

# The Troubled Florida Property Market

By [Kyle Ulrich](#) September 30, 2020

I'm not telling you anything you don't already know...Florida's residential property market is troubled. Whether it be more restrictive underwriting guidelines or a complete ban on new business, FAIA is receiving notification of exposure reduction measures being implemented by homeowners' carriers more and more frequently. The industry's negative financial results over the past couple of years have been driven primarily by spiraling litigation costs associated with Hurricane Irma and non-cat claims. Despite the passage of AOB reform in 2019, the long-term outlook for some carriers is still not very promising. Here are some data points that underscore the severity of the crisis:

- Recently released financial results compiled by Guy Carpenter show that Florida domestic homeowners' carriers reported a total net underwriting loss of \$701 million and negative net income of \$351 million for year-end 2019. In Q2 of 2020, these same carriers posted underwriting losses of \$501 million and negative net income of \$227 million. The data also shows the average net combined ratio for 2019 was 111 percent, and up to 129 percent in the second quarter of 2020! These are obviously trends that cannot continue for the long-term sustainability of the marketplace.
- While the 2019 AOB reform has had a positive impact on the number of AOB lawsuits, carriers continue to be plagued by an extremely high number of lawsuits and litigated claims. Data from July of 2019 to February of 2020 shows that AOB lawsuits have decreased by about 50 percent, but total litigated claims have only decreased by about a third.
- Carriers were flooded with new or reopened Irma claims all the way up to the three-year claims filing deadline on September 13, 2020. While the shorter claims filing deadline is helpful, those claims still have a tail because the statute allows for lawsuits to be filed up to five years from the date of loss. This "loss creep" has had a significant impact on carriers' loss adjustment expenses (LAE) and has been a major contributing factor in reinsurance rate increases.
- Rates are rising steadily. While many carriers are filing for rate increases just under the 15 percent threshold that requires a public hearing, many don't have that luxury. It's not unheard of for carriers to file rate increases in excess of 20 and, sometimes, 30 percent; most are being approved by regulators. While increased rates can mean increased commissions (note: some carriers have recently reduced commission rates), the workload and costs associated with re-writing or re-marketing large portions of a personal lines book is a significant burden for many agents.
- Citizens' policy count is one measure of the health of the market. Since sinkhole reform, Citizens saw significant depopulation and their policy count remained steady for the last two to three years, around 450,000 policies. However, Barry Gilway recently made comments at the Citizens' board meeting that shows Citizens is once again growing rapidly. They are writing about 3,000 net new policies a week and anticipate having a policy count of about 540,000 by the end of 2020, and 640,000 by year-end 2021.

What agents need to know is that this situation is not likely to end anytime soon. Even if (and that's a BIG if) the Florida Legislature passes a very meaningful property insurance reform bill in the 2021 session, the bill likely won't go into effect until July 2021, and will then take another 12–24 months to be incorporated into carriers' rates and forms.

So where do we go from here? It is as important now as it has ever been for agents' voices to be heard. You have an incredible platform to take advantage of when talking to your clients and lawmakers. The better both of those groups understand the state of the market, and what it's going to take to fix it, the better chance the industry has to pass meaningful reform. In order to stay current on the ever-changing marketplace and be a resource to your clients, you should be paying attention to your carriers' informational bulletins, and direction provided by FAIA on legislative changes needed to rebuild a healthy and competitive insurance market in Florida.

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