

Florida Again Acts to Stabilize **Property Insurance Market**

On Dec. 14, Governor Ron DeSantis signed property insurance reform bill SB 2-A into law. Widely touted by the legislature as both “groundbreaking” and “sweeping,” the law is designed to bring long-term stabilization to an increasingly chaotic Florida property insurance market.

This isn’t the first time we’ve reported on the tumultuous Florida property insurance market, nor is it the first time Florida has attempted legislation to bring order to the chaos. Just a scant seven months ago the signing of Senate bills 2D and 4D introduced [property insurance reforms](#) in the state to:

- Clarify options for roof repair and replacement
- Reduce frivolous litigation
- Fund matching grants for home hardening
- Enhance insurer access to the Florida Hurricane Catastrophe Fund (FHCF)

Bill SB 2-A supports those reforms and adds additional regulations that appear largely designed to incentivize insurance companies to continue doing business in Florida, (a long-term plan that legislators say will ultimately benefit Florida property owners).

So why is it necessary for Florida to pass three reform bills in one year? Before we talk about the reforms, it helps to take a quick look at the market situation and the pain points the laws are designed to fix.

CONTACT

To learn more about how Amwins can help you place coverage for your clients, reach out to your local Amwins broker.

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Florida's Chaotic Market

It would be easy to pin Hurricane Ian (current insurance losses are estimated between \$40-\$70 billion) as the reason for more insurance reform, but the [root issues for the capacity crisis](#) in Florida haven't really changed much since we reported on them in June 2022. The resulting insurance pain points, however, have been substantial:

- Six carriers have become insolvent and left the state
- In August, 27 carriers faced financial downgrade
- Commercial rates are at a 20-year high
- Homeowner rates are nearly three times the national average
- Citizens Property Insurance Corp., the state-run private insurance company of last resort, is now the #1 homeowner carrier in Florida
- Florida accounts for 76% of the nation's homeowners' insurance lawsuits but just 9% of all homeowners' insurance claims
- And just one day after this latest legislation was passed, Florida's insurance commissioner David Altmaier resigned from his position as the state's top insurance regulator.

Since there is little that lawmakers can do to change the weather in the region, they have put regulations in place to make Florida a more appealing place for carriers to do business—with a goal to increase the affordability and availability of homeowner insurance.

Florida's Fix – Bill SB-2A

The new law addresses insurance pain points in the state in the following key ways:



Establishes \$5 billion Florida Optional Reinsurance Assistance program

Separate from the Florida Hurricane Catastrophe Fund (FHCF), this taxpayer funded program increases availability of reinsurance and allows eligible carriers to purchase reinsurance coverage at “near market rates.”

- Potentially prevents further carrier insolvency and slows the exodus of carriers from the state.
- More carriers and capacity potentially have a positive effect on rate.



Builds Financial Stability for State-Run Private Insurance

Acting as the #1 homeowner carrier in Florida puts Citizen's Property Insurance Corp. at significant risk for insolvency. The bill aims to decrease risk and incentivize policyholders to move to other insurance by adding the following restrictions:

- If the property is in a flood zone, the homeowner is required to purchase flood insurance (NFIP or other) to be eligible for coverage from Citizen's.
- Citizen's rates must now be both actuarially sound and cannot be competitive with approved rates for voluntary insurers in the admitted market. This amendment will likely result in an acceleration of CPIC annually capped “glide path” rate increase levels, until CPIC attains actuarially sound rate levels. This amendment will also increase CPIC rates for non-primary residence CPIC policyholders by removing the rate “glide path” entirely



Addresses Fraud and Frivolous Litigation

There are several practices in Florida that exacerbated and even encouraged insurance lawsuits. This bill eliminates the following:

- **Assignment of Benefits (AOB).** Policyholders will no longer be allowed to sign over their insurance benefits to a third party, such as a roofer, or a plumber as a means of payment for services. With an AOB, contractors were able to seek payment directly from the policyholder's insurance company.
- **One-way Attorney Fees.** Initially designed as a way to ensure poor homeowners could sue large insurance companies, the practice allowed plaintiff attorneys to collect compensation from the carriers for their fees regardless of the outcome. This led to the filing of many lawsuits due to the misalignment of fiscal incentives in favor of the plaintiff attorney.
- **Restrictions on Binding Arbitration.** Previously, insurers could not include mandatory binding arbitration in their insurance policies. This restriction has been lifted, increasing the likelihood that disputes can be settled faster and at lower cost.



Reduces Timelines for Filing Claims

The law seeks to shorten claim timeframes. New requirements apply to both the insured and the insurer as follows:

- Insureds must submit new or reopened claims within 12 months of the property damage, and they have 18 months to submit a supplemental claim.
- Insurance companies are generally required to adjust claims faster. Key elements of the claim process timeline are now as follows:
 - a) Pay/deny within 60 days
 - b) Review/acknowledge a claim communication within 7 days
 - c) Conduct a physical inspection after a claim (including hurricane claims) within 30 days
 - d) Send the policyholder a copy of the loss adjuster report within 7 days of receipt



How to Help Your Clients Navigate These Changes

This legislature will hopefully bring long-term stability to the Florida property insurance market and be a win-win for insureds and carriers alike. However, in the short-term, it adds another layer of complexity to an already difficult marketplace. Partnering with a wholesale specialist like Amwins can help ensure your clients are protected and have the best coverage and price possible.

Contact your Amwins broker or personal lines underwriter to discuss these developments in more detail and for assistance on specific accounts.

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