

PineStone at Palmer Ranch
Community Association Insurance Marketplace Update

The State of Florida – Statistics

- In 2018, Florida's GDP surpassed \$1 trillion making it the 17th largest economy in the world.
- 2020 Census found a population growth of 14.6% over the last decade. From 1990 to 2000, the population growth in Florida was 23.5%. *Florida's population is estimated at 22.6 million.*
- *Approximately 9,674,000 Floridians live in 3,855,000 homes in more than 49,420 community associations.* These residents pay nearly *\$18 billion a year to maintain their communities.*
- There are approximately *1,529,764 condominium units in Florida operated by 27,588 associations.* Approximately *912,376 of these condominium units in Florida are at least 30 years in age.* Further breakdown of the age of condominium units in Florida is as follows:
 - 105,404 units – 50 years old or older
 - 479,435 units – 40-50 years old
 - 327,537 units – 30-40 years old
 - 141,773 units – 20-30 years old
 - 428,657 units – 10-20 years old
 - 46,958 units – 0-10 years old
- It is estimated that there are *over 2 million residents occupying condominiums 30 years or older in Florida*, based upon census data of an average of approximately 2.2 persons living in a condominium unit.

Florida's Property Insurance Crisis – How Did We Get Here? Manmade vs. Mother Nature

- 2004-2005 “Hurricane of the Month Club”
- The Emergence of Citizens Property Insurance Corporation – “Act I”
- 2016-2018 Law Changes
- 2017-2018 Hurricane Irma and Hurricane Michael
- Florida's Property Insurance Market was replaced with a “market of litigation”
- Reemergence of Citizens Property Insurance Corporation – “Act II”
- 2021 Legislative Session – SB 76
- 2022 Legislative Special Session – “2x”

The three driving costs of property / windstorm insurance premiums in Florida:

- (1) Bad Actors, Crooks, and Litigation**
- (2) Hurricanes**
- (3) Reinsurance**

Bad Actors, Crooks, and Litigation

- Over the past several years, the Florida residential property insurance marketplace was replaced with a market of litigation.
- From **2013 to September 2021, property insurance companies racked up more than 519,954 lawsuits.** Based on 260 workdays per year, Florida was averaging 550 new lawsuits daily, compared to each of the 49 other states that average only 2 residential property insurance lawsuits per day.
- **According to the Insurance Information Institute, more than 116,000 homeowners' claims were litigated in Florida in 2021.** Compare that with California, whose population is nearly double that of Florida and where only 3,900 claims were litigated.
- **\$15 billion was paid out in claims by insurance companies across the state between 2013 and 2021;** out of that amount, **71% went to pay attorneys fees, 21% went to pay insurance company defense costs, and 8% went to the policyholders for their losses.**
- In 2021, **only 6.91% of all U.S. homeowners' claims were opened in Florida.** Yet, **Florida accounted for more than 76% of property claim lawsuits in the United States.**
- In 2021 alone, **Florida's domestic insurance companies spent over \$3 billion in legal defense and containment costs, which is more than double what they spent in 2016.**
- **Assignment of Benefits (AOB) lawsuits were a mere 1,300 in 2010 but jumped 104 times to 135,000 by 2018.**
- For 2016-2019, **the Florida residential property insurance market reported a combined ratio of 117.5%.** This means **for every hundred dollars of premium received, insurance companies paid \$117.50 in losses and expenses.**
- As a result of years of litigation, dozens of insurance companies have dramatically reduced policies in the state through non-renewal, withdrawn from the market, or been liquidated in just the past two years, and the companies that remain had to substantially increase their rates to levels almost three times the national average to compensate for massive billion-dollar annual losses.
- National Insurance Companies have a much smaller share of the market in Florida than other states do. The State of **Florida is especially dependent on Florida Domestic Insurance Companies, which have weaker balance sheets than larger national insurance companies, to serve policyholders.** The current property insurance marketplace in Florida is keeping the majority of national residential property insurance companies from writing additional policies in Florida, to be more in line with their policy counts in other states.

The three driving costs of property / windstorm insurance premiums in Florida:

(1) Bad Actors, Crooks, and Litigation

(2) Hurricanes

(3) Reinsurance

Bad Actors, Crooks, and Litigation (Continued...)

- As mentioned on the previous page, Florida is heavily reliant on Florida Domestic Insurance Companies to write property / windstorm policies. Florida Domestic Insurance Companies write 79% of the property policies in Florida. *Out of the 52 insurance companies that represented the Florida Domestic Insurance Market in 2021, 49 companies generated net income losses in the years since 2017.* This represented an annual deficit of \$1 billion for the industry, including national insurance companies.
- The *Top Five Writers of Homeowners Insurance, based on the national DPW – Direct Premium Written, account for more than 50% of all homeowners insurance premium written in the other 49 states and Washington D.C., but they write only 15% of the Florida homeowners insurance market.* For example, Liberty Mutual's Florida market share is less than 1% compared to nearly 8% in the rest of the country. Homeowners in the state must rely on Florida companies that have less capital and have concentrated risk profiles.
- *As of May 2022, Fee Multipliers on Property Damage Claims* are allowed only in rare and exceptional circumstances. *Why is this important?*

Suing Insurers Means Big Paydays for Attorneys,

But Not Homeowners

Source/Case	Settled Amount	Final Legal Fees	Ratio
The Daytona Beach News-Journal	\$790	\$40,000	51x
Santiago v. Florida Peninsula Insurance Co.	\$41,000	\$1,201,670	29x
Deshpande v. Universal P&C Insurance Co	\$25,000	\$206,090	8x
Pedrero v. Citizens Property Insurance Corp	\$35,000	\$702,927	20x
Martinez v. Citizens Property Insurance Corp	\$60,000	\$236,340	4x
Maso, LLC v. Citizens Property Insurance	\$2,754	\$42,971	16x
Bush v. Homeowners Choice P&C Corp	\$18,912	\$756,888	40x
Martinez v. Universal P&C Corporation	<\$6,000	\$116,000	19x
Cabrera v. Tower Hill Preferred Insurance Co	\$26,085	\$622,958	24x

Note: All figures are rounded to the nearest dollar.²⁸

- The amount paid to attorneys can easily dwarf the payout to assignees. The generous awards from lawsuits encouraged even more lawsuits, as contractors dispute exaggerated claims and attorneys inflate their legal costs. In other words, while attorneys may claim to sue in the name of “protecting consumers”, consumers get very little from this litigation, while attorneys generously enrich themselves in the process.

The three driving costs of property / windstorm insurance premiums in Florida:

(1) Bad Actors, Crooks, and Litigation

(2) Hurricanes

(3) Reinsurance

Hurricanes

- This is one cost driving factor that can't be controlled by legislation or more capacity.
- Florida Office of Insurance Regulation – Hurricane Ian Data (As of October 9th, 2023)
 - Total Number of Claims: 758,644 of which 541,078 are residential property insurance claims.
 - Total Estimated Insured Losses: \$19,383,519,287
 - Percentage of Total Residential Claims Closed: 89.1%

Total Estimated Insured Losses: \$19,383,519,287

OIR required insurers report estimated and paid losses. Estimated or case incurred losses include indemnity case reserves and payments to date.

Lines of Business	Number of Claims Reported	Number of Open Claims with Payment	Number of Open Claims without Payment	Number of Claims Closed with Payment	Number of Claims Closed without Payment	Percent of Claims Closed
Residential Property	541,078	40,918	17,962	325,351	156,847	89.1%
Homeowners	439,187	33,467	15,425	256,013	134,282	88.9%
Dwelling	56,438	4,584	2,059	34,660	15,135	88.2%
Mobile Homeowners	41,626	2,107	219	33,035	6,265	94.4%
Commercial Residential	3,827	760	259	1,643	1,165	73.4%
Commercial Property	33,163	5,884	6,068	9,207	12,004	64.0%
Private Flood	5,092	513	255	3,001	1,323	84.9%
Business Interruption	580	49	39	377	115	84.8%
Other Lines of Business*	178,731	1,766	1,013	150,145	25,807	98.4%
TOTALS	758,644	49,130	25,337	488,081	196,096	90.2%

Data as of October 9, 2023

The three driving costs of property / windstorm insurance premiums in Florida:

(1) Bad Actors, Crooks, and Litigation

(2) Hurricanes

(3) *Reinsurance*

Reinsurance

- ***What is Reinsurance?*** Reinsurance is insurance for insurance companies. It's a way of transferring some of the financial risk insurance companies assume to another insurance company, the reinsurer or reinsurance company.
- ***Florida's Domestic Property Insurance Companies are especially reliant on reinsurance to finance the payment of catastrophic losses and is sensitive to hardening reinsurance market conditions.*** When the supply of reinsurance is limited or expensive, the capacity of domestic property insurance companies is particularly constrained, which results in the reduction of writing policies and increases in premiums to consumers.
- ***Premiums assumed by U.S. Reinsurance Companies from Florida have grown roughly 66% in the last three years, but losses have increased fourfold over the same period even without significant hurricane activity.*** Even without significant hurricane losses over that time, further suggesting that current prices are not adequate to cover the claims, inflation, and fraud. Before the impacts of Hurricane Ian and Nicole, reinsurers were pulling back from the Florida market or significantly raising prices.
- ***Florida Domestic Property Insurance Companies continue to cede a growing amount of premium to reinsurance companies, reaching over \$7 billion in 2021.*** Further cementing the importance of reinsurance to the Florida Domestic Insurance Companies on their ability to pay losses, which have increased fourfold over the last three years, despite moderate hurricane seasons.
- Because of the increased losses over the past three years, some reinsurance companies have been reevaluating their exposure and capital allocation and have pulled back capacity from the Florida property market or raised prices significantly.
- Investors considering investments in reinsurance companies may demand higher returns from the Florida property market, causing reinsurance companies to take a very careful look at the layers and participation of catastrophe coverage in Florida. In some cases, reinsurance companies have deployed their capacity to other regions of the country with more promising profit potential.
- ***Even before Hurricane Ian struck, it was highly anticipated that catastrophe and non-catastrophe property reinsurance would become more difficult in 2023 due to supply and demand.*** Globally, there is likely ***\$115 billion shortfall*** in reinsurance capacity.
- With the impact of 2022 inflation not previously priced into 2022 reinsurance renewals, 2023 pricing will have to make up for the missed inflation.
- ***Reinsurance premium paid by Florida insurance companies exceed \$.50 cents of every \$1.00 they wrote.***

Citizens Property Insurance Corporation – Statistics

- Citizens Property Insurance Corporation is the *fastest growing insurance company in the United States*.
- There are *7.5 million property policies in Florida, the third largest total in the country*, and Citizens has *1,334,620 policies* making it the largest insurance company in Florida.
- From *October 31st, 2022 to October 31st, 2023*, the *Total Policies In-Force* with Citizens *increased* from *1,111,283* to *1,334,620* for an *increase* of *223,337*.
- From October 31st, 2022 to October 31st, 2023 the *Exposure / Total Insured Value (TIV)* has *increased* from *\$398,857,062,260* to *\$586,022,743,991* for an *increase* of *\$187,165,681,731*.
- *Substantial premium growth for Citizens Property Insurance Corporation, the State's insurer of last resort, pushed it into the list of the 10 largest homeowners writers in the United States during the first quarter of 2023. Citizens recorded \$966.6 million in total direct premiums written in the first quarter of 2023, two-thirds of which was within the homeowners line of business.* The insurer of last resort added 94,000 policyholders in the first quarter, ending the period with 1.24 million policyholders.
- Total Premium and Surcharges as of October 31st, 2023: \$4,587,234,598

Citizens Assessment

- A particularly devastating storm or series of smaller storms could exhaust Citizens' reserves, leaving Citizens without enough money to pay claims. If this happens, Florida law requires that Citizens charge assessments until any deficits are eliminated.
- Assessments are charges that Citizens and Non-Citizens policyholders can be required to pay, in addition to their regular policy premiums. Citizens' policyholders are the first to be assessed. Each assessment, if levied, is to eliminate any deficits.
- Citizens Property Insurance Corporation – Assessment Calculator:
www.citizensfla.com/assessments

Citizens Property Insurance Corp.

Data By Year

<u>Year:</u>	<u>Total Policies In-Force:</u>	<u>Total Exposure / TIV:</u>	<u>Total Premium with Surcharges:</u>
2002	206,256	\$35,148,695,727	Data Unavailable
2003	820,255	\$182,952,122,434	\$1,103,621,747
2004	873,996	\$206,661,503,303	\$1,234,934,960
2005	810,017	\$210,590,508,111	\$1,374,046,471
2006	1,298,922	\$408,837,779,263	Data Unavailable
2007	1,304,949	Data Unavailable	Data Unavailable
2008	1,084,237	Data Unavailable	Data Unavailable
2009	1,029,214	Data Unavailable	Data Unavailable
2010	1,283,538	Data Unavailable	Data Unavailable
2011	1,472,391	\$510,675,120,913	\$3,071,857,743
2012	1,314,811	\$429,424,399,130	\$2,820,878,387
2013	1,021,694	318,887,485,544	\$2,292,364,533
2014	661,161	\$201,957,396,325	\$1,367,240,000
2015	503,865	\$150,495,190,065	\$1,049,730,850
2016	455,843	\$124,063,055,743	\$897,165,524
2017	440,406	\$112,309,524,847	\$860,710,476
2018	427,397	\$108,896,296,069	\$854,407,890
2019	442,203	\$111,248,584,447	\$874,003,223
2020	542,739	\$144,798,263,338	\$1,194,565,421
2021	759,305	\$232,592,323,529	\$1,816,216,815
2022	1,145,809	\$422,952,769,945	\$3,219,057,962
**2023 (As of 10/31)	1,334,620	\$586,022,743,991	\$4,587,234,598

Property Insurance Marketplace – Signs of Life?

- Florida is far from becoming a normal property insurance market, but recent reforms are driving a better environment! As a result of the legislation passed during the previous sessions, the Florida residential property insurance marketplace is starting to show signs of life with several new residential personal lines property insurance companies expanding to the State.
- For the first time in three years, Florida's struggling domestic residential property insurers have posted a quarterly profit, according to an analysis by S&P Global Market Intelligence. Excluding Citizens Property Insurance Corporation, Florida's property insurers reported \$38.6 million in profit in the first quarter of 2023. That compares to a loss of almost \$120 million a year earlier.
- A sizable jump in investment income gave Florida's P&C carriers a big boost, S&P reported. Collectively, the group reported \$97.4 million in investment income during the first quarter, more than double what they saw in the first three months of 2022. The most recent quarter's total was the highest recorded investment income since the \$110.0 million the group reported in the fourth quarter of 2020. However, Operating income remained in the red for the 16th consecutive quarter as underwriting losses came to \$28.2 million, which was considerably better than the underwriting losses of \$148.7 million in the first quarter of 2022.

Key Legislation Passed in 2022 – Regular and Special Sessions

Assignment of Benefits (AOB)

Senate Bill 2-A prohibits Assignment of Benefits (AOB) contracts of residential and commercial property insurance policies issued on or after January 1, 2023.

Building Safety Act

During Special Session D (2022), Senate Bill 4-D by Senator Boyd was enacted to revise the laws related to building safety. The act provided building safety inspection requirements for condominium and cooperative association buildings, increased the rights of unit owners and prospective unit owners to access to information regarding the condition of such buildings, and revised the requirements for associations to fund reserves for the continued maintenance and repair of such buildings.

Citizens Property Insurance Corporation – 20% Rule

Under Senate Bill 2-A, your association is ineligible for Citizens coverage upon receiving an offer of comparable coverage from an authorized insurer for a premium that is not more than 20% greater than the Citizens premium.

Claim Filing Deadline

Senate Bill 2-A reduces the deadline for policyholders to report a claim under the policy from **2 years** to **1 year** for a new or reopened claim, and from **3 years** to **18 months** for a supplemental claim.

Contingency Fee Multipliers

Senate Bill 2-D provides that a strong presumption is created that a lodestar fee (billable hours x reasonable hourly rate) is sufficient and reasonable in judgements or decrees against insurance companies.

FORA – Florida Optional Reinsurance Assistance Program

Senate Bill 2-A created an optional hurricane reinsurance program that insurers can purchase at “reasonable” rates. Rates vary by tier level purchased and range from 50% to 65%.

One-Way Attorney Fees

Senate Bill 2-A eliminated One-Way Attorney Fees in third-party lawsuits by vendors to now include first-party lawsuits, such as by the homeowner. It makes One-Way Attorney Fees no longer applicable to residential and commercial property insurance policies.

Prompt Pay Laws for Property Insurance

Senate Bill 2-A amends the prompt pay laws to encourage the prompt payment of claims. The legislation includes the following:

- Reduces the time for insurers to pay or deny the claim from **90 days** to **60 days**.
- Reduces the time for insurers to review and acknowledge a claim communication from **14 days** to **7 days**.
- Reduces the time for insurer to begin an investigation from **14 days** to **7 days**.
- Reduces the time for insurer to conduct a physical inspection from **45 days** to **30 days** and applies this requirement to hurricane claims.
- Requires insurers to send any adjuster's report estimating the loss to the policyholder within **7 days** after it is created.
- Requires that the insurer's claim records include various parts of the claim investigation and their dates.

Florida Property Insurance Stability Report – Purpose and Scope

- Report Published by the Florida Office of Insurance Regulation
- Litigation practices and outcomes of insurance companies
- Percentage of homeowners and condominium unit owners who obtain insurance in the voluntary market and from Citizens Property Insurance Corporation.
- Profitability of the homeowners' and condominium unit owners' lines of insurance in this state.

Recent Articles

Florida agencies 'toothless' in handling condo complaints, enforcers tell lawmakers

Publication: Florida Politics

Author: Jesse Scheckner

Date: November 14th, 2023

Link: Florida agencies 'toothless' in handling condo complaints, enforcers tell lawmakers (floridapolitics.com)

"It's out of control" Condo reform gaining steam in Tallahassee

Publication: Key Biscayne Independent

Author: John Pacenti

Date: November 13th, 2023

Link: ["It's out of control" Condo reform gaining steam in Tallahassee - Key Biscayne Independent \(kbindependent.org\)](http://www.keybiscayneindependent.org)

“Comingling of Funds Questioned”

Publication: Becker

Author: Joseph Adams

Date: November 12th 2023

Link: "Comingling of Funds Questioned" – News-Press (beckerlawyers.com)

This Sunrise Condominium lost its windstorm insurance – so buyers can't get financed.

Publication: South Florida Sun Sentinel

Author: Ron Hurtibise

Date: November 13th 2023

[Link: More and more condos becoming ineligible for mortgage loans \(sun-sentinel.com\)](#)

**If you do not have a subscription to the South Florida Sun Sentinel, please find the attached PDF version of the article.

Recent Video – Florida’s Residential Property Insurance Market

- Please find the video link below of Florida’s Insurance Commissioner, Michael Yaworsky, presenting to the Florida House Insurance & Banking Subcommittee on the state of the marketplace.
- Presentation Topic: Florida’s Residential Property Insurance Market
- Video Link: [10/18/23 House Insurance & Banking Subcommittee - The Florida Channel](https://www.floridahouse.org/committees/housing-and-financial-institutions/insurance-and-banking-subcommittee/10-18-23-house-insurance-and-banking-subcommittee-the-florida-channel)
- *In the video, Florida’s Insurance Commissioner discusses the following topics:*
 - Recent Legislative Reforms.
 - Updating the “Uniform Mitigation Verification Inspection Form” with new building instruments and techniques that have been developed since 2008.
 - Exploring techniques to mitigate against perils beyond wind.
 - New Personal Lines Insurance Companies
 - Citizens Takeouts
 - Breakdown of a rate calculation for a residential homeowners line of business.
 - Performance of Florida Domestic Property Companies.
 - 2023-2024 Reinsurance
 - Property Claims Litigation Report