florida's fragile property insurance market and long-term solutions will likely require federal support. Given continued predictions of more and larger hurricanes, as well as increased construction costs and our regions growth, among other factors, a reliable long-term solution is still being sought. When the day arrives that we do not have to count on our summer's weather to determine insurance cost and availability, we will all take comfort that true progress can be announced.

For now, the **good news** is that the market at the start of 2008 is much better than it was over the last two years as more insurers are decreasing their rates, while liberalizing their approach to business, and finding ways to attract and retain business. This good news will likely continue until the start of the summer hurricane season and then, as has become the case since Hurricane Andrew, the marketplace will depend on which way the wind blows, or if it blows at all.

Contributed by Affiliate Member, Morris & Reynolds. For additional insurance information, questions or quotes contact a representative at 305.238.1000

NEW YEAR GREETINGS FROM THE DIRECTORS

Congratulations to each of you for your invaluable commitment, focus, passion and pursuit of excellence in 2007. We have many possibilities approaching in 2008 — as Realtors® we have each embraced the NAR message of "It's a Good Time to Buy" and are taking advantage of the opportunities available even in a changing market. Today's real estate consumer is more knowledgeable than ever as they approach a transaction. Yet, the average consumer needs the guidance and expertise of real estate professionals to lead them through the home purchase process from start to finish. May the new horizons and new hopes for the New Year bring greater prosperity, successes and happiness. — Rei Mesa, Board of Directors, Secretary-Treasurer