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## Why Is Homeowners Insurance In Florida Such A Disaster?

[Ed Leefeldt](#)

Updated: Jul 23, 2020, 12:09pm

Award-winning investigative journalist Ed Leefeldt's stories have led to changes in credit card practices, voter registration and disability payments to prisoners.

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In 2007, then Florida Gov. Charlie Crist [placed a note](#) in the historic “Wailing Wall” in Jerusalem where Jews and Christians go to offer up prayers. Crist's note read: “Dear God, please protect our Florida from storms and other difficulties.”

No other state has suffered more from storms and other difficulties.

“Florida is constantly in Mother Nature's crosshairs,” says Don Griffin, who handles research for the American Property Casualty Insurance Association (APCIA). Perched between the steamy waters of the south Atlantic Ocean and the Caribbean Sea, six of the 10 costliest storms in [our nation's history](#) have walloped the Sunshine State. And three of them occurred in just two years—2004 and 2005.

These storms seem to have a preference for the Florida peninsula, dating back to the Great Miami Hurricane of 1926, even before the World Meteorological Organization began to name them. It took the wind out of the sails of Florida's first economic boom.

But then the state bounced back, and now more than three quarters of its 21.5 million residents live in areas near the two coastlines. Six of the top 15 metropolitan areas at risk for storm surge in the U.S.—Miami, Jacksonville, Tampa, Bradenton, Fort Myers and Naples—are all located in the eye of “storm surge,” wind-driven water strong enough to drive homes right off their foundations, according to CoreLogic, which rates potential property damage nationwide.

After the massive losses from the 2004 and 2005 hurricanes, insurance companies such as State Farm—the nation's largest home insurer—notified Florida officials it was scaling back operations and it would stop offering property insurance to residents. Other major insurers followed suit.

## Fewer And Costlier Insurance Options For Floridians

This left Florida homeowners with few options, with the exception of the state-run insurer of last resort, Citizens Property Insurance, or a contingent of small startups mostly backed by private capital.

Some of these startups are now in danger of [losing their credit ratings](#), shrugging off policyholders and—if they're lucky—being taken over by more robust competitors. Their answer: Raise homeowners insurance premiums by around [12% to nearly 40%](#) during the coming year.

A headline in the South Florida Sun Sentinel newspaper summed it up: “Insurance companies set to squeeze even more out of us this storm season.”

## **Other Florida Difficulties**

But that's only part of the story. As Crist noted in his prayer, Florida has “other difficulties.” State regulators say upside-down laws that allow contractors and lawyers to gouge insurers for triple what insurance claims are actually worth in some areas have created a legal sinkhole. And it's threatening to swamp them even during years when there are no storms.

Let's look at the hurricane problem first. Crist's plaintive plea was positively answered for nearly 10 years after 2007. Then Hurricane Irma roared through in 2017, followed by Michael the next year, between them wreaking \$30 billion in damage.

Due to insurance policy rules that allow Florida policyholders up to three years to make a claim, it took more than a year for what insurers call the “loss creep” to start catching up.

Florida homeowners insurance rate increase filings with the state's insurance department started pouring in last fall and regulators couldn't deny them. Florida insurers saw a profit of almost \$800 million in 2014 dwindle to a net loss of \$340 million in 2019, according to Citizens CEO Barry Gilway.

## **Non-Renewal Notices Flood The Market**

Then non-renewal notices for Florida home insurance policyholders most at risk started to arrive.

Many insurance agents with clients' whose coverage was terminated scrambled to find substitutes. But Florida property owners with \$300,000 to \$399,999 in coverage pay an average of \$2,350, compared to the national average of \$1,252 for the same amount of insurance, according to the National Association of Insurance Commissioners.

“It's also important to know that most homeowners' insurance policies do not include flood insurance,” warns state Insurance Commissioner David Altmaier. Flood insurance can easily add another \$1,500 to the bill, according to quotes from websites that sell it.

And some homeowners may not be able to purchase insurance at all, except from the state.

“In Orlando if a house predates 2010 and is worth less than \$300,000, no company is going to write [insurance for] you,” warned Locke Burt, CEO of Security First Insurance Co. in a June 2020 [Sun Sentinel article](#).

Florida's current and unconventional insurance structure is based on "reinsurance," which protects insurers from major catastrophe losses like hurricanes. Its property insurers—many of which came into existence after the 2004-2005 calamities—don't possess a lot of capital to pay claims the way major insurers that have left, or trimmed down coverage, can.

Instead, these insurers rely on private capital like hedge funds that put up billions of dollars, gambling that hurricanes won't happen so often that they'll lose money. But if they do, they'll raise their rates. And reinsurers in Florida are predicting they'll be raising their rates 25% to 45%, according to Artemis.

Florida home insurance companies will need to pass that increase along to homeowners in order to get their reinsurance coverage.

## **“Degenerated Into a Racket”**

But hurricanes are only one calamity. And during the years when there weren't any, insurers still suffered from a tsunami of lawsuits. The Florida legal landscape is set up to benefit the policyholders forced to file claims against insurers. But state officials say the laws went too far.

One of these laws is the "assignment of benefits," or AOB. This law allows a homeowner with any kind of ordinary property claim—like a leaky air conditioner on the roof that damaged the house while the occupants were away—to turn the insurance claim over to a contractor instead of negotiating a settlement with the insurer. Here's [more about AOB](#) from Citizens Property Insurance.

Not surprisingly, the cost of these claims almost tripled in South Florida as contractors took the ball and ran with it, according to the Florida Consumer Protection Coalition.

And according to James Graganella, CEO of Capitol Preferred Insurance Co., another domestic state insurer, the number of lawsuits rose more than 700% from 2016 to 2019.

AOB "has really degenerated into a racket," said Florida Gov. Ron DeSantis last year, calling on lawmakers to pass reforms.

## **“Plug The Dike, Another Leak Appears”**

The state did pass an assignment of benefit "reform package" in the Spring of 2019 intended to curb the AOB abuse. But critics doubt it will help much, since the state's major law firms are profiting from it.

"Every time the industry, legislators and regulators plug the dike, another leak appears," says Lynne McChristian, director of insurance research at the University of Illinois.

And what's even worse for insurers is another state law known as ["one way attorney fees."](#) Its intention is to shield policyholders from legal bills if they want to sue insurers for failure to pay

or lowball claims. But coupled with AOB, it's become a bonanza for both contractors and lawyers, according to spokesperson Mark Friedlander of the Insurance Information Institute in Florida, which represents property insurers.

Contractors can file massive insurance claims lawsuits, since they won't be on the hook for any legal costs, and lawyers can continuously add to their fees until the insurer settles. Even if the insurance company wins in court, the legal fees can wind up costing more than the win was worth.

Friedlander said that a tort reform package failed in the 2020 legislature.

## The Florida Home Insurance Policyholder Almost Always Pays

The cost of claims is eventually, and almost always, passed along to the Florida home insurance customer. And it's not over yet. Ross Nottingham, the chair of North America for Hiscox Reinsurance, [warns that](#) the big premium increases reinsurers are getting "could potentially be canceled out by the true cost of risk in Florida." This includes rising claims payments due to the "loss creep as a direct result of claims fraud."

And to add insult to injury, critics charge that Florida home insurance companies [now hide their financial woes](#) by labeling them "trade secrets," even though the data is passed along to rating agencies like Demotech, which has downgraded some. According to the Sun Sentinel, among the data they're hiding is how many policies are in effect, how much is paid out in claims, and any allegations of illegal activity.

Data on average premiums is available from the [National Association of Insurance Commissioners](#) in its homeowners insurance report. And the Florida insurance department provides a [rate comparison tool](#) that can help homeowners locate cheaper companies.

## Largest Homeowners Insurance Companies in Florida

Rank in Florida	Company	Market share % in Florida
1	Universal Insurance Holdings	9.82
2	State Farm	6.37
3	Tower Hill	5.76
4	Citizens Property Insurance Corp.	5.16
5	USAA	3.95
6	FEDNAT	3.89
7	UPC Insurance	3.84
8	Progressive	3.71
9	Heritage Insurance	3.69

<b>Rank in Florida</b>	<b>Company</b>	<b>Market share % in Florida</b>
10	Security First Insurance Co.	3.5
11	Florida Peninsula Holdings	3.23
12	HCI Group Inc.	3.16
13	St. Johns Insurance Co.	3.13
14	Chubb	2.99
15	First Protective Insurance Co.	2.94
16	AIG	2.67
17	American Integrity Insurance Co. of Florida	2.55
18	People's Trust Insurance Co.	1.72
19	Olympus Insurance Co.	1.7
20	Allstate	1.6
21	Liberty Mutual	1.22
22	Southern Farm Bureau Casualty	1.22
23	Capitol Preferred Insurance Co	1.22
24	Markel	1.2
25	American Traditions Insurance Co.	1.16

*Source: S&P Global Market Intelligence, based on 2019 market share in Florida*



Award-winning investigative journalist Ed Leefeldt's stories have led to changes in credit card practices, voter registration and disability payments to prisoners. He has written multiple cover stories, hard-hitting features and executive profiles for major media outlets, and is the author of *The Woman Who Rode the Wind*, a novel about early flight.