‘See the attached recent order awarding $725.00 per hour with a 1.8 multiplier on a Hurricane Irma denial. I have twice the experience and three times the trial experience as Ben Alvarez. Please advise your carrier that these are the fees they will pay us, if not more, if they want to keep litigating Hurricane Irma cases.’

—Attorney Joseph W. Ligman in email sent to insurance defense firms

FLORIDA’S P&C INSURANCE MARKET:

Spiraling Toward Collapse

Guy Fraker,
cre8tfutures Advisory
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Stakeholders & Objectivity

The beginning is an ideal time to reinforce a very important point that the primary challenge in adequately describing the scope, scale, and momentum of Florida's financial sector downward spiral is being objective without placing blame.

Upon understanding just how far off the rails Florida's property and casualty (P&C) insurance market has traveled, an understandable reaction is to look for villains in need of cuffs and a perp walk. To be explicitly clear, Florida's P&C market did not come about at the hands of any such villains. Moving forward through the 2021, and 2022, legislative sessions will provide ample opportunity for transparency as influencers and decision makers could emerge in polar opposition to consumer's best interest, and Florida's economic growth. However, additional commentary in this regard is out of scope, and detrimentally presumptuous. With regard to the key stakeholder groups within Florida's P&C insurance economy:

- **Insureds**: Florida's population of 6.5M property owning consumers.
- **Primary and Reinsurance Insurance Entities**: Florida relies heavily on "Florida based" or "Florida Domestic" insurers experienced at successfully navigating historic disasters. A review of 4 recent hurricanes reveals carriers closing 89% to 92% of all storm related (Cat) claims within 1 year and operate with a policyholder loyalty measure above 90%. Reinsurers provide consumers with an additional layer of protection by insuring the insurance companies.
- **Plaintiff Attorneys and Service Providers (building trades**): These are professionals, highly competent in their craft, and successful as entrepreneurs. These stakeholders have been placed together due to their relatively high degree of collaboration. Both also share exceptional skills at leveraging governing rules to their advantage.
- **Legislators:** Over a period measured in decades, Florida legislators have enacted unrelated statutes, with the best of intentions. Subsequent unintended consequences include significantly negative impacts upon the state's P&C consumers, insurers, investors, and reinsurers. Legislators will determine how the future impacts their property- owning constituent's.
- **Ratings Agencies and Regulators:** These stakeholders face the most difficult balancing act. Collectively, they are responsible for market conduct, complete financial examinations, and act as advisors. In Florida's market, these activities have to be balanced against the top priority of maintaining adequate and affordable insurance capacity in the market.
- **State Chartered Insurance Entities**: Consumers in Florida have experienced a loss of availability to property insurance in the past. In order to make sure insurance is available to consumers Florida legislators chartered a residual market carrier, Citizens Property Insurance Company (CPIC). The term "residual" simply means when no other insurance company is available, the "insurer of last resort" will be available. All catastrophe prone states have similar organizations. Additionally, Florida has a state-chartered reinsurance entity, the Florida Hurricane Cat Fund (FHCF).

Before going further, a brief review of key insurance terms and financial metrics will help deepen understanding of the balance of the report. Primer on Basic Insurance Carrier Financials

- **Combined Ratio**: Measures the money flowing out of an insurance company. The combined ratio is usually expressed as a percentage. A ratio below 100% indicates that the company is making an underwriting profit, while a ratio above 100% means that it is paying out more money in claims that it is receiving from premiums.
- **Loss damage payments**: Payments to insureds.
- **Loss Adjustment Expenses (LAE) / Direct Defense Costs (DDC)**: Expenses associated with paying those damages known as. Insurance litigation, including plaintiff attorney fees, are split between LAE

and DCC.

- **Underwriting Gain/Loss**: This is a measure of premium against claims without consideration of expenses. In short, if positive, then the premium charges paid by customers are appropriate. If this figure is negative, then rates are inadequate.
- **Net Income**: A company's total earnings calculated by subtracting total expenses from total revenues. If the number is a positive, there is profit. If the number is a negative, there is a loss.
- **Surplus:** Cutting through all the jargon, this metric is essentially an insurer's net worth.

Florida P&C Market Analysis Summary Findings

The analysis provided in this report was commissioned on behalf of Florida citizens, and Florida's economy to meet 2 objectives:

1. Determine the validity of a perceived P&C market crisis and if proven, determine the root causes.
2. Define viable public policy solutions in order to provide residential property owners in Florida with reliable, available, affordable, and adequate P&C insurance to meet their needs, while also returning the P&C sector to a viable growth sector benefiting Florida's economy.

Re Objective 1: As an unintended consequence of Florida multiple legislative acts and Fl Supreme Court Decisions, litigation practices have placed Florida's P&C market in a state of crisis re viability, accelerating towards collapse, at the expense of Floridian's financial security.

Florida's residential P&C insurance marketplace faces a convergence of existential threats in the form of increasingly unpredictable claims litigation, from rising costs of risk capital and from its persistently high exposure to natural catastrophe risks. Targeted legislative reforms are needed in order to preserve the insurance industry's viability while serving property owning Floridians and Florida's economy.

1. Florida's P&C market is in a free-fall collapse, as in not viable, requiring multiple legislative solutions from this 2021 session.
2. The warning signs of a meltdown are often hidden by layers of complexity, and equally often, result from a collection of bad actors. Understanding Florida's P&C downward spiral of unsustainability does not require slogging through mind numbing complexity, nor reflects an intentional strategy of any stakeholder group. Each sector has well known bad actors, but they are outliers, not drivers. The future will provide ample opportunity for each sector to exert influence in protection, or to the detriment, of Floridians. The enormity of the crisis will bring significant transparency to the motivations for all involved.
3. Climate based catastrophic losses are no longer the top systemic threat to Florida's residential P&C market. Florida statutes and past state Supreme Court decisions have nurtured and protected an unprecedented litigation burden that is unequivocally bringing down a vital financial sector at the expense of Florida citizens in multiple layers.

For Florida's P&C insurance companies also known as insurers or carriers, the cost of providing residential P&C insurance protection is 36% more per year than carriers providing the same insurance products in every other catastrophe prone state in the country. To be clear, this is 36% of the total P&C written premium in Florida is $12.5B. This cost difference, incurred exclusively by Florida's carriers, exceeds $4.5B See Charts 1 & Graphs 1 & 2. The annual growth rate of this cost differential is currently 25.6%, which will continue absent intervening reform legislation. In order to avoid passing this entire cost differential on to Floridians, carriers continuously file rate, coverage, and underwriting changes with the Office of Insurance Regulation (OIR). While admirable, Table 3 indicates market failure can only be averted through legislative solutions. Key financials, with litigation volume for Florida's domestic carriers is provided on pages 11 and 12 for reference.

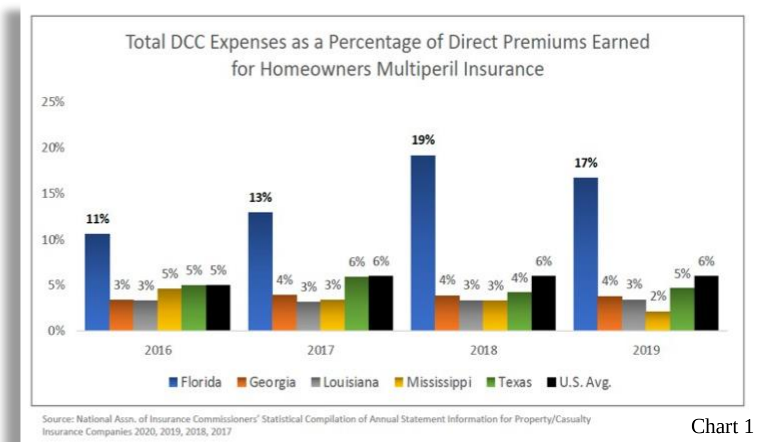
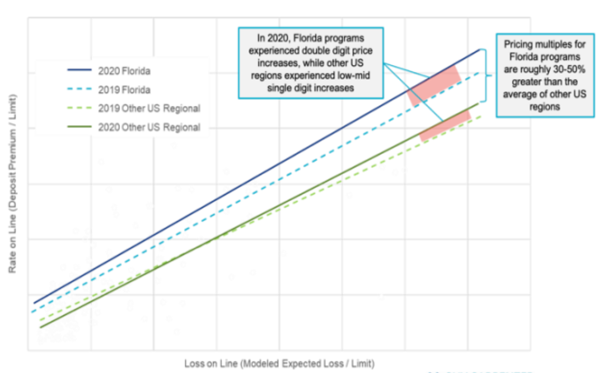
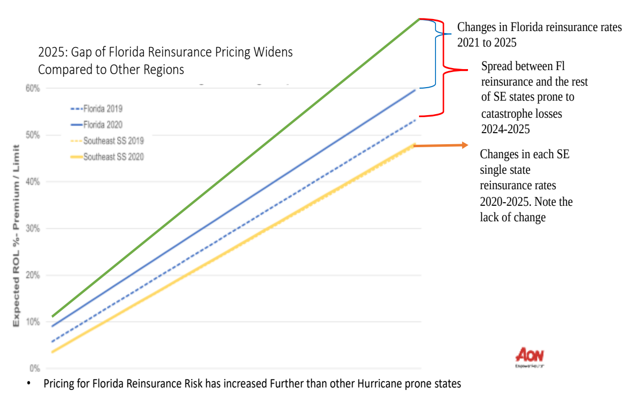


Chart 1



Graph 1



Graph 2

In order to provide additional clarity as to scale and depth of dispute driven disruption, think of the litigation costs to insurers as ultimately a tax upon Florida's property owners they don't know exists, much less had the opportunity to approve through any form of democratic process. In 2019, using this analogy, this hidden tax averaged $487.00 per family, and is growing annually by 25.6%. Understand this proxy for an additional tax generates zero community, county, or state benefits because these billions are diverted away from Florida's economy. However, this significant economic activity does include a rather unusual exchange. While public policies sanction the collection, and redistribution of these funds away from consumers and the state, Florida in turn accepts an annual growth of financial exposure to what catastrophe modelers refer to as the 1 in 100 year storm event, or $200B, catastrophe loss.

In a twist that defies economic and financial best practices, Florida legislators are accepting greater and greater responsibility of an inevitable unprecedented financial catastrophe while simultaneously enabling Florida plaintiff attorneys, to redistribute billions away from Florida's citizens, insurance company shareholders, those employed by P&C carriers, and thus Florida's overall economy. Think of Florida's 5.8M policyholders paying $487.00 **annually** into a fund owned by fewer than 2000 stakeholders. Meanwhile, the State is accepting the consequential growth in risk exposure at no cost, simply for the opportunity to be the broker.

2019 CARRIERS BY LARGEST NET LOSSES						
COMPANY	UNDERWRITING Gain/Loss	NET INCOME/ Loss	COMBINED Ratio	Lawsuits 2017	2018	2019
Universal P&C Insurance Co.	(81,910)	(50,169)	108.6	2,814	3,945	4,342
Privilege Underwriters Recpl	(55,795)	(29,879)	121.0	6	7	8
Capitol Preferred Insurance Co**	(27,902)	(25,738)	138.3	164	227	337
Heritage P&C Insurance Co.	(38,844)	(23,453)	111.5	2,127	2,693	3,675
Southern Fidelity Insurance Co	(26,237)	(22,617)	122.9	446	733	949
Anchor P&C Insurance Co.***	(22,982)	(22,194)	219.0	705	864	1,180
	(29,164)	(22,111)				
United P&C Insurance Co.	(35,544)	(20,828)	112.7	859	1,195	1,405
American Strategic Ins Corp.	(66,146)	(19,408)	103.5	148	199	288
FedNat Insurance Co.	(38,816)	(18,174)	109.6	781	971	1,261

Table 1

Financial results, such as those found in Table 1 support two compelling conclusions:

1. Florida's insurance carriers cannot pass on 100% of this expense differential from states with similar storm risks to insured Floridians who own over 6 million properties. Furthermore, the annual compounding growth of these unique litigation expense loads translates into a perpetual lack of rate adequacy. To be explicit, these facts and circumstances mean the P&C insurance sector in Florida is no longer sustainable. A conclusion confirmed in the most recent Dowling Report, "There just isn't enough money in the system." (CITE)

2. The significant growth of expenses resulted in rate increases, ranging from 25% to 33% throughout 2020. These higher rates require 1 full year to eighteen months before being fully converted into usable revenue. However, while carriers are earning revenue at the new rates, the annual growth rate of litigation costs continues unabated. To provide additional clarity, consider once again, owners of Florida properties paid $487 per year more than insureds who reside across state lines to neighboring states in 2019. By the close of 2020, Florida families paid closer to $651.00 in higher premiums per dwelling, and in 2021 the rate differential is projected to grow to approximately $866. Therefore, despite these rate increases, growth of litigation frequency, severity and uncertainty, combined with the impact upon reinsurance premiums from these litigation trends, means Florida's carriers are accelerating towards market failure.

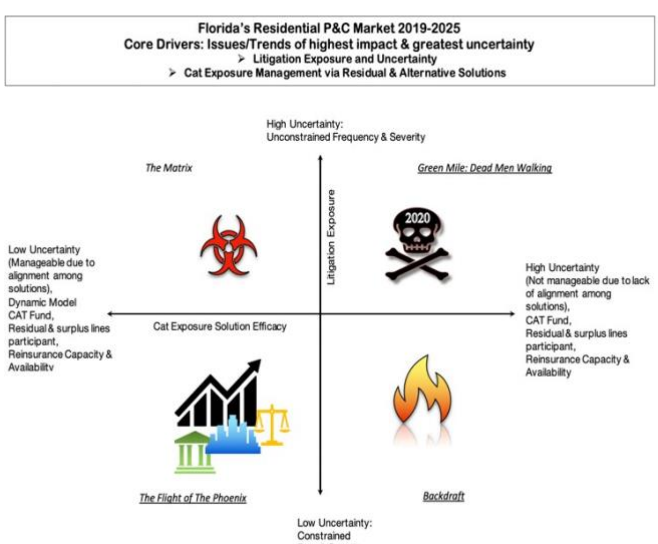
Without intervening public policy solutions, the residential property insurance marketplace will experience failure. Negative trends in combined ratios, surplus shrinkage, and net losses are just a sampling of the metrics moving in unison away from sustainability. Market conditions will force insurance company closures, adverse investment terms, investor lawsuits, market exits, job loss, and further consolidations. All of these changes will then result in the State and its taxpayers facing fewer choices, even higher premiums, while also bearing the cost of funding catastrophe recovery after growing the states exposure. Without addressing the challenges to insurer viability, other economic challenges to Florida become magnified and prolonged such as recovering from Covid-19.

2013- 2020 The Economic Drain Of Insurance Litigation

Number of Lawsuits Filed		
Company	2020	2013-2020 Totals
Totals	60328	388,636
Average Litigation Severity	$ 47,350	$ 35,094
Total Est Fees @ 71% Of Total	$ 1,977,591,761	$ 10,802,913,236
Total Defense @ 21% Of Total	$ 584,921,507	$ 3,195,227,859
Indemnity Total @ 8%	$ 228,520,437	$ 1,254,308,820
TOTALS	$ 2,791,033,704	$ 15,252,449,915

Graph 9

Introduction of Core Concepts, Methods, Terms



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Getting a Handle on the Job to Be Done
""Job" is shorthand for what an individual really seeks to accomplish in a given circumstance." "Jobs… have powerful social and emotional dimensions. "

"The circumstances are more important than customer characteristics, product attributes, new technologies, or trends." Good solutions "solve problems that formerly had only inadequate solutions—or no solution."

__Know Your Customers' "Jobs to Be Done"__
Clayton M. Christensen, Taddy Hall, Karen Dillon, and David S. Duncan
REPRINT R1609D PUBLISHED IN HBR SEPTEMBER 2016

"Scenario planning distinguishes itself from other more traditional approaches to strategic planning through its explicit approach towards ambiguity and uncertainty in the strategic question."

__Scenarios__
Kees Van Der Heijden

The P&C insurance business model is recognized for complexity. Complexity grows exponentially operating in a market plagued by catastrophic hurricane losses. However, analyzing Florida's P&C market, requires inclusion of yet another layer of complexity from a matrix of insurance-based legislative actions and state Supreme Court decisions. Deconstructing such a vast array of moving parts in order to provide an accurate, understandable, actionable, and objective diagnostic, requires a collection of research and problem-solving best practices. Therefore, an explanation of these tools is of particular importance, in order to understand the dire nature of the market.

First, and among the most important concepts to understand is the historic core mission of insurance (see Box 1). This is important to the overall analysis for multiple reasons. First, think of the insurance industry's core mission or what can be termed, "the primary reason for being" as an insurance company. Failure to fulfill the most fundamental objectives, upon which the entire industry has operated for a millennium, means an insurer will first attempt to adapt, only to eventually fail as a viable entity. Secondly, by focusing on these core missions, much of the distracting complexity of P&C insurance is eliminated. reducing the complexity of P&C insurance down to mission(s) of insurance cuts through complexities that block clarity, resulting in an analysis focused on the beneficiaries of reliable, available, adequate, and affordable insurance: consumers and the economy.

The insurance industry operates throughout the world to fulfill two essential core missions:

1. Enable consumers to recover from the unexpected loss, which leads to economic growth by enabling consumer spending.

2. The availability and affordability of adequate coverage from a reliable insurance market results in the democratization of access to goods and services. By fulfilling this mission, a higher level of essential transactions operates efficiently such as real estate markets, small businesses financing, job creation, collateral is secured, and efficient consumer credit is enabled.

Box 1

Finally, as a by-product of successfully fulfilling the mission, the insurance industry fills a role that is just as important to local economies as any utility, energy source, technology, intelligence service, and defense capability. The second essential concept to understand is the role insurance plays in an economy as one of several sectors labeled essential and critical infrastructure. As insurance companies meet the obligations of the mission, they further enable the economic health of the markets by efficiently organizing cash flow through every local economy they serve. Premiums are the primary source of revenues, which organizes incoming cash flow from millions of households. These revenues are then distributed back into local economies in the form of salaries, premium taxes, property taxes, and claim payments. Claim related payments go to their insureds, building contractors, and other service providers

The total flow back into the economy is measured as a percentage of revenues, using a metric known as the combined ratio. An insurer operating with a combined ratio of 100%, means the insurer is returning 100% of earnings back to the communities they serve. The combined ratio is critical to understanding a singular fact. <u>A thriving insurer serves macro-economic interests, protects consumers, while operating on the thinnest of margins.</u>

Focusing on claim payments with greater granularity, payments include loss damage payments, and the expenses associated with paying those damages known as Loss Adjustment Expenses (LAE) and Direct Defense Costs (DDC). Insurance litigation related expenses are split between LAE and DCC. As Chart 1 shows, LAE and DDC expenses are typically 4% of revenues in every hurricane prone state, except Florida where these expenses have grown to 19%. In general, a combined ratio below 110% reflects a stable insurer. However, a combined ratio above 110% is generally indicative of an insurer facing some challenges. Insurers with back-to-back combined ratios in excess of 130% are either fending off, or actually in, crisis mode.

Next, organizing information requires specific diagnostic and problem-solving best practices. These tools originated from diverse disciplines, but all share 2 critical attributes. First each was originally developed as a solution for very complex problems. Secondly each is designed to drive focus and eliminate data and opinion noise. Finally, all three primary tools, are processes that include powerful communication guidelines for reporting findings

The first of these tools, "Boundary Setting" is the creation of world renown Harvard academic, author and entrepreneur, Dr. Clayton Christensen, founder of the advisory firm Innosight. Clayton understood deconstructing remarkably complex ecosystems rarely generated viable improvements simply because complexity would cloud clarity and prevent an effective prioritization of issues. At the time he authored "The Innovators Dilemma", no practical method existed to effectively organize complexity and chaos into a short list of actionable priorities. Boundary Setting achieved this objective by essentially eliminating relevant, but neither actionable, nor priority, moving parts within a problem.

Remaining issues are then categorized in order to form constraints, or boundaries, which are required to retain focus. This methodology is vital to avoid distractions magnified by complexity.

Boundaries guiding the prioritization of P&C Public Policy reforms:

- Must generate the outcomes needed to enable the core missions of P&C sector:
    - Protect consumers
    - Enable economic growth.
- Will be guided by existing statutes enacted in other catastrophe prone markets.
- Will <u>*not be*</u> constrained by previous legislative efforts, nor pre-session political rhetoric
- Will consider current Florida statutes governing P&C insurance.
- Must hold compounding benefits as a collection, while also being effective as stand-alone measures.

Box 2

Specific to this analysis, boundaries are used to retain focus on the great citizens of Florida as the constituency in need of reliable, available, affordable, and adequate insurance. The boundaries established to complete this market analysis are also the criteria for legislative recommendations.

A November 2019 Harvard Business Review article provides an excellent concise case re the application of constraints. "Interdisciplinary projects often benefit from clearly defined process constraints to govern communication and coordination." For "projects requiring both breakthrough thinking and cross disciplinary collaboration, managers can balance and orchestrate constraints by loosening input and output constraints while tightening the process constraints."

Why Constraints Are Good for Innovation
by Oguz A. Acar, Murat Tarakci, and Daan van Knippenberg
November 22, 2019

The second tool is known as the Job to Be Done, or J2BD. The J2BD is both a rigorous research methodology and means of surfacing solutions with the highest probability of achieving a significantly positive impact in service of an identified constituency. This methodology was initially developed by the world class design firm, IDEO. Given the landmark success enjoyed by IDEO's clients, the methodology was quickly adopted throughout the Venture Capital sector as a means of stress testing pitched concepts. An actionable J2BD has 3 parts of equal importance described in Table 2. Each component is developed independently, then subsequently combined into a single practical description of representing a compelling opportunity. Table 3 represents the job(s) to be done by the recommended legislative reforms as an output from analysis of the P&C market in Florida.

A consumer, constituency, group	A problem, opportunity that will matter	A solution to solve the problem for this group

Table 2

For the purposes of this analysis, the Job(s) to Be Done are provided in Table 3

Owners of 6.5M residential properties in Florida	Require reliable, available, adequate, and affordable P&C insurance coverages	including the opportunity to resolve disputes directly with their insurer efficiently to their mutual satisfaction
Florida's economy and consumers will benefit from	A thriving P&C insurance sector to enable economic growth, to enable investor confidence, and to avoid being overly exposed to catastrophic litigation	by enacting legislative solutions that provide both consumer protections while returning Florida to a desired, competitive, and adequately capitalized P&C market.

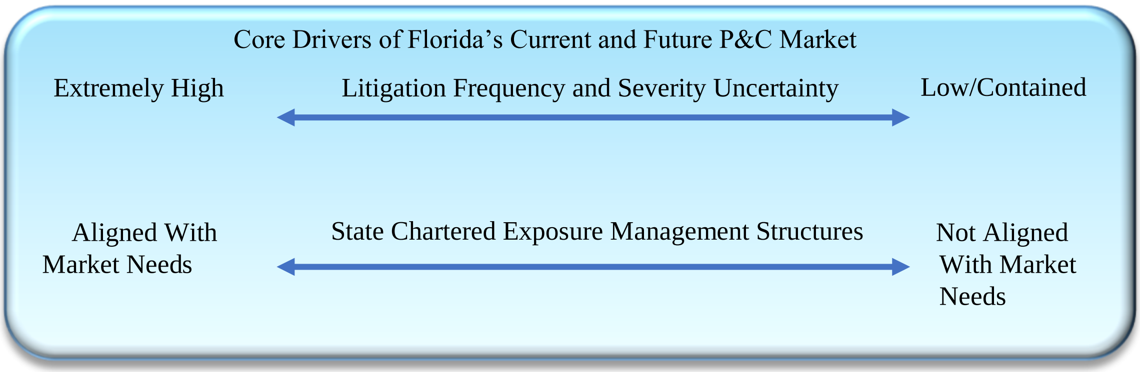
Table 3

The third and final tool, Scenario Planning, was created by the strategic planning team within Royal Dutch Schell, specifically Dr. Peter Schwartz and Dr. Kees Van Der Heijden. Scenario Planning is particularly effective when circumstances include multiple layers of complexity such as Florida's P&C market. This is also a tool ideally suited when multiple, well defined stakeholder groups share an ecosystem but with competing (conflicting) interests. Finally, scenarios developed from in-depth research comprise the most effective simulation tool to stress test recommended actions, create clarity as to outcomes from inaction, and identify unintended consequences. Within the insurance industry a surprisingly common consequence of deploying solutions without simulations and stress testing is the frequency with which solutions fail to achieve expected outcomes.

The method of scenario planning begins with a future based question, or statement, describing an ideal outcome, followed by initiating a broad scan in order to identify as many relevant data points as possible. For example, determining the state of Florida's P&C market began with an initial scan that included

1. Gathering a lexicon of key words and phrases, then tracking how often those were read, used in interviews, spoken during zoom calls, quarterly earnings calls, and board meetings.
2. Digesting thousands of pages of documentation, including reports available from Florida Office of Insurance Regulation (OIR) and Office of The Chief Financial Officer/Florida Department of Financial Services.
3. Completing statutory research from every market prone to catastrophic losses,
4. Observing investor calls, as well as quarterly earnings reports,
5. Analyzing insurer litigation from 2016-2020,
6. Reviewing briefs and outputs from 415 legal actions
7. Reviewing Circuit Court, Appellate Court and State Supreme Court decisions from 5 states, State Supreme Court rulings, SCOTUS decisions,
8. Interviewed various regulators from Florida, Texas, Louisiana, California, Mississippi, U.S. Treasury, and NAIC.
9. 92 hours of interviews and discussions with insurance executives, lobbyist/advocates, plaintiff counsel firms, defense counsel firms, building contractors, consumer advocates, marketing team members employed by roofing contractors, multiple ratings agencies, PE investors, Reinsurers, and climate scientist

Upon completion of this initial scan, the data points were grouped by topics then prioritized using the boundaries previously described. Finally, the prioritized groupings are reduced to two core drivers. Core drivers are the two issues, topics, or trends determined to be having making the greatest impact upon Florida's P&C market while also holding the greatest degree of uncertainty.



Box 3

One outcome from these two core drivers is the emergence of a new insurance litigation construct that is central to understanding the reinforcing cycle downward in negative financial trends, Litigation Probable Maximum Loss (LPML). Similar to the Probable Maximum Loss (PML), as the standard in modeling catastrophic storm damage, the LPML forecasts the range of litigation frequency and severity from thousands of insurance litigation data points extracted from the period of 2016-2020. Output from forecasting litigation costs through this construct is an assessment of litigation frequency and severity uncertainty which is significantly influencing reinsurance rates in Florida which then becomes a cost burden affecting Florida's domestic carriers, and ultimately for Florida consumers. Chart 3 provides an example of the need for Litigation forecasting, while simultaneously highlighting the practical challenge of producing reliable forecasts. Keep in mind, the range of fees as a percent of damages listed in the chart came from litigated damage settlements, both adjudicated in trial and those resolved in pre-trial settlement negotiations. In short Florida puts priority status upon plaintiff attorneys by allowing full resolution at the conclusion of separate fee hearings, empowered by Section [627.428, Florida Statutes]

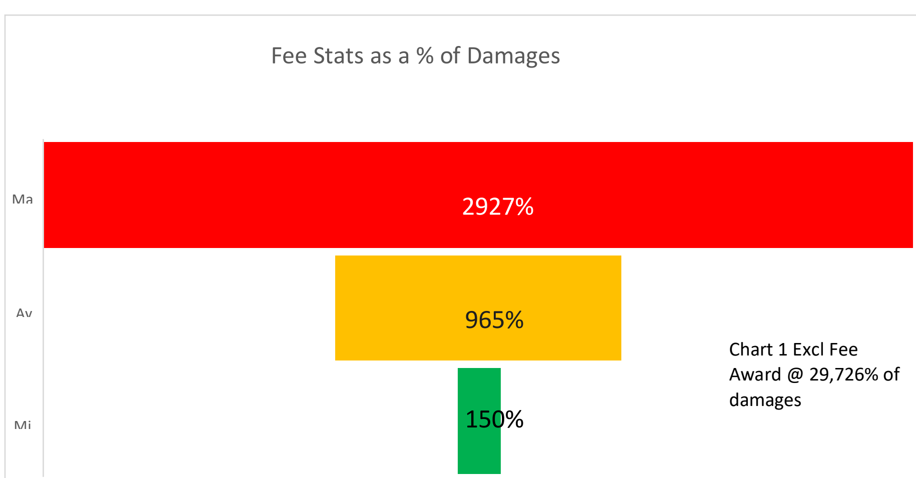


Chart 3

"Key drivers of losses: (i) Fraud, and Florida's one-way attorney fee statute (insurer pays if settlement is $1 more), (ii) Assignment of Benefits, which is not fully resolved despite legislation passed in 2019 and (iii) 3 year-anniversary of Hurricane Irma / deadline to file a claim (adverse PYD)."

Dowling Report, 12/2020

The Perfect Storm to Destroy Value in P&C Insurance

"Florida's property insurance market is one of the most expensive in the nation, but not solely because of natural risks faced by Floridians. Instead, Florida's legal framework has created artificial risks that increase the cost of insurance. Reform in areas such as attorney-fee multipliers is desperately needed."

Wade Stier, Guy Carpenter's Tampa Branch Manager

cre8tfutures@icloud.com

Cre8tFutures

Florida's P&C carriers have developed the means and mechanisms to provide dwelling and property insurance protection in the market arguably that is the most challenged by super-scale catastrophe events. However, navigating through these challenges requires operating with very narrow margins of error.

In certain aspects, the property & casualty insurance industry is like a nuclear power facility. Both operate to provide essential services to consumers and an economy. Both are generally known for extensive complexity, significant layers of regulation, and employ highly technical workforces. While built to be resilient, both still come with relatively narrow margins of error. The nuclear plant relies on a system of redundant containment measures to prevent disaster, as does the property & casualty insurance industry. For the insurance industry, these containment measures reside within the actuarial sciences, the analysis of loss event frequency and severity, regulatory constraints, and contract law. In a nuclear powerplant, should containment measures fail, the obvious result can be a catastrophic uncontrolled chain reaction.

'The combination of growing litigation expense, litigation uncertainty, with storm uncertainty makes Florida's P&C market distinct from any other U.S. market. We hear you are asking us for some definition of adequate capitalization for a Florida insurance carrier. As far as we know that number hasn't been part of any realistic analysis because it cannot be calculated given layers of uncertainty all trending away from viability.'

– Florida Team within a Leading Analyst Group

Should containment measures of frequency, severity, and extreme uncertainty be removed from a P&C market, a slower, but just as inevitably disastrous chain reaction occurs. The results include destroying the sustainability of affected insurers, as well as, inadequate and/or unavailable coverage damaging consumers, investors, and economies.

The current state of the P&C market is preventing them from fulfilling the most fundamental missions by a perfect storm of unrelated public policies. See Diagram 1. As the flow indicates in the diagram, the combination of these policies and court decisions represents an ideal combination for significant financial exploitation. The volume of claims following each major storm became the fuel and the architecture for an economic engine distinct to Florida generally referred to as "Litigation."

Claim Frequency

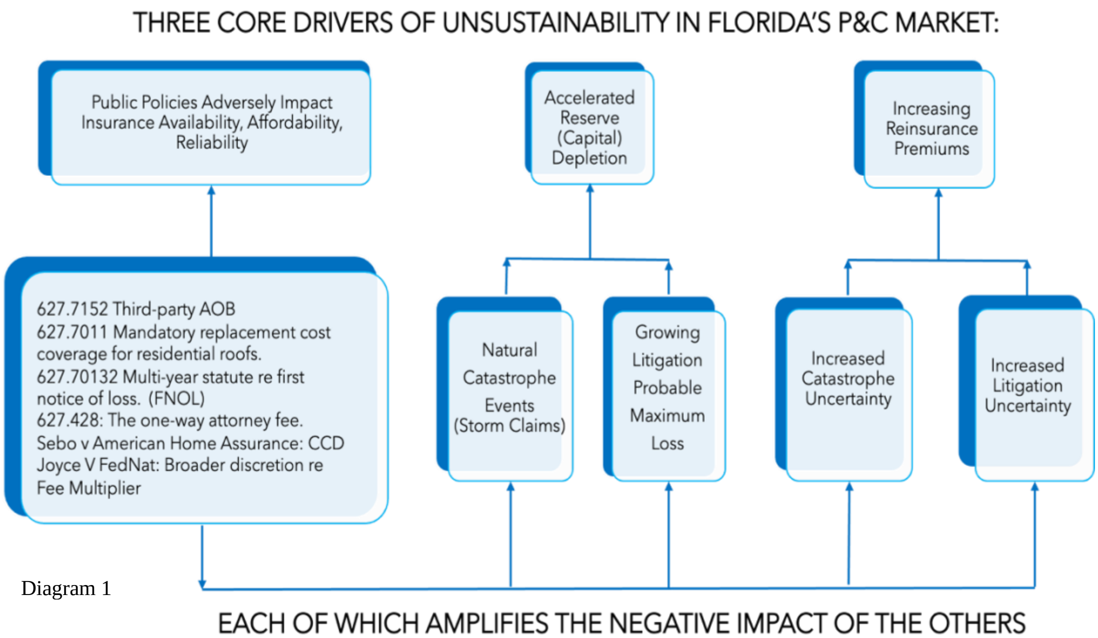


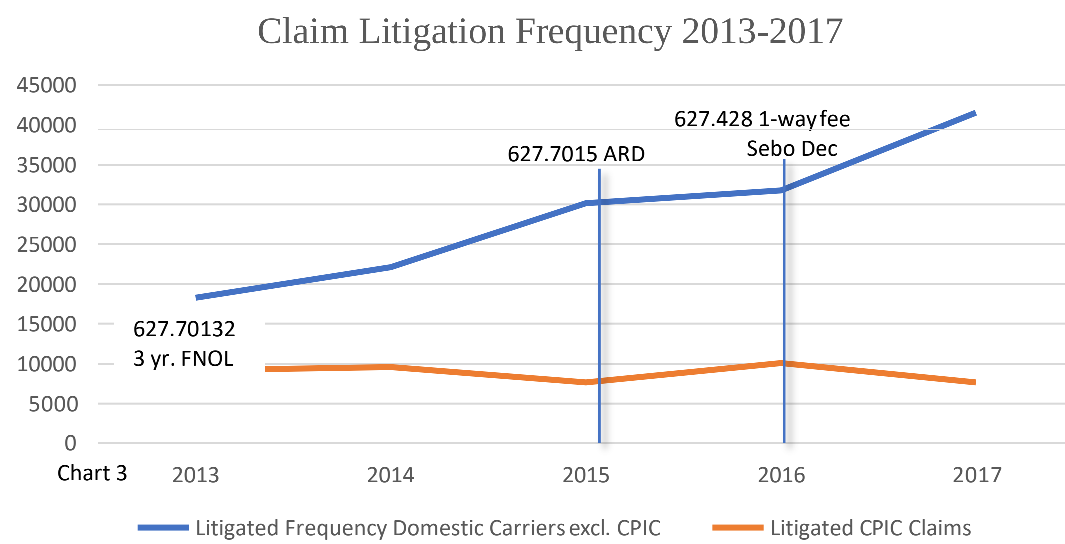
Diagram 1

Florida's P&C litigation economy may be rooted in hurricane recovery. However, like every emergent economy, the State's litigation economy required nurturing and protections in order to become established. Yet, unlike an economic system balanced by governance relevant to all stakeholders, Florida's litigation economy operates almost entirely at the expense of insurers, then ultimately the State's economy and resident consumers. As a result, the value of corporations, the value of jobs, and spendable consumer income is either destroyed or greatly degraded. For those seeking a single reform to turn this market around, such an answer does not exist. However, the next best alternative is a total reversal of the 627.428, with language codifying Justice Scalia's opinion re" Rare and Exceptional" with respect to attorney fee enhancements, given incremental rebalancing from the 2019 AOB reform (FS 627.7153).

Florida's residential P&C challenges began in 2003 with Section 627.7011, FS mandating insurers settle claims on the basis of full replacement cost without holding back depreciation. This statute was amended on several subsequent years, the last of which was enacted in 2011. Coincidentally, 2011 was also the year Section 627.70132, FS was signed, providing insureds with a 3-year window of opportunity to file a first notice of loss (FNOL) following a loss. However, long term systemic challenges launched with the Florida Supreme Court decision of Sebo v American Home Assurance which codified Concurrent Causation Doctrine (CCD). CCD permits a covered cause of loss (such as wind) to combine with damage caused by non-covered cause of loss. The Sebo decision acted as an incubator for scaled contention. One unintended consequence from Sebo was the introduction of a significant moral hazard into the P&C market. The Florida Supreme Court decision institutionalized an incentive for Florida homeowners to defer roof maintenance and replacements until a future storm comes along.

Combined with previously enacted 627.70132 insureds, roofing contractors and plaintiff attorneys leverage a 3-year time window to initiate claims and disputes.

Chart 3 shows the alignment of frequency growth following first Section 627.70132, FS in 2011, then again following Sebo and enacting Section 627.428, FS. Interestingly, note the temporary pause in litigation frequency growth immediately following the enactment of an Alternative Dispute Resolution (ADR) statute, FS 627.7015. However, in 2016 residential P&C litigation experienced exponential growth following the SEBO decision then compounded by the enactment of FS 627.428. FS 627.428 placed the responsibility upon insurers for 100% of all litigation costs when a plaintiff prevailed by $1.00. FS 627.428 applies to all claim disputes, once a claimant obtains legal representation. Florida plaintiff attorneys quickly took advantage of the opportunities Sebo created subsequent to each hurricane.



Focusing on P&C claim frequency without acknowledging the obvious influence of catastrophic storms would be simply irresponsible. However, credible statistics indicate that non-cat claims are as impacted, if not more so, than CAT claims. For example, approximately 60% of all litigation filed against Florida's Domestic Carriers are associated with Non-Cat claims, leaving approximately 40% of the litigation associated with CAT losses. This is an astounding testament to the closed claim percentages attributed to Hurricanes Irma and Michael. Data provided for this report from one well established carrier included the total claim count of 188,000 spanning a decade, with 6% requiring litigation. Considering the stress upon consumers impacted by hurricanes, the advertising and marketing from both attorneys and contractors, litigation rate of 6% is not indicative of an incompetent carrier.

None-the-less, if catastrophe losses vary in some notable metric from non-cat claims than the influence upon litigation frequency would be equally noticeable.

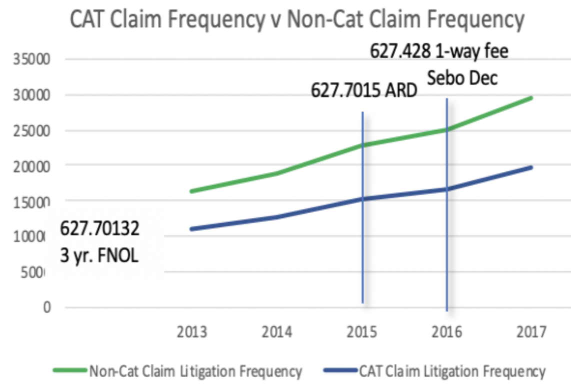


Chart 4

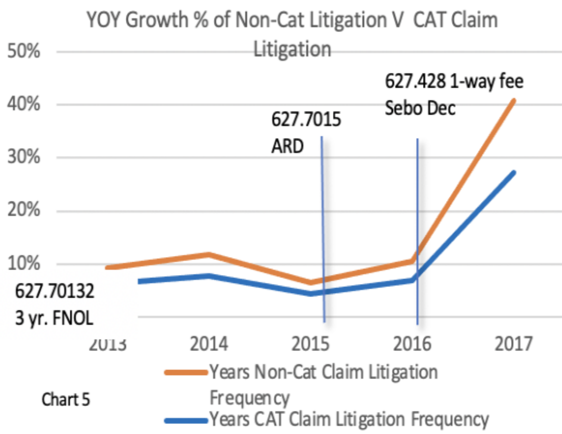


Chart 5

However, as shown in charts 4 and 5, Non-Cat and CAT claim litigation mirror each other, including the experience following the indicated public policies.

Chart 5 is of particular interest given the percent of change year-over-year (YOY). Note the dramatic shift in growth momentum leading up to and immediately following FS 627.7015 re Alternative Dispute Resolution. Unfortunately, the experience following 2016 foreshadows the most likely direction of litigation post FS 627.7153 AOB legislation. 2020 experience does show a dip in lawsuits, particularly for Citizens. However, by the Q3 plaintiff attorneys had established a work around in "The Demand To Pay"

The combination of these public policies and single Florida Supreme Court decision were unfortunately just the beginning with respect to creating unsustainable market conditions for insurers at the expense of consumers. If the decisions and public policies between 2010 and 2016 were equated to a catastrophic hurricane, an aftermath analysis would be a solid Cat 3, maybe even a weaker Cat 4. However, like a hurricane that stalls over warm waters and just builds slowly over time, insurers were incrementally experiencing the growth in application of the Assignment of Benefits. Then, on October 19, 2017 the Florida Supreme Court provided , this brewing litigation storm with the impetus needed to make landfall as a devastating Cat 5.

Given all that has been written, reviewed, and examined, regarding the use of an Assignment of Benefits (AOB), fueled by Section 627.428, FS (1 Way Attorney Fees), little needs to be rehashed in this market analysis, particularly in light of reform statutes enacted in 2019. However, three quick observations remain highly relevant to this market study.

- First, when an insured is allowed to assign the benefits and rights of the named insured to another party who lacks an insurable interest in the property, the net effect is to double the coverages provided by protecting a party that was never underwritten, nor charged a premium. Most states do allow a named insured to assign policy benefits to a, as in a single, 3rd party, with significant restrictions upon whom they may choose, as well as which benefits are assignable. Florida allows more simultaneous, or parallel 3rd party assignments to the most liberal list of qualified parties.

- Secondly, given the evolution of AOB applications occurred on a case-by-case basis from 2008 to 2016, the only public policy statutes available as reference points are 2019 reform measures

Sections 627.7152 & 7153, FS.

- In a classic case study of decisions leading to significant unintended consequences, the intersection of Section 627.428, FS with the growth in use of the AOB, the litigation storm made the jump to landfall as a Cat 5.

As an aside, after an extensive review of state statutes and reports on the subject, one report does stand out above all others:
Restoring Balance in Insurance Litigation, Curbing Abuses of Assignments of Benefits and Reaffirming Insureds' Unique Right to Unilateral Attorney's Fees authored by Mark Delegal and Ashley Kalifeh in 2015.

On October 19, 2017, The Florida Supreme Court, issued its ruling on Joyce v Fed Nat. In this ruling, guidance regarding enhanced attorney fees authored by Justice Scalia was set aside opening the door for wide judicial discretion when insurers and plaintiff attorneys entered litigation specifically of the total fees and expenses insurers owed whenever claimants prevailed by $1.00 per Section 628.428, FS. The combination of a 3-year time horizon for submitting a first notice of loss, (FNOL), expanding insurance policy coverages through mandates, AOB applications and claims relying upon Concurrent Causation Doctrine (CCD), without corresponding sound premium charges, represented diverse means of feeding an ecosystem. Section 627.428, FS became the core structure bringing structure to disparate litigation trends. The Joyce decision created the crowning motivational mechanism needed to turn a destructive ecosystem into its own economy.

Now that prevailing plaintiff fee awards range from 0 and to as high as 22,790% of prevailing damages, uncertainty in litigation frequency became more difficult to reliably model than hurricanes according to several experts consulted for this report. This conclusion is certainly supported by marketplace experience and metrics. As shown in Chart 6, Citizens Property Insurance Corporation trends turned in a positive direction following reform measures Sections 627.7152, 7153, FS. However, a new instrument, "The Direction to Pay" is already being used as a replacement.

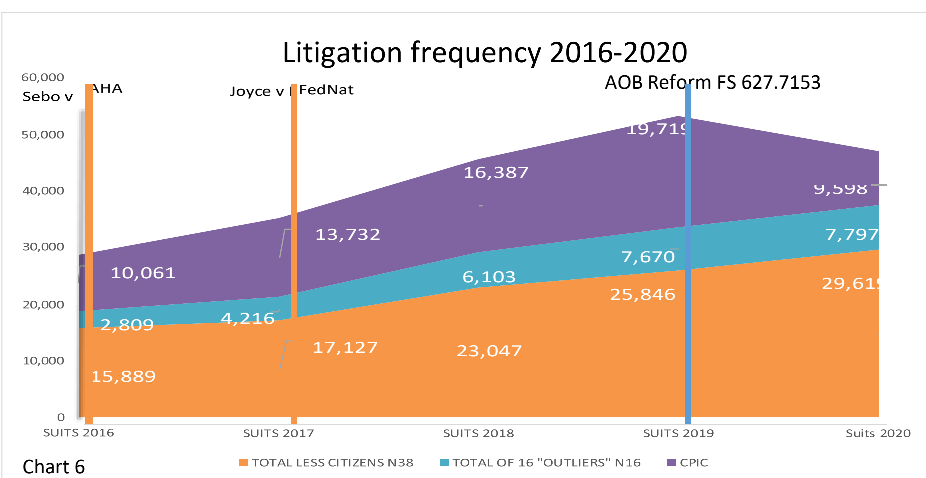


Chart 6

However, even though the Joyce decision impacted litigation severity more than frequency, note the escalation is frequency following the Florida Supreme Court ruling.

Another perspective moving forward from Sebo to present is rendered in Chart 7. First note the increase following the Joyce decision. Clearly an influential motivating factor had further complicated an already challenged market. However, the growth in litigation also aligns with the 3-year window following Hurricane's Irma and Michael. If the significant growth of frequency were attributed to these catastrophe losses, then the most significant growth should have come in the aftermath of Michael, when the opportunity windows overlap. However, that is not reflected in the actual experience.

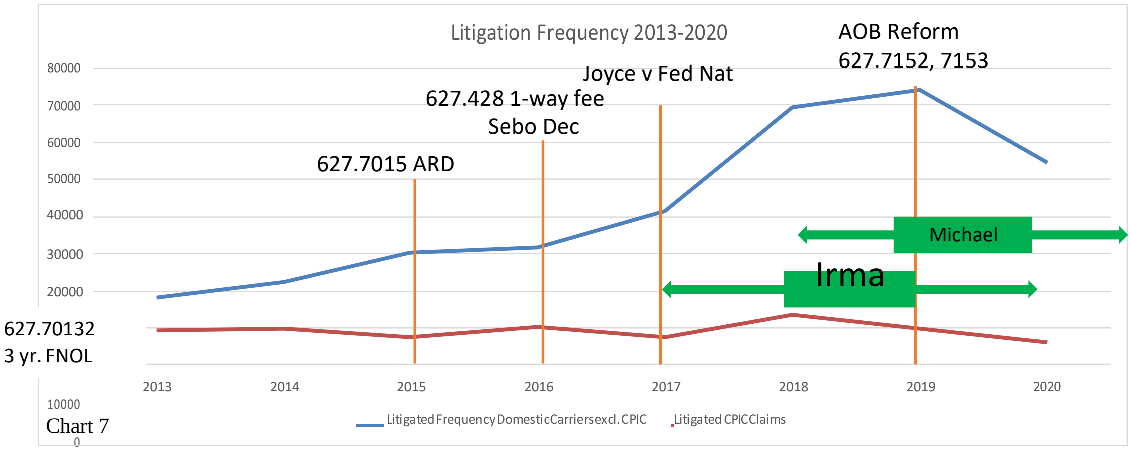


Chart 7

Secondly, by splitting the litigation activity between hurricane claims and non- hurricane claims, a reasonable expectation is to see the lines intersect, again particularly during the overlapping years when Cat claim litigation was being initiated from 2 historic storms. However, as evidenced in Chart 8, this does not occur. The primary take-away from Chart 8 is the combination of Florida Supreme Court decisions and public policy measures are of equal, if not greater, influence upon the frequency of litigation initiated against carriers than a Cat 4-Cat 5 catastrophe.

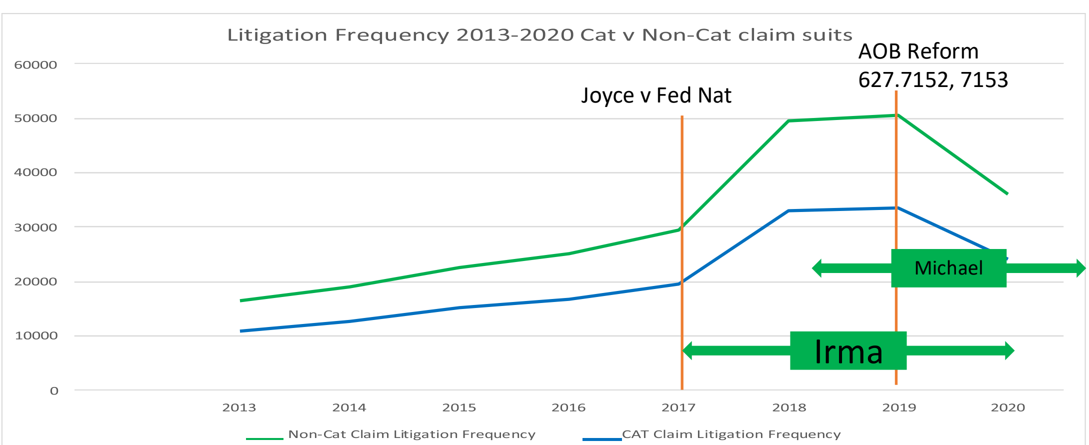
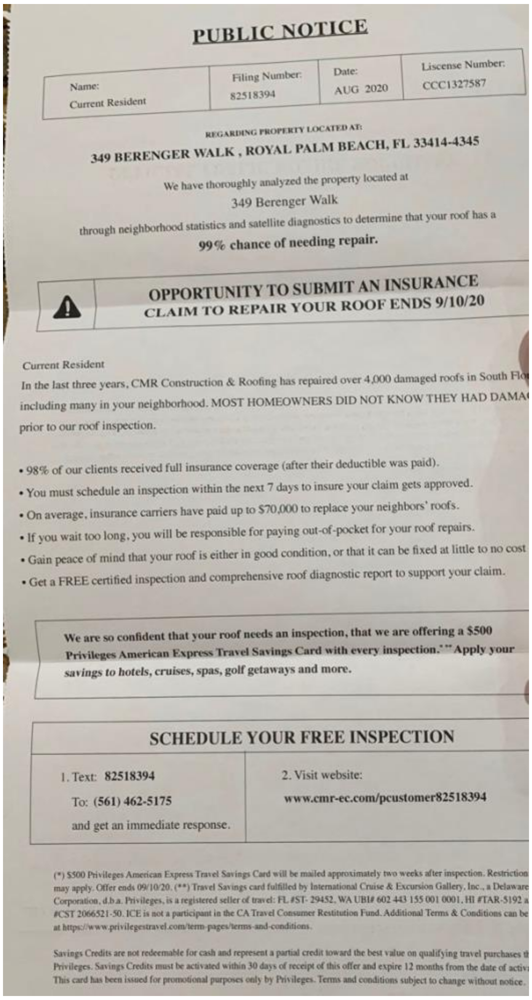


Chart 8



PUBLIC NOTICE

Name: Current Resident	Filing Number: 82518394	Date: AUG 2020	Liscense Number: CCC1327587

REGARDING PROPERTY LOCATED AT:

349 BERENGER WALK , ROYAL PALM BEACH, FL 33414-4345

We have thoroughly analyzed the property located at
349 Berenger Walk
through neighborhood statistics and satellite diagnostics to determine that your roof has a
99% chance of needing repair.

OPPORTUNITY TO SUBMIT AN INSURANCE CLAIM TO REPAIR YOUR ROOF ENDS 9/10/20

Current Resident
In the last three years, CMR Construction & Roofing has repaired over 4,000 damaged roofs in South Flo
including many in your neighborhood. MOST HOMEOWNERS DID NOT KNOW THEY HAD DAMA
prior to our roof inspection.

- 98% of our clients received full insurance coverage (after their deductible was paid).
- You must schedule an inspection within the next 7 days to insure your claim gets approved.
- On average, insurance carriers have paid up to $70,000 to replace your neighbors' roofs.
- If you wait too long, you will be responsible for paying out-of-pocket for your roof repairs.
- Gain peace of mind that your roof is either in good condition, or that it can be fixed at little to no cost
- Get a FREE certified inspection and comprehensive roof diagnostic report to support your claim.

We are so confident that your roof needs an inspection, that we are offering a $500 Privileges American Express Travel Savings Card with every inspection.* ** Apply your *savings to hotels, cruises, spas, golf getaways and more.*

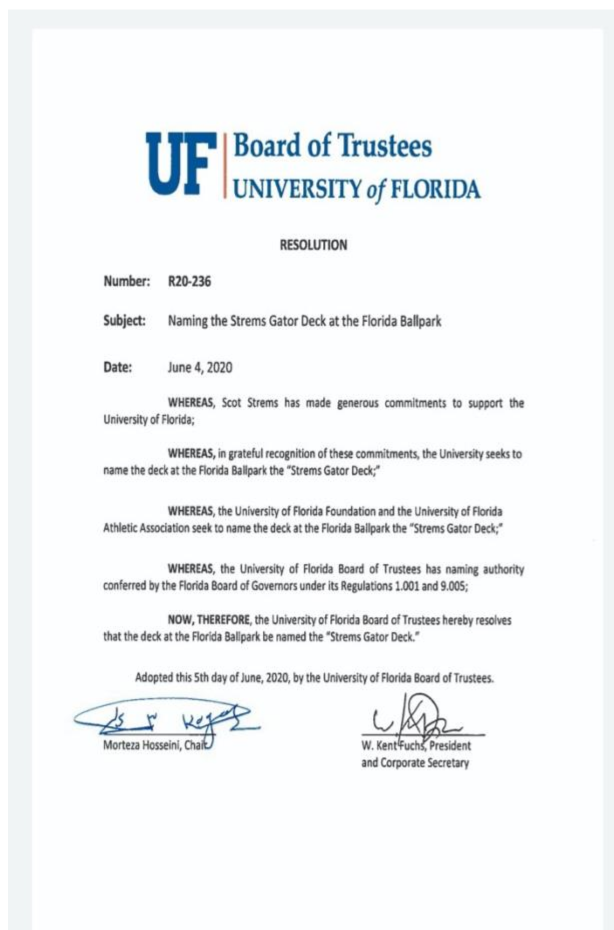
SCHEDULE YOUR FREE INSPECTION

1. Text: **82518394** To: **(561) 462-5175** and get an immediate response.	2. Visit website: **www.cmr-ec.com/pcustomer82518394**

(*) $500 Privileges American Express Travel Savings Card will be mailed approximately two weeks after inspection. Restriction may apply. Offer ends 09/10/20. (**) Travel Savings card fulfilled by International Cruise & Excursion Gallery, Inc., a Delaware Corporation, d.b.a. Privileges, is a registered seller of travel: FL #ST- 29452, WA UBI# 602 443 155 001 0001, HI #TAR-5192 a #CST 2066521-50. ICE is not a participant in the CA Travel Consumer Restitution Fund. Additional Terms & Conditions can be at https://www.privilegestravel.com/term-pages/terms-and-conditions.

Savings Credits are not redeemable for cash and represent a partial credit toward the best value on qualifying travel purchases t Privileges. Savings Credits must be activated within 30 days of receipt of this offer and expire 12 months from the date of activ This card has been issued for promotional purposes only by Privileges. Terms and conditions subject to change without notice.

"All told, Denaro cited 11 bar rules Strems had violated. Strems is also facing a contempt of court petition by the bar over claims he violated his emergency suspension order and a racketeering lawsuit…"
CPIC Insurance Journal, 10/20/2020



UF Board of Trustees
UNIVERSITY *of* FLORIDA

RESOLUTION

Number: R20-236

Subject: Naming the Strems Gator Deck at the Florida Ballpark

Date: June 4, 2020

WHEREAS, Scot Strems has made generous commitments to support the University of Florida;

WHEREAS, in grateful recognition of these commitments, the University seeks to name the deck at the Florida Ballpark the "Strems Gator Deck;"

WHEREAS, the University of Florida Foundation and the University of Florida Athletic Association seek to name the deck at the Florida Ballpark the "Strems Gator Deck;"

WHEREAS, the University of Florida Board of Trustees has naming authority conferred by the Florida Board of Governors under its Regulations 1.001 and 9.005;

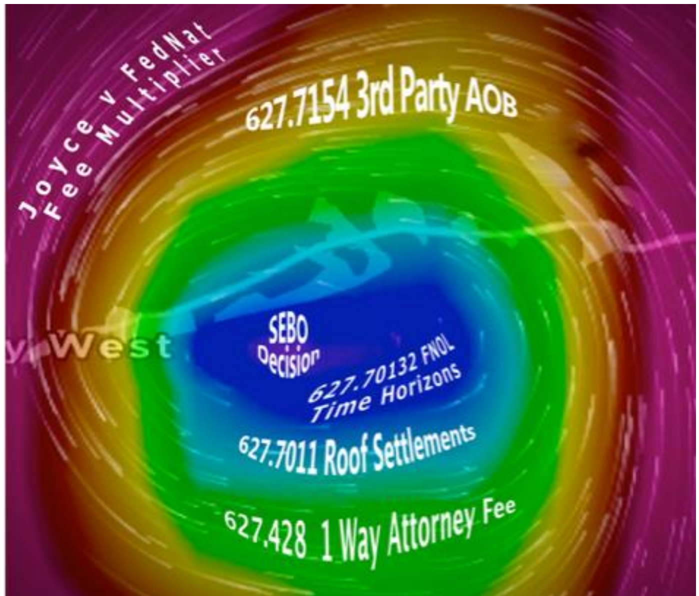
NOW, THEREFORE, the University of Florida Board of Trustees hereby resolves that the deck at the Florida Ballpark be named the "Strems Gator Deck."

Adopted this 5th day of June, 2020, by the University of Florida Board of Trustees.

Morteza Hosseini, Chair

W. Kent Fuchs, President
and Corporate Secretary

Claim Severity



Screen Capture of Hurricane Irma Crossing Big Pine and Little Torch Keys. Winds 198 MPH

The focus of this report thus far has been almost exclusively upon Litigation frequency for two primary reasons. First, litigation frequency is one significant core driver advancing the market closer towards a breaking point. Secondly, and of equal importance, is to communicate the relationship among specific public policies and court decisions to market impacts. We must now turn our attention to Litigation Severity. The analysis of frequency highlighted the compounding effects of legislation and court activity chronologically using two periods of time, pre and post Sebo and Section 627.428, FS. Said differently, the first block of activity covered 2008-2016, the second being 2017-2020. In the interest of brevity, this deep dive into Litigation Severity is consolidated into a single time horizon of 2013-2020.

Runaway frequency can certainly damage an insurance market. Insurance companies from all lines of coverage utilize a number of methods to manage temporary spikes in frequency. The same is equally true with respect to spikes in severity. However, when markets experience YOY increases in frequency compounded by YOY growth in severity, at a pace consistently 18 to 36 months in advance of effective counter measures, the result is simply a death spiral.

In most markets, the higher the litigation frequency, the more easily litigation severity can be reliably forecasted. Once again, Florida stands alone as the exception. Similar to the growth trends in litigation frequency, disruptions in severity align perfectly with public policies and key Florida Supreme Court decisions.

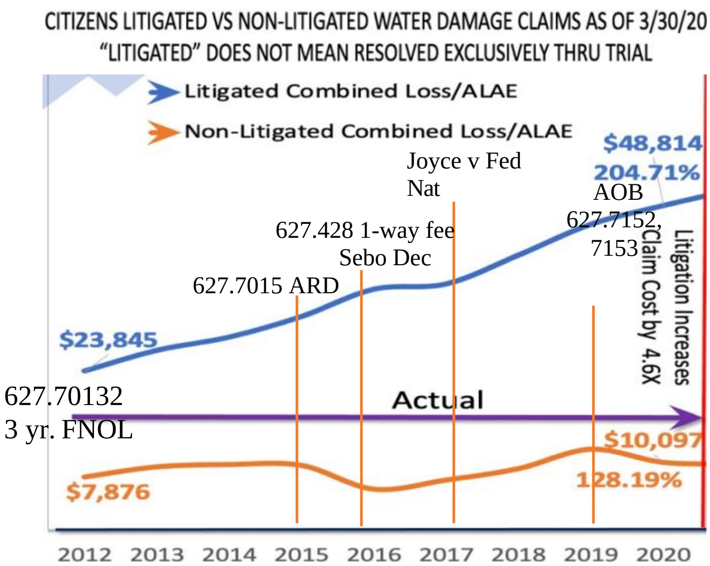


Chart 9

Key takeaways from Chart 9 include the lack of impact on litigated claim severity from Section 627.7015, FS. Secondly, note that severity did level off temporarily in the immediate aftermath of Section 627.428, FS and the Sebo decision. For a period of 1 year, severity moved in the opposite direction of frequency. However, the Joyce decision in 2017 provides a significant boost. Next, note how litigation severity was interrupted by the 2019 AOB reforms, but not significantly. By 2020 even non-litigated claim severity had grown 128%. This chart also raises a similar question raised in the examination of litigation frequency. Does a difference in severity exists between Cat claim litigation verses Non-cat claim disputes?

Aggregated data collected from Citizens Property Insurance Company (CPIC) and several Florida-based carriers shows the percentage of non-cat litigation ranges from 52% to 61% of the total annual litigation. That said, even when this difference is levelized by using litigation case counts, non- cat litigation severity is higher than disputed cat claims.

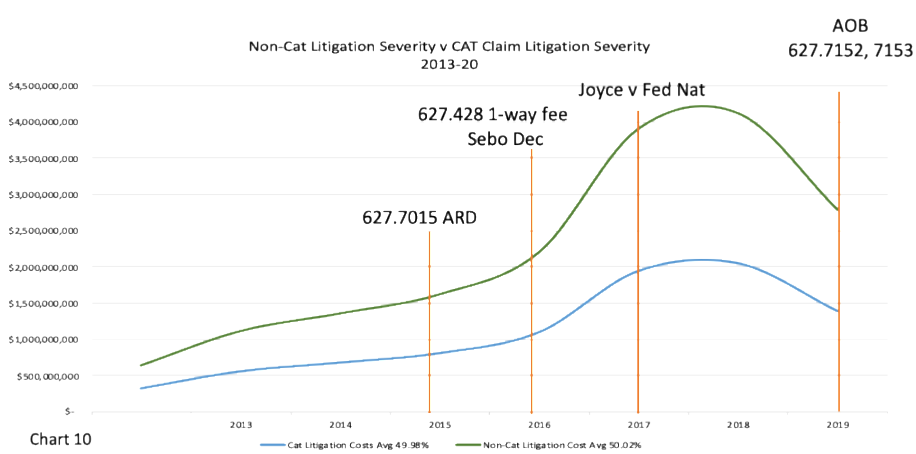


Chart 10

Two key takeaways from Chart 10 reinforce why Florida's P&C market is increasingly unstable. Once again, the data shows how the 2015 Alternative Dispute Resolution (ADR) legislation had the opposite of its intended purpose. This finding is consistent with feedback provided through 13 interviews.

Mediation became a pass-through step absent a genuine goal of resolution. This counter-productive approach to ADR was only reinforced in 2016 with the enactment of 627.428 and institutionalizing conflict via the Sebo decision. Greatly expanding insured benefits and rights assigned to multiple parties, who needed to prevail by only $1.00 in damages, rendered any serious ADR efforts virtually useless. The most significant exponential growth in litigation severity was experienced from 2016-2019, after the ADR statute was enacted in 2015.

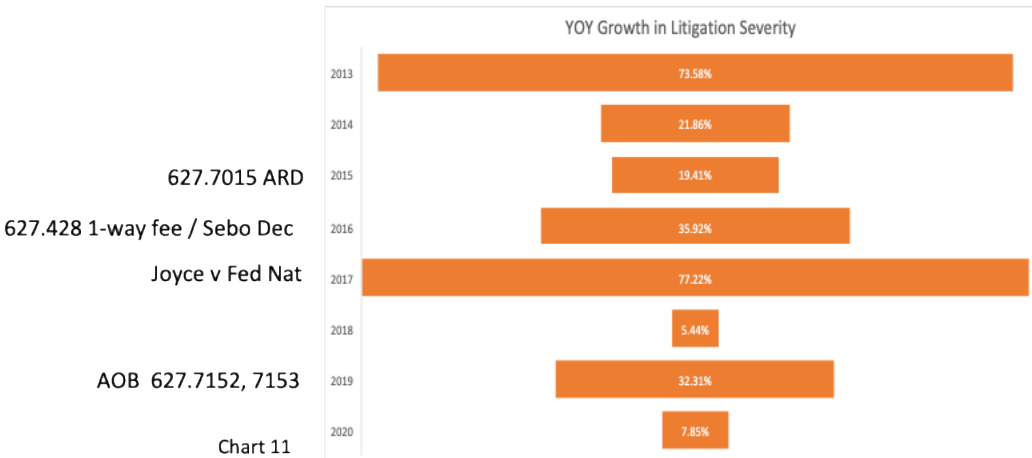


Chart 11

Chart 11 provides greater clarity on the lack of success with ADR following 2015, as well as a direct link connecting the Joyce decision with unprecedented growth in severity. A 2019 Survey completed by Floridians For Lawsuit Reform of fee enhancement statutes throughout the United States, put the Joyce decision into proper context by proving 49 other states have either enacted legislation to institutionalize Justi8ce Scalia's U.S. Supreme Court language, or had Scalia's language reinforced by a State Supreme Court decision.

Senate Bill 917 was introduced in 2019 specifically to bring Florida's treatment of fee enhancement applications into alignment with every other state and the Supreme Court's guidance. However, 917 failed to pass by a single vote.
Additional research completed for this market analysis surfaced a critical observation. States have statutes specifically defining and addressing acts of "bad faith" by insurers. Not one single state, not one single statute addressing attorney fee enhancements connects lode-star calculations and fee multipliers to a punitive application. The opinion rendered by the U.S. Supreme Court even warned against applying fee multipliers as a penalty or as a proxy for a penalty.

A review of cases (See Table 4) that included awarded fees using first a Lode- star calculation followed by a calculation using the fee multiplier highlights several essential facts. Higher than typical frequency of loss, regardless of cause, makes a direct impact upon an any primary carrier in that market. To build upon that concept, contending with reliable and repeatable loss patterns is absolutely a core competency of insurers. However, when both severity, and more importantly uncertainty of severity experience dramatic increases, resulting influences upon the P&C market shift towards reinsurers in addition to impacting primary carriers.

2018-2020 Individual Cases with Awarded Fees Calculated Using Fee Multipliers				
Date of Fee Order	Indemnitv	Fee Multiplier	OC Fee After Multiplier	Fees Awarded as A % Of Indemnity
10/15/19	$ 148.00	1.50	$ 31,140.00	21041%
1/24/18	$ 151,665.57	2.00	$ 744,830.00	491%
4/20/18	$ 111,494.63	1.75	$ 176,299.37	158%
6/14/18	$ 153,866.44	1.50	$ 231,465.00	150%
10/11/18	$ 21,378.29	1.10	$ 228,800.00	1070%
11/20/18	$ 157,800.00	2.50	$ 472,905.00	300%
2/12/19	$ 35,000.00	2.01	$ 712,677.15	2036%
3/5/19	$ 117,620.26	2.50	$ 600,537.50	511%
3/14/19	$ 60,000.00	1.50	$ 239,040.00	398%
6/6/19	$ 2,754.10	1.75	$ 43,691.25	1586%
8/23/19	$ 16,400.00	1.50	$ 176,935.50	1079%
1/17/20	$ 35,000.00	1.80	$ 127,440.00	364%
1/28/20	$ 40,000.00	0.00	$ 254,331.50	636%
5/11/20	$ 35,000.00	2.00	$ 184,940.00	528%
7/20/20	$ 10,439.18	0.00	$ 19,805.00	190%
8/10/20	$ 5,000.00	2.00	$ 61,800.00	1236%
8/19/20	$ 10,000.00	0.00	$ 87,477.50	875%
8/20/20	$ 23,687.65	1.75	$ 259,975.63	1098%
8/20/20	$ 41,000.00		$ 1,200,000.00	2927%
8/20/20	$ 25,000.00		$ 415,000.00	1660%
8/20/20	$ 35,000.00		$ 702,000.00	2006%

Table 4

To be explicit, the *frequency* of awards utilizing a fee multiplier is not problematic, instead it's the severity of these awards. For reinsurers already navigating the challenges of extreme uncertainties with respect to catastrophic storms, yet another layer of uncertainty sets off yet another chain reaction of negative unintended consequences affecting the whole market.

For reinsurers, the Joyce decision and fee multiplier are like a supremely crafted horror story that attacks the imagination. The story ignites the imagination by creating the thought of something dreadful, then abruptly ends in order to allow that thought to linger and remain long after the written pages have been set aside. Simply consider Charts 12 and 13. These charts indicate the maximum, the average, and the minimum awarded fee multiplier measured against the damages awarded. Note the difference in the maximum and therefore averages as well. The maximum value in Chart 12 is not a typo. The fees awarded in this case equal 21,041% of awarded damages.

Obviously, this case is an outlier even among fee multiplier awards. However, being an anomaly does not change the fact that such a judgement happened, which means it can be repeated. That both charts convey actual results means litigation severity has no reliable, legal, limits.

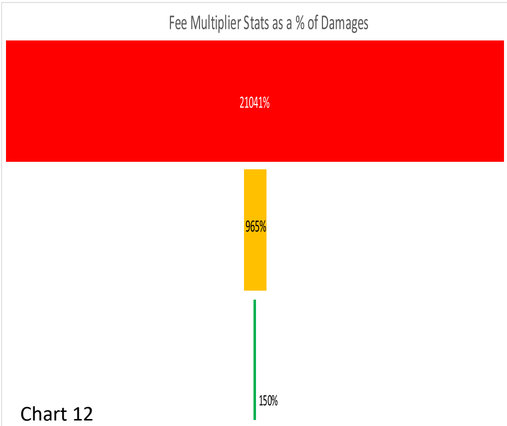


Chart 12

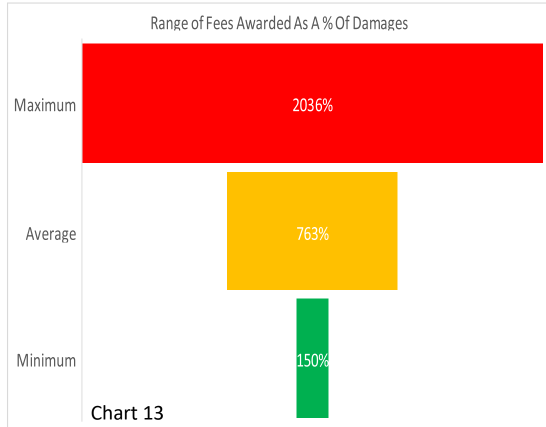


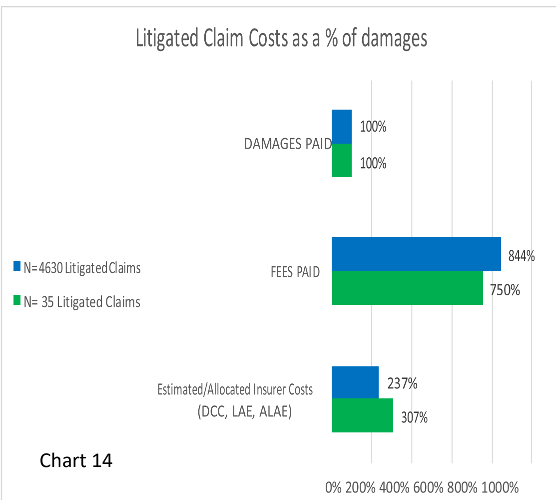
Chart 13

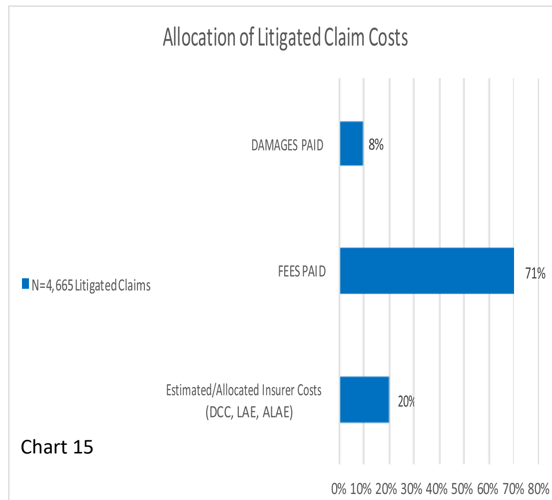
The actual case with the fees in Chart 12 is Wayne Kile v. Security First Insurance Company. The litigation was resolved with a damage award of $142.68 and awarded fees in the amount of $31,140. This case is also an example that spans every market challenge described in this report. First of all, this was a concurrent causation water damage claim. Secondly, policy rights and benefits were assigned through an AOB to a public adjuster. A 2nd AOB was executed in order to retain counsel.

Security First paid damages by mailing checks that were never cashed. Upon receiving a Civil Notice from the insured signifying they had retained counsel, Security First extended an offer in damages representing policy limits for the covered damages incurred.
Needless to say, the insurer's ability to communicate an offer of settlement directly to their insured is compromised by the referrals and representation. Finally, rather than describe the influence of Section 627.428, FS or Joyce, consider the testimony of the plaintiff attorney from the fee hearing: "It was apparent from right away that it was going to be a very difficult case. There's a strong likelihood that the most I'd be able to recover was $3,000. And the only reason I was able to take the case, was because there was an opportunity if we prevailed, to ultimately obtain a multiplier in the case."

The plaintiff attorney's testimony is actually the crux of a compelling case for reform. Every fee award resulting in the application of a multiplier reflects the same logic conveyed in the award rulings. Awards are based on the case requiring an extraordinary level of legal prowess and/or technical trial expertise. Quoting the plaintiff attorney again, "It was apparent from right away that it was going to be a very difficult case." The Judge agreed, and in doing reinforced the basis for extreme severity uncertainty. The attorney was not claiming the case required rare, exceptional, litigation skill. The attorney was testifying to the very competent handling of the claim by Security First throughout the settlement process, as evidenced by the damage award of $148.30. The case was going to be difficult to win because the carrier was fair in their service to their customer.

The *words used* in the logic of the fee award *may* accurately describe the appropriate circumstances for a fee multiplier. However, the fee multiplier was the motivation to file a case, not to right a wrong, not to prevail for a client. One last observation from this outcome, relates to the $149.80 and the definition of prevailing. The damages award was less than Security First offered to the claimant before the insured sought representation. And yet, $149.80 was more than the $1.00 threshold established in Section 627.428, FS. Legislators in Florida, have an obligation to ask tough questions. Who was least protected by existing Florida statutes in this case? Who benefitted the least in this case? And finally, which of the parties involved in this case will ultimately be out of pocket the most in the aftermath? The answer is the Florida property owner. For reinsurers, as well as domestic carriers, reflecting upon 212,000 litigated cases since 2015, the inability to reliably model litigation is the final push off the cliff for Florida's P&C market.





A final observation about the current state of the insurer market, by the numbers. Going back to Chart's 2 and 3, highlight how the costs of litigation is resulting in approximately $3B in expenses being forced upon Florida property owners. Moving these numbers downstream, insurers have been engaged in excess of 221,0000 suits from 2014-2020. The annual total costs in 2019 alone allocated to suits exclusively can be closely approximated between $2B and $2.7B, paid by Florida insureds in the form of increased premiums. Based on the allocation of litigation costs, 8% of these costs are damages paid to insureds, while in comparison awarded fees range from 750% to 844% of damages. In other words, the plaintiff attorneys receive 71% of Florida's total P&C insurance litigation cash flow because they are allowed to, not because plaintiff attorneys are motivated to do harm. Insurer defense costs range from 237% to 307% of damages, or 21% of total litigation. Diagram 2 illustrates the cash flow of Florida litigation.

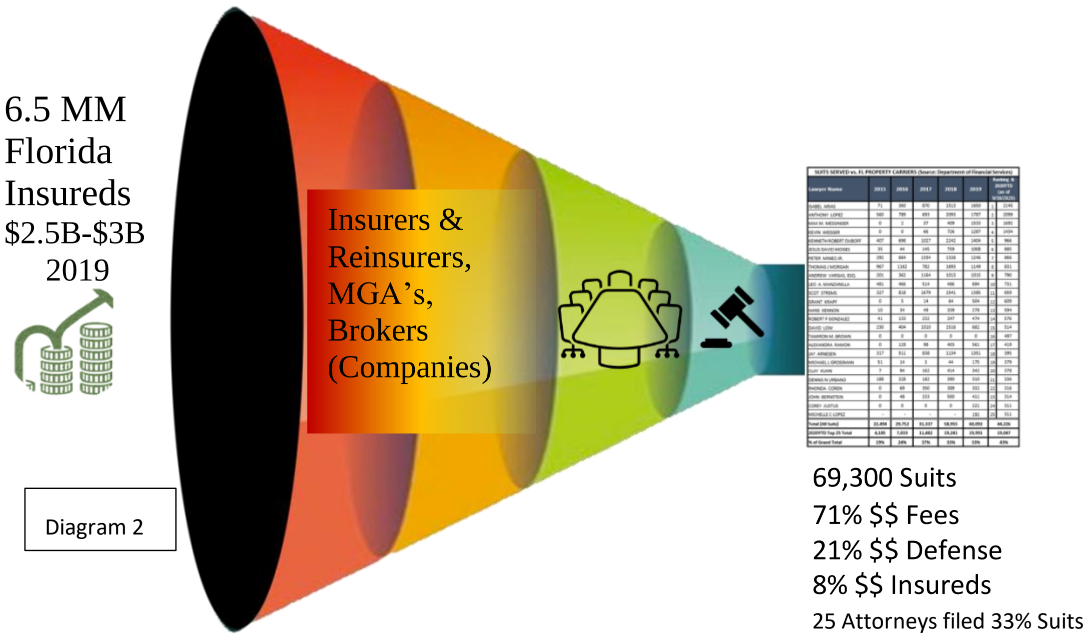


Diagram 2

Note: This represents legal activity, sanctioned by existing Florida statutes and past Florida Supreme Court's decisions. Again, interpreting this analysis as an indictment of any stakeholder group is inaccurate. Multiple legislative reforms are the only lock capable of closing pandora's box.

'You need to understand we're going into a month of mourning. September is the third anniversary of Irma. You work in insurance, so you get it.
For us this is like shutting down one shaft in the goldmine. What we need is another hurricane.'

Monroe County General Contractor
September 17, 2020

The State of Florida's P&C Industry 2020

cre8tfutures@icloud.com

Cre8tFutures

Insurance industry metrics, without exception, reinforce the conclusion of a market collapsing. Without question, the most significant systemic threat to both the insurance industry in Florida (all sectors) as well as Florida's economy has been climate-based events. However, the Property and Casualty insurance market results from 2016 through 2020 show, this market can thrive despite hurricanes, and could possibly navigate the litigation hurricane, assuming weather catastrophes no longer affected Florida. Hurricane occurrence cannot be legislated away, which leaves the other annual recurring catastrophe, litigation, as the greatest threat to Florida's P&C industry and thus, Florida's economy.

The analysis of litigation trends is only half of the story. To review, the convergence of several individual statutes and court rulings adopted in recent years moved the market from stabilizing towards total collapse.

- Section 627.7152, FS Third-party assignment of benefits.
- Section 627.7011, FS Mandatory replacement cost coverage for residential roofs.
- Section 627.70132, FS Multi-year statute of limitations to file a first notice of loss.
- Joyce V FedNat: Broader discretion re Fee Multiplier when awarding fees.
- Section 627.428, FS: The one-way attorney fee statute.
- Sebo v American Home Assurance: Shifted claims to Concurrent Causation Doctrine.

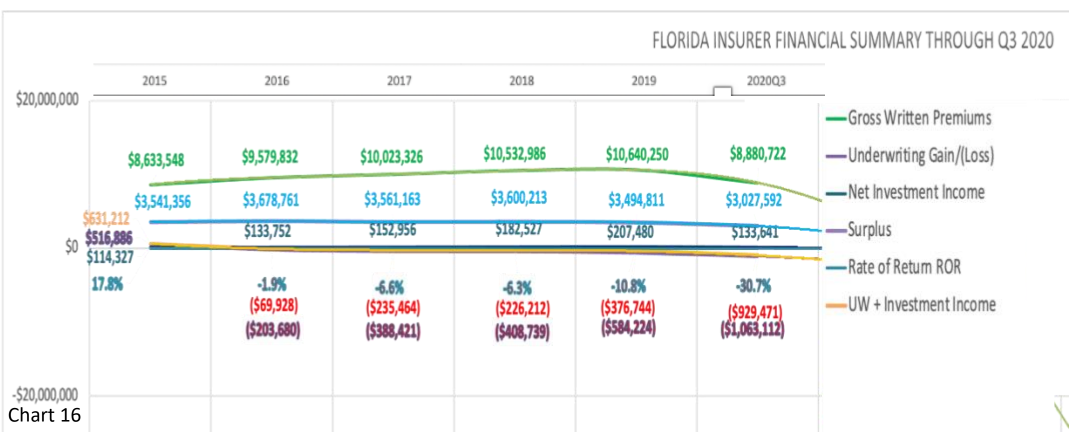


Chart 16

Chart 16 is a summary profile of financial results for Florida-based insurance companies 2015- Q3 2020. As this chart suggests premiums and investment income (inputs) flattened. During this same period, underwriting losses, and surplus decline, albeit incrementally. In short, inputs are declining, outputs are both in decline and below the zero line for 5 years. Critically, simultaneous declines, YOY, of revenues, net income, surplus and return to investors, are all hallmarks of a doomed sector. To be clear and concise this is a financial summary for all Florida-based insurers.

Two essential observations are reinforced in Charts 16, 17 and 18.

1. The industry experienced an underwriting loss 5 years consecutively, culminating in a single year UW loss of more than $1B.
2. On an aggregated basis, investors experienced a negative rate of return of -41.5% over the past 24 months and a cumulative net return of -56.8% since 2014. This alone should be setting off alarms. Multiple interviews with price earnings professionals are absolutely aware of these results.

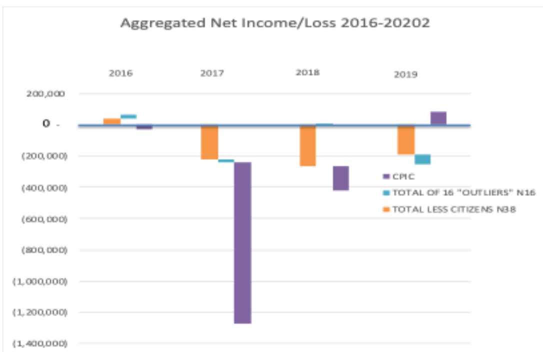


Chart 17

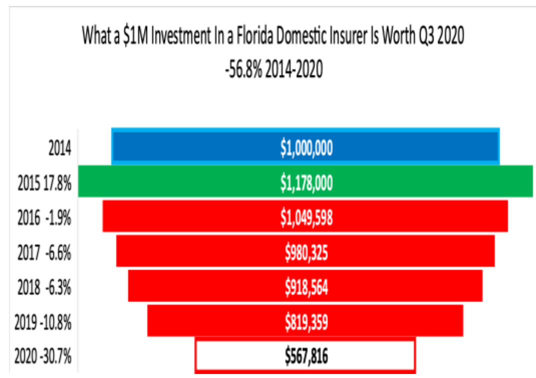
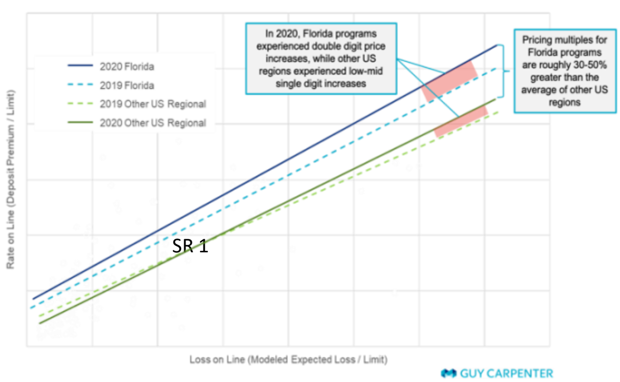


Chart 18

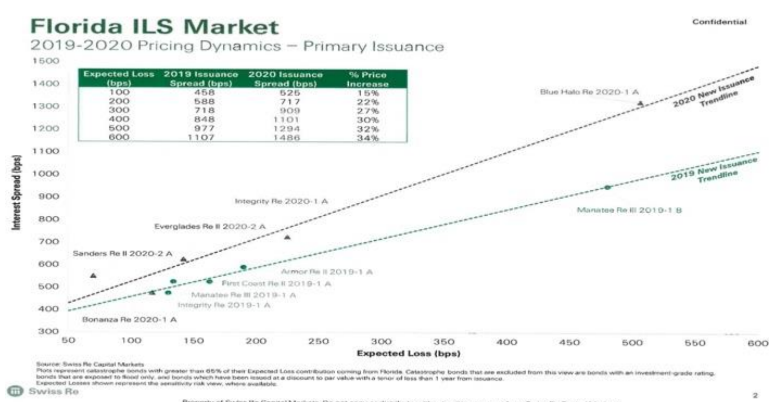
One of the more memorable quotes from one interview specifically addressed the potential for disaster because the statement is general and sweeping. Protecting the privacy of all individuals quoted is absolute. “I’d rather invest in time-shares on the West Bank before I’d invest in Florida’s P&C market.” Multiple interviews with those who's living depends upon successfully bringing capital into the insurance industry were unanimously aligned with the sentiment of this quote. Absent legislative reforms, investing in Florida-based insurance companies is not discernably different than providing insurance on Big Pine Key in September 2017 once the winds hit 80mph believing landfall just wasn’t going to happen. The continuous drain on capital is outpacing all financial inputs. Two detailed financial tables can be found at the end of this section.

To compound matters, the litigation frequency and severity covered in depth previously represents an additional expense load of 17% (and rising) on all earned premiums. Litigation is not only eating away at the bottom line, but bleeding surplus. Litigation uncertainty hits the Florida-based insurance companies with another 28%-35% of expenses carriers in the balance of cat prone states.

Significant reinsurance data points came from research completed in support of this market analysis by Aon, as well as analysis completed and shared by Guy Carpenter. additional Su pporting data came from an existing SwissRe report. Note how reinsurance premium after the 2020 rate filings in Florida outpace those aggregated from 49 other states. This less of a surprise given the concentration of catastrophe events impacting Florida. However, the Aon 2 graph compares Florida's reinsurance to other states also contending with hurricanes, tornados and hail losses.



• Pricing for Florida Reinsurance Risk has increased Further than other Hurricane prone states



Expected Loss (bps)	2019 Issuance Spread (bps)	2020 Issuance Spread (bps)	% Price Increase
100	458	525	15%
200	588	717	22%
300	718	909	27%
400	848	1101	30%
500	977	1294	32%
600	1107	1486	34%

The bottom line reality remains Florida is already a challenged market as one of the key catastrophe exposed zones in the world. Current conditions clearly exacerbate this, putting extreme pressure on maintaining the difficult balance of providing essential insurance and reinsurance support in the state. This increased imbalance is not sustainable and is leading to market failure or runaway pricing as the only alternatives.

A final note regarding reinsurance. Aggregated written premium excluding Allstate, Nationwide, Travelers, and State Farm ("ANTS") is approximately $12.5B with 50% (+/-) going to pay for reinsurance, including the FHCF. Of that $4.9B in reinsurance premium, 18% remains in Florida, and another 12% remains in U.S. money. 70% of nearly $5B is revenue to other countries.

While the temptation may be to fund the Florida Hurricane Cat Fund (FHCF) up to some exponentially higher number, doing so is the equivalent to attacking a California wildfire by having PG&E spraying gasoline. Absent systemic changes, the additional funding ultimately positions Florida consumers to contend with ballot initiative for a state income tax to fund the ongoing growth of litigation activity. Remember, between the $2.5B to $3B diverted from consumer spending by litigation. In reinsurance is another $4.1B leaving Florida but paid by Floridians. Foreign investors will see Florida as a much higher risk without the influence of foreign reinsurance.

Caught in the middle are Florida-based insurance companies who may appreciate a temporary reprieve in premiums, ultimately in the end, the state would be growing their ownership of a 1 in 30-year catastrophe, faced with replenishing the greater resource for the inevitable 1 in 100-year event. Taking on all of the additional risk, which in the process tells investors to stay away, as opposed to addressing the underlying foundation is extremely difficult to reconcile.

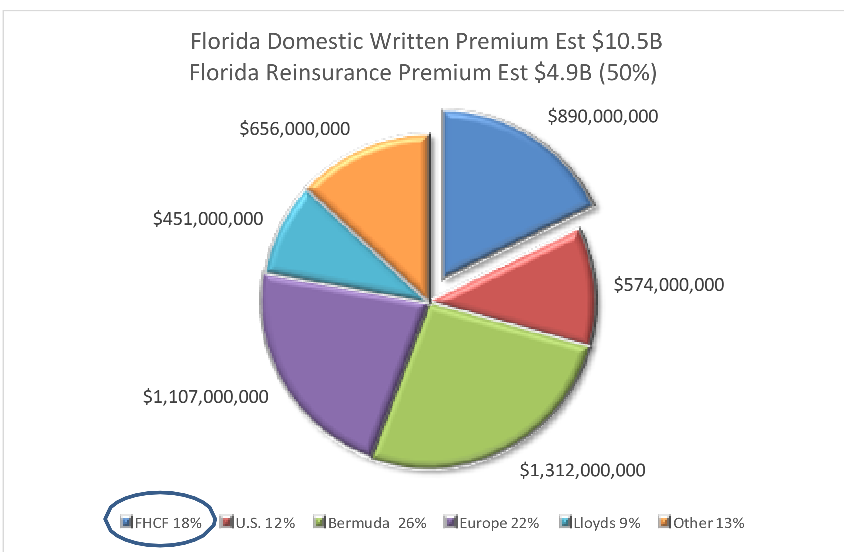


Chart 19 Source: Filed statements, Earnings reports, AM Best, NAIC,

The longer this continues, the more margins for error shrink. Thus, while operating margins shrink, litigation uncertainty is growing exponentially. As a result, carriers react the only way they can which is to:

A) Reduce availability
B) Reduce protection
C) Reduce affordability
D) Temporarily sustain reliability (not achieve)

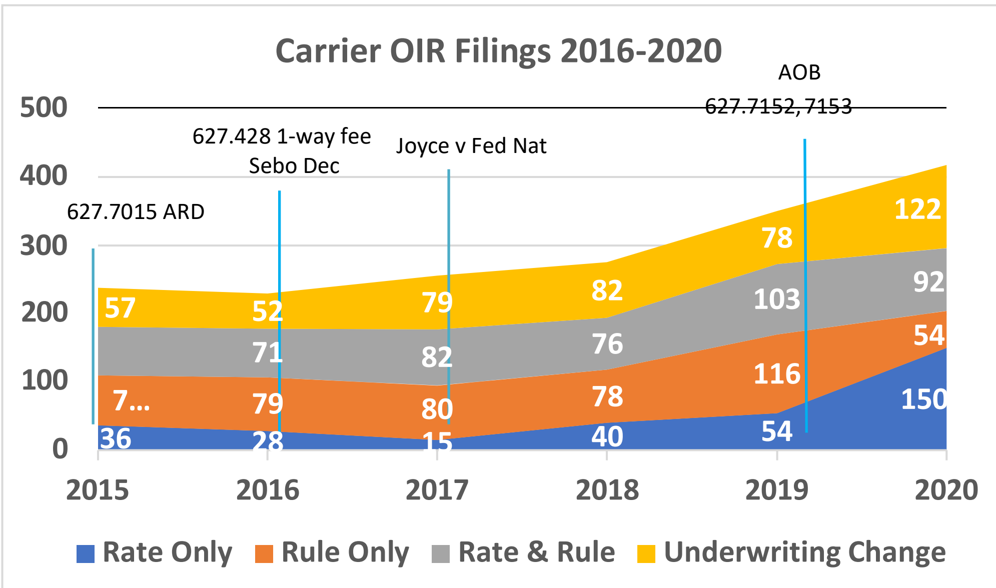


Chart 20
Source: Milliman

Chart 20 reflects the volume of carrier changes filed with the Florida's OIR captured by the global risk management advisory, Milliman. This is one of 2 charts that clearly places Florida in the role of "the boiled frog." The essential finding buried behind the numbers in Chart 20, is the changes enumerated in this graph are to accomplish one or more of the following operational protections:

Once again, who is most negatively impacted? Florida's consumers. Why do insurers make these changes despite the negative impact upon consumers? In order to continue serving Florida insureds. Interviews with ratings agencies, regulators, brokers, Florida carriers, and "ANTS' all expressed support for these changes in order to preserve carrier presence in the state (which is not entirely accurate anyway).

Every stakeholder in the P&C ecosystem is reluctantly accepting, that Florida consumers will accept paying more for less protection and fewer options in order to have access to insurance, preserve Florida's real estate economy, avoid investor class action lawsuits and protect the growing litigation economy. This raises an interesting question; how would Floridians vote on this choice

What was described in interviews, is this remarkable vote of confidence in Florida insurance executives to navigate this market rather than employ historic established criteria to assess financial stability. Mitigating risk to raising needed capital and creating operational room for carriers to navigate this market are higher priorities. Research completed for this analysis reinforces the need for such a strategy based on compromise. Unfortunately, the numbers all point to an unfortunate reality. This is also a strategy reaching its terminus.

Objectively, putting consummate and highly competent professionals in the position of participating in this compromise, to the detriment of a consumer base already struggling with income disparity and the effects of COIVD 19 rather than rebuilding the industry's foundation is extremely difficult to justify further.

Market Results Appendix

Significant Losses & Unsustainable Combined Ratios Result From Exponential Growth In Lawsuits Combined With Unlimited 3rd Party Assignments With One-way Attorney Fee Statutes.

Note: Symptomatic of a significant gap in market regulation: Virtually the only means an insurer can deploy to detect dwelling policy fraud is the challenge claims that fall outside of policy language, as well as multiple claims on the same day and property without evidence of named insured participation,

2019 TOP 10 CARRIERS BY INCREASE IN LAWSUITS 2016 TO 2019

COMPANY	2019 DIRECT PREMIUMS WRITTEN	2019 POLICYHOLDER SURPLUS	2019 UNDERWRITING GAIN/LOSS	2019 NET INCOME/ LOSS	2019 NET COMBINED RATIO	LAWSUITS 2016	LAWSUITS 2017	LAWSUITS 2018	LAWSUITS 2019	% INCREASE IN SUITS 2016-2019
Southern Oak Insurance Co.	$104,972	$46,419	$(14,374)	$(13,347)	121.2	275.0	362	490	684	148.7%
Tower Hill Select Insurance Co	$86,600	$21,118	$(4,746)	$(2,653)	123.4	289.0	364	493	701	142.6%
First Floridian Auto & Home	$46,482	$182,317	$(6,449)	$1,305	115.8	171.0	199	319	411	140.4%
Gulfstream P&C Insurance Co.	$149,446	$25,279	$(9,300)	$(7,429)	125.5	158.0	175	248	377	138.6%
Auto Club Insurance Co. of FL	$233,024	$211,579	$12,498	$18,657	94.0	171.0	191	293	401	134.5%
American Traditions Ins Co.	$129,057	$30,355	$(1,321)	$598	95.5	100.0	122	170	234	134.0%
Univ Ins Co. of North America	$123,390	$31,394	$(7,196)	$(4,120)	118.1	170.0	188	282	390	129.4%
Capitol Preferred Insurance Co	$210,760	$42,712	$(27,902)	$(25,738)	138.3	149.0	164	227	337	126.2%
Prepared Insurance Co.	$65,139	$20,787	$(13,508)	$(12,424)	152.5	242.0	274	382	545	125.2%
St. Johns Insurance Co.	$371,488	$46,751	$(29,164)	$(22,111)	178.7	372.0	421	567	836	124.7%

Company Name	2019 Contributed Capital	2019 PHS Change	2019 Capital Change +/- Capital Contributed	Cumulative Contributed Capital	Cumulative PHS Change	Capital Change +/- Capital Contributed
American Strategic Ins. Corp.	$0	$1,098	$1,098	$260,500	$261,797	$1,297
United Property & Casualty Ins. Co.	$10,824	-$12,757	-$23,581	$90,120	$32,756	-$57,364
Security First Ins. Co.	$10,000	-$7,097	-$17,097	$85,033	$28,396	-$56,637
FedNat Ins. Co.	$0	-$19,925	-$19,925	$67,253	$16,453	-$50,800
Anchor Property & Casualty Ins. Co.	$5,000	-$18,165	-$23,165	$61,476	-$17,843	-$79,319
Tower Hill Prime Ins. Co.	-$5,000	$4,449	$9,449	$54,000	$48,537	-$5,463
Prepared Ins. Co.	$11,755	-$301	-$12,056	$50,394	$2,241	-$48,153
Vault Reciprocal Exchange	$0	-$1,142	-$1,142	$50,000	$46,744	-$3,256
Heritage Property & Casualty Ins. Co.	$1,265	-$15,143	-$16,408	$44,262	-$14,094	-$58,356
St. Johns Ins. Co., Inc.	$22,824	$713	-$22,111	$40,120	-$3,463	-$43,583
Monarch National Ins. Co.	$5,000	$1,405	-$3,595	$36,000	$18,216	-$17,784
Capitol Preferred Ins. Co., Inc.	$25,000	$2,191	-$22,809	$33,300	-$7,540	-$40,840
ASI Preferred Ins. Corp.	$8,202	$5,250	-$2,952	$32,621	$24,126	-$8,495
US Coastal Property & Casualty Ins. Co.	$4,000	$4,880	$880	$30,400	$27,580	-$2,820
Safepoint Ins. Co.	$0	-$6,677	-$6,677	$30,000	$8,998	-$21,002
TypTap Ins. Co.	$5,000	$1,283	-$3,717	$30,000	$27,284	-$2,716
Tower Hill Signature Ins. Co.	$26,931	$21,559	-$5,372	$26,304	$18,071	-$8,233
Universal Property & Casualty Ins. Co.	$28,529	$9,681	-$18,848	$22,645	$100,946	$78,301
Source: AM Best data and research						

Florida Carriers: Income Financials with Litigation Volume

Florida Domestic Property Insurance Financial Results 2016-2019 (000s), PLUS LAWSUITS FILED AGAINST

	Direct Written Premium				Policyholders' Surplus				Number of Lawsuits Filed				
Company	DWP 2019	YoY %	% 16-19	PERCENT OF MARKET	P SURP 2019	YoY %	% 16-19	PERCENT OF MARKET	SUITS 2019	Suits 2020	% 16-19	TOTAL16-19	PERCENT OF TOTAL
Universal P&C Insurance Co.	1,285,227	8.51%	35.58%	9.0%	301,120	3.3%	-4.0%	2.6%	4,342		63.4%	13,758	8.3%
Heritage P&C Insurance Co.	535,440	-0.32%	-7.63%	3.8%	158,619	-8.7%	-20.6%	1.3%	3,675		92.0%	10,409	6.3%
Florida Peninsula Insurance Co	218,531	-4.80%	-13.94%	1.5%	90,999	-7.1%	-30.3%	0.8%	2,530		68.7%	7,449	4.5%
Safepoint Insurance Co.	147,274	-3.77%	21.39%	1.0%	38,890	-14.7%	-21.7%	0.3%	2,338		76.1%	6,896	4.2%
Amer Integrity Ins Co. of FL	341,514	7.77%	30.17%	2.4%	78,061	4.6%	7.1%	0.7%	1,710		72.2%	5,363	3.2%
United P&C Insurance Co.	761,039	4.56%	14.57%	5.3%	159,004	-7.4%	2.2%	1.3%	1,405		80.4%	4,238	2.6%
People's Trust Insurance Co.	234,982	6.98%	-11.84%	1.6%	78,335	0.6%	50.9%	0.7%	1,271		82.9%	3,745	2.3%
FedNat Insurance Co.	605,202	6.79%	-0.78%	4.2%	141,783	-12.3%	0.2%	1.2%	1,261		81.4%	3,708	2.2%
Security First Insurance Co.	434,028	2.75%	20.39%	3.0%	82,488	-7.9%	15.5%	0.7%	1,202		77.0%	3,473	2.1%
Anchor P&C Insurance Co.***	71,470	4.68%	24.26%	0.5%	6,881	-72.5%	-70.3%	0.1%	1,180		83.2%	3,393	2.1%
State Farm Florida Ins Co.	738,358	-2.02%	10.22%	5.2%	896,786	5.1%	-17.2%	7.6%	1,104		85.5%	3,141	1.9%
Tower Hill Signature Ins Co.****	156,186	15.33%	28.92%	1.1%	71,233	43.4%	61.3%	0.6%	1,103		87.6%	3,118	1.9%
Tower Hill Prime Insurance Co.	260,462	-14.04%	39.30%	1.8%	123,248	3.7%	35.5%	1.0%	1,079		107.9%	2,944	1.8%
St. Johns Insurance Co.	371,488	16.58%	40.15%	2.6%	46,751	1.5%	-9.3%	0.4%	836		124.7%	2,196	1.3%
Tower Hill Select Insurance Co	86,600	-0.69%	11.85%	0.6%	21,118	5.6%	-29.8%	0.2%	701		142.6%	1,847	1.1%
Prepared Insurance Co.	65,139	4.64%	5.91%	0.5%	20,787	-1.4%	3.4%	0.2%	545		125.2%	1,443	0.9%
First Floridian Auto & Home	46,482	-4.69%	-18.05%	0.3%	182,317	-0.1%	-4.5%	1.5%	411		140.4%	1,100	0.7%
Auto Club Insurance Co. of FL	233,024	-0.71%	8.50%	1.6%	211,579	13.7%	22.1%	1.8%	401		134.5%	1,056	0.6%
Univ Ins Co. of North America	123,390	-8.88%	-8.70%	0.9%	31,394	-9.2%	-4.1%	0.3%	390		129.4%	1,030	0.6%
First Community Insurance Co.	122,785	7.54%	-6.15%	0.9%	31,080	0.9%	-23.9%	0.3%	327		119.5%	866	0.5%
American Strategic Ins Corp.	1,003,892	12.19%	94.77%	7.0%	637,225	0.2%	30.2%	5.4%	288		116.5%	768	0.5%
Cypress P&C Insurance Co.	75,390	6.52%	-9.15%	0.5%	25,314	-0.3%	-15.2%	0.2%	186		95.8%	548	0.3%
Omega Insurance Co.	65,953	1.34%	-4.93%	0.5%	16,432	10.0%	3.9%	0.1%	166		90.8%	490	0.3%
ASI Preferred Insurance Corp.	387,393	95.95%	166.19%	2.7%	48,643	12.1%	13.0%	0.4%	154		81.2%	466	0.3%
Florida Farm Bureau Cas Ins Co	106,166	2.78%	11.28%	0.7%	279,538	-0.6%	-2.2%	2.4%	149		77.4%	457	0.3%
Edison Insurance Co.	106,714	13.47%	126.34%	0.7%	29,735	41.3%	40.2%	0.3%	148		76.2%	453	0.3%
Safe Harbor Insurance Co.	92,500	16.17%	32.78%	0.6%	24,188	-4.3%	-9.2%	0.2%	110		66.7%	349	0.2%
ASI Assurance Corp.	7,805	-85.90%	-88.42%	0.1%	36,760	5.9%	-25.9%	0.3%	61		56.4%	197	0.1%
American Coastal Ins Co.	302,302	17.01%	20.82%	2.1%	107,710	-16.8%	-39.1%	0.9%	38		65.2%	118	0.1%
Weston Insurance Co.	80,128	66.15%	-9.42%	0.6%	38,410	-10.8%	-14.7%	0.3%	17		54.5%	56	0.0%
Centauri Specialty Ins Co.	153,387	-0.78%	1.16%	1.1%	16,642	-41.1%	-55.9%	0.1%	16		60.0%	53	0.0%
Capacity Insurance Co.	16,985	12.25%	11.99%	0.1%	9,197	-3.8%	-8.3%	0.1%	14		75.0%	44	0.0%
Monarch National Insurance Co.	9,270	-28.90%	-29.31%	0.1%	18,217	8.4%	-56.0%	0.2%	8		60.0%	26	0.0%
Privilege Underwriters Recpl	1,152,768	19.71%	80.01%	8.1%	314,987	9.0%	100.5%	2.7%	8		60.0%	26	0.0%
American Platinum P&C Ins Co.	7,494	17.02%	12.66%	0.1%	16,433	2.9%	-4.9%	0.1%	5		25.0%	18	0.0%
American Capital Assr Corp.	101,561	16.73%	34.72%	0.7%	61,127	0.1%	-6.6%	0.5%				-	
Family Security Insurance Co.	201,270	37.97%	698.63%	1.4%	49,578	19.5%	204.7%	0.4%	-			-	
Progressive Property Ins Co.	69,035	-21.78%	-37.53%	0.5%	26,738	-2.5%	-36.1%	0.2%				-	
US Coastal P&C Insurance Co.	20,147	64.36%	380.61%	0.1%	27,580	21.5%	17.7%	0.2%				-	
TOTALS	10,798,781	8.29%	26.79%	75.8%	4,556,927		-0.1%	38.6%	29,179	47,104	83.6%	85,242	51.6%
AVERAGES	276,892	7.91%	44.03%	2.2%	116,844	-0.2%	2.5%	2.6%	834	1,240	83.6%	2,435	1.5%
TOTAL- CITIZENS	10,798,781	8.29%	26.79%	75.8%	4,556,927		-0.1%	32.0%	29,179	29,619	83.6%	85,242	82.3%
AVERAGES-CITIZENS	276,892	7.91%	44.03%	1.9%	$116,844.28	0.8%	2.5%	1.0%	834	801	87%	2435	

	Direct Written Premium				Policyholders' Surplus				Number of Lawsuits Filed				
Company	DWP 2019	YoY %	% 16-19	% of total	P SURP 2019	YoY %	% 16-19	% of total	SUITS 2019	Suits 2020	% 16-19	TOTAL16-19	PERCENT OF TOTAL
Family Security	201,270	37.97%	698.63%	1.4%	49,578	19.5%	204.7%	4.6%	-			-	
American Traditions	129,057	16.46%	150.21%	0.9%	30,355	1.2%	51.7%	2.8%	234		134.0%	626	0.6%
American Modern Ins	15,624	8.52%	7.19%	0.1%	15,000	-0.1%	44.7%	1.4%	6		50.0%	19	0.0%
Southern Oak	104,972	2.26%	15.34%	0.7%	46,419	-14.0%	-14.4%	4.3%	684		148.7%	1,811	1.1%
Avatar	88,582	2.97%	172.44%	0.6%	17,853	-9.1%	-26.8%	1.7%	194		98.0%	574	0.3%
Tower Hill Pref	107,490	7.53%	6.91%	0.8%	36,216	-13.9%	-23.7%	3.4%	584		122.9%	1,555	0.9%
Maison Ins	96,043	4.86%	92.12%	0.7%	50,706	11.3%	155.6%	4.7%				-	0.0%
First Protective	432,484	4.26%	28.84%	3.0%	73,122	14.1%	18.3%	6.8%	152		78.8%	461	0.3%
Gulfstream Ins	149,446	-3.77%	5.06%	1.0%	25,279	-16.8%	-19.7%	2.3%	377		138.6%	958	0.6%
Castle Key Ins	98,532	-1.39%	-4.84%	0.7%	268,875	15.6%	25.4%	24.9%	345		122.6%	909	0.5%
Capital Preferred	210,760	130.56%	188.35%	1.5%	42,712	74.5%	58.2%	4.0%	337		126.2%	877	0.5%
Florida Family	101,504	-4.09%	-10.33%	0.7%	51,246	-7.8%	-10.5%	4.8%	109		65.2%	346	0.2%
Southern Fidelity	179,574	7.19%	22.31%	1.3%	55,187	-28.9%	-36.0%	5.1%	949		114.7%	2,570	1.5%
TypTap	60,936	312.29%	2289.65%	0.4%	27,283	4.9%	10.3%	2.5%				-	0.0%
Homeowners Choice	302,907	-6.81%	-14.43%	2.1%	159,163	6.8%	-13.1%	14.8%	1,846		81.9%	5,550	3.3%

	Direct Written Premium				Policyholders' Surplus				Number of Lawsuits Filed				
Company	DWP 2019	YoY %	% Change '16-'19	PERCENT OF MARKET	P SURP 2019	YoY %	% Change '16-'19	PERCENT OF MARKET	SUITS 2019	Suits 2020	% 16-19	TOTAL16-20	PERCENT OF TOTAL
TOTAL LESS CITIZENS	10,798,781	8.29%	26.79%	75.8%	4,556,927		-0.1%	38.1%	25,846	29,619	62.7%	111,528	52.4%
TOTAL OF 16 "OUTLIERS	2,279,181	-3.06%	14.50%	16.0%	948,994	0.046	8.0%	7.9%	7,670	7,797	173.1%	28,595	13.4%
CPIC	876,560	0.9%	-10.0%	6.2%	6,317,933	1%	-15%	53%	19,719	9,598	96%	69,497	33%
INDUSTRY TOTAL	14,246,187	2.06%	21.72%	100.00%	11,953,152	2.98%	-2.25%	100.00%	54,379	47,014	85.9%	212,689	100%

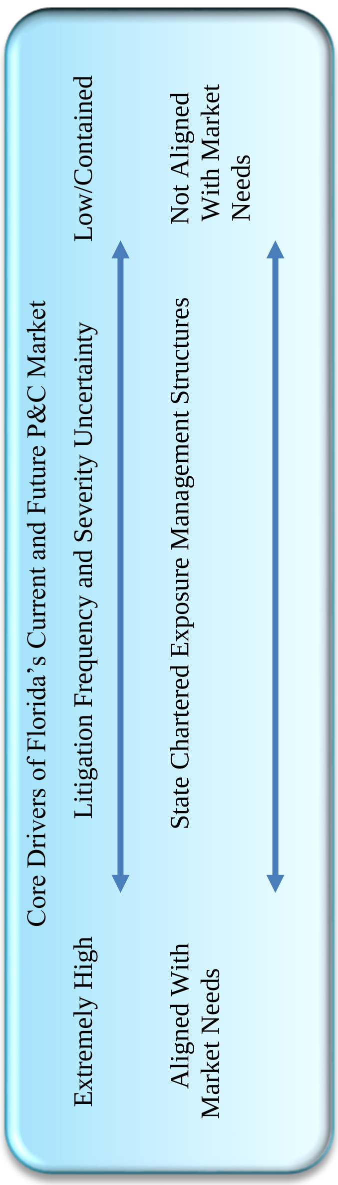
UW Gain/Loss, Net Income, Combined Ratios With Litigation Volume

Florida Domestic Property Insurance Financial Results 2016-2019 (000s), PLUS LAWSUITS FILED AGAINST

	Net U/W Gain / (Loss)				Net Income			Net Combined Ratio %		Number of Lawsuits Filed				
Company	NET G/L 2019	YoY %	% Change '16-'19	PERCENT OF MARKET	NET INC 2019	YoY %	% Change '16-'19	COMB % 2019	COMB CHANGE 2016-2019	SUITS 2019	Suits 2020	% 16-19	TOTAL16-19	PERCENT OF TOTAL
Universal P&C Insurance Co.	(81,910	-430.2%	-212.5%	12.6%	(50,169)	-1498.6%	-186.9%	108.6	-24.8%	4,342		63.4%	13,758	8.3%
Heritage P&C Insurance Co.	(38,844	43.7%	9.0%	6.0%	(23,453)	63.9%	-42.3%	111.5	5.6%	3,675		92.0%	10,409	6.3%
Florida Peninsula Insurance Co	(13,314	-0.8%	-142.2%	2.0%	(2,674)	49.1%	-185.3%	118.9	-12.5%	2,530		68.7%	7,449	4.5%
Safepoint Insurance Co.	(12,753	8.2%	-6.4%	2.0%	(6,220)	41.4%	13.7%	137.8	-10.3%	2,338		76.1%	6,896	4.2%
Amer Integrity Ins Co. of FL	(295	90.0%	-104.5%	0.0%	3,515	205.1%	-44.0%	99.2	-7.0%	1,710		72.2%	5,363	3.2%
United P&C Insurance Co.	(35,544	-0.9%	-65.6%	5.5%	(20,828)	-58.2%	-292.7%	112.7	-6.0%	1,405		80.4%	4,238	2.6%
People's Trust Insurance Co.	(13,242	-232.3%	72.0%	2.0%	(2,806)	-118.2%	89.5%	111.5	21.4%	1,271		82.9%	3,745	2.3%
FedNat Insurance Co.	(38,816	-1795.8%	32.2%	6.0%	(18,174)	-277.9%	49.9%	109.6	3.9%	1,261		81.4%	3,708	2.2%
Security First Insurance Co.	(24,560	-60.8%	47.0%	3.8%	(17,551)	-48.2%	50.2%	181.0	-42.6%	1,202		77.0%	3,473	2.1%
Anchor P&C Insurance Co.***	(22,982	-0.4%	-124.7%	3.5%	(22,194)	2.3%	-182.9%	219.0	-54.0%	1,180		83.2%	3,393	2.1%
State Farm Florida Ins Co.	125,348	443.3%	-16.5%	-19.3%	75,669	163.7%	4.3%	81.3	-9.3%	1,104		85.5%	3,141	1.9%
Tower Hill Signature Ins Co.****	(236	-107.7%	96.7%	0.0%	2,706	-41.1%	173.1%	96.3	14.4%	1,103		87.6%	3,118	1.9%
Tower Hill Prime Insurance Co.	(819	82.0%	89.3%	0.1%	10,829	-41.9%	454.0%	101.7	15.6%	1,079		107.9%	2,944	1.8%
St. Johns Insurance Co.	(29,164	-111.4%	-232.2%	4.5%	(22,111)	-132.3%	-403.9%	178.7	-42.3%	836		124.7%	2,196	1.3%
Tower Hill Select Insurance Co	(4,746	-200.4%	32.5%	0.7%	(2,653)	-58.3%	28.0%	123.4	10.6%	701		142.6%	1,847	1.1%
Prepared Insurance Co.	(13,508	-10.9%	-94.8%	2.1%	(12,424)	-11.0%	-116.7%	152.5	-13.6%	545		125.2%	1,443	0.9%
First Floridian Auto & Home	(6,449	-43.5%	-112.6%	1.0%	1,305	-49.3%	-73.7%	115.8	-9.2%	411		140.4%	1,100	0.7%
Auto Club Insurance Co. of FL	12,498	-23.1%	-37.6%	-1.9%	18,657	-4.5%	1.9%	94.0	-6.2%	401		134.5%	1,056	0.6%
Univ Ins Co. of North America	(7,196	-243.6%	57.5%	1.1%	(4,120)	-4890.7%	64.3%	118.1	6.3%	390		129.4%	1,030	0.6%
First Community Insurance Co.	(3,045	73.7%	-104.1%	0.5%	(350)	95.1%	-148.0%	101.4	4.7%	327		119.5%	866	0.5%
American Strategic Ins Corp.	(66,146	15.7%	-970.0%	10.2%	(19,408)	59.1%	-198.0%	103.5	-7.6%	288		116.5%	768	0.5%
Cypress P&C Insurance Co.	(4,962	-501.5%	53.4%	0.8%	(2,109)	-409.2%	55.3%	118.8	17.4%	186		95.8%	548	0.3%
Omega Insurance Co.	(5,075	-16.7%	-27.7%	0.8%	(3,530)	3.1%	-60.5%	122.5	11.6%	166		90.8%	490	0.3%
ASI Preferred Insurance Corp.	(7,135	-191.2%	-486.9%	1.1%	(1,270)	-278.9%	-135.8%	167.4	-59.1%	154		81.2%	466	0.3%
Florida Farm Bureau Cas Ins Co	(15,348	22.9%	41.5%	2.4%	1,442	148.1%	117.7%	105.1	4.7%	149		77.4%	457	0.3%
Edison Insurance Co.	(6,025	0.6%	-394.3%	0.9%	(4,554)	-18.2%	-3498.5%	112.0	-40.7%	148		76.2%	453	0.3%
Safe Harbor Insurance Co.	(3,268	-536.3%	-212.6%	0.5%	(1,495)	-181.3%	-148.2%	102.7	-8.6%	110		66.7%	349	0.2%
ASI Assurance Corp.	(432	97.3%	-143.0%	0.1%	3,868	137.5%	28.9%	63.9	23.3%	61		56.4%	197	0.1%
American Coastal Ins Co.	(26,706	-239.4%	-157.7%	4.1%	(17,433)	-183.4%	-149.0%	103.6	-50.1%	38		65.2%	118	0.1%
Weston Insurance Co.	818	137.7%	136.7%	-0.1%	1,456	211.7%	173.2%	86.4	79.0%	17		54.5%	56	0.0%
Centauri Specialty Ins Co.	(9,635	13.1%	-8.1%	1.5%	(6,812)	25.8%	-37.2%	115.8	-5.9%	16		60.0%	53	0.0%
Capacity Insurance Co.	(1,148	-17.0%	-383.5%	0.2%	(429)	24.5%	-148.0%	108.0	-13.1%	14		75.0%	44	0.0%
Monarch National Insurance Co.	(4,676	41.5%	-330.6%	0.7%	(3,535)	51.7%	-395.1%	169.7	-93.5%	8		60.0%	26	0.0%
Privilege Underwriters Recpl	(55,795	-328.6%	-814.1%	8.6%	(29,879)	-208.5%	-412.2%	121.0	-21.0%	8		60.0%	26	0.0%
American Platinum P&C Ins Co.	(140	81.2%	-128.8%	0.0%	252	153.7%	-47.6%	79.9	7.2%	5		25.0%	18	0.0%
American Capital Assr Corp.	(9,416	-11.1%	-189.8%	1.4%	(5,965)	-26.1%	-155.4%	114.4	-47.6%				-	
Family Security Insurance Co.	(10,142)	-0.4%	-1418.9%	1.6%	(5,837)	14.6%	-792.4%	109.9	-14.0%	-			-	
Progressive Property Ins Co.	(1,729)	92.2%	49.3%	0.3%	(591	96.4%	73.9%	107.0	-3.6%				-	
US Coastal P&C Insurance Co.	(671	59.9%	59.7%	0.1%	392	135.0%	125.8%	98.3	1.2%				-	
TOTALS	(437,208)		-925.5%	67.2%	(188,483.00)	29.1%	-546.7%			29,179	47,104	83.6%	85,242	51.6%
AVERAGES	(11,210)	-97.5%	-925.5%	1.7%	(4,832.90)	-175.7%	-162.8%	117.5	-9.6%	834	1,240	83.6%	2,435	1.5%
TOTAL- CITIZENS	(437,208)		-925.5%	78.3%	(188,483.00)					29,179	29,619	83.6%	85,242	82.3%
AVERAGES-CITIZENS	(11,210)	-97.5%	-157.5%	2.0%	(4,832.90)	-176%	-163%	117.51	-9.6%	834	801	87%	2435	

	Net U/W Gain / (Loss)				Net Income			Net Combined Ratio %		Number of Lawsuits Filed				
Company	NET G/L 2019	YoY %	% 16-19		NET INC 2019	YoY %	% 16-19	COMB % 2019	COMB CHANGE 2016-2019	SUITS 2019	Suits 2020	% 16-19	TOTAL16-19	PERCENT OF TOTAL
Family Security	(10,142)	-0.4%	-1418.9%	1.6%	(5,837)	14.6%	-792.4%	109.9	-14.0%	-			-	
American Traditions	(1,321)	80.4%	34.8%	0.2%	598	112.4%	172.1%	95.5	9.9%	234		134.0%	626	0.6%
American Modern Ins	(491	57.8%	-1483.9%	0.1%	(8)	99.0%	-103.1%	101.3	2.3%	6		50.0%	19	0.0%
Southern Oak	(14,374)	-617.3%	-405.3%	2.2%	(13,347)	-2968.3%	-422.0%	121.2	-26.9%	684		148.7%	1,811	1.1%
Avatar	(10,867)	-35.4%	-3538.9%	1.7%	(6,059)	6.4%	-941.5%	118.2	-26.7%	194		98.0%	574	0.3%
Tower Hill Pref	(5,603)	-105.4%	-3138.7%	0.9%	(1,985)	-170.1%	-340.3%	114.9	-19.8%	584		122.9%	1,555	0.9%
Maison Ins	(21,612)	-513.6%	-1053.9%	3.3%	(15,085)	-434.0%	-1463.2%	168.8	-59.8%				-	0.0%
First Protective	(18,148)	-143.6%	-2487.9%	2.8%	(11,649)	-704.5%	-318.4%	125.5	44.4%	152		78.8%	461	0.3%
Gulfstream Ins	(9,300)	-2.8%	-7.4%	1.4%	(7,429)	2.0%	-39.0%	125.5	-11.4%	377		138.6%	958	0.6%
Castle Key Ins	30,667	141.6%	872.6%	-4.7%	34,457	112.1%	359.1%	76.5	22.2%	345		122.6%	909	0.5%
Capital Preferred	(27,902)	-724.5%	-3166.2%	4.3%	(25,738)	-890.7%	-1544.3%	138.3	-48.7%	337		126.2%	877	0.5%
Florida Family	(6,075)	-151.9%	-826.1%	0.9%	(3,710)	-1713.0%	-1175.4%	107.5	-9.7%	109		65.2%	346	0.2%
Southern Fidelity	(26,237)	-304.3%	-1945.0%	4.0%	(22,617)	-1087.9%	-1822.5%	122.9	-20.7%	949		114.7%	2,570	1.5%
TypTap	(6,172)	-414.1%	-1093.8%	0.9%	(5,164)	-353.9%	-1318.7%	86.8	11.0%				-	0.0%
Homeowners Choice	4,986	328.1%	1893.5%	-0.8%	18,443	-11.2%	214.0%	96.8	0.5%	1,846		81.9%	5,550	3.3%

	Net U/W Gain / (Loss)				Net Income			Net Combined Ratio %		Number of Lawsuits Filed				
Company	NET G/L 2019	YoY %	% Change '16-'19	PERCENT OF MARKET (2019)	NET INC 2019	YoY %	% Change '16-'19	COMB % 2019	COMB CHANGE 2016-2019	SUITS 2019	Suits 2020	% 16-19	TOTAL16-20	PERCENT OF TOTAL
TOTAL LESS CITIZENS	-437,208		-925%	67.2%	-188,483		-546.7%	117.5	-2.3%	25,846	29,619	62.7%	111,528	52.4%
TOTAL OF 16 "OUTLIERS	-122,591	-142.3%	-2412%	18.8%	-65,130	-2443.6%	-403.7%	112.9	-5.1%	7,670	7,797	173.1%	28,595	13.4%
CPIC	(97,059)	65%	25%	15%	86,329	157%	419%	114.5	8.9%	19,719	9,598	96%	69,497	33%
INDUSTRY TOTAL	-650,720	-38.42%	-255.1%	101.89%	-155,014	61.6%	-521.6%	115.0	0.9%	54,379	47,014	85.9%	212,689	100%



Scenarios
Florida's P&C Market 2025

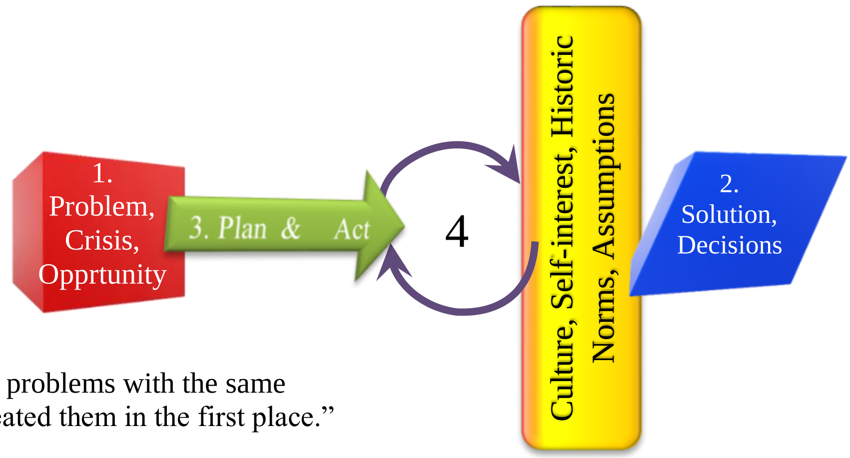
Plausible Prequils

1. Florida's P&C *Green Mile*
2. *The Matrix*
3. *Backdraft*

People within highly structured ecosystems such as corporations and legislative bodies develop mental frameworks and communication infrastructures that culminate to form an overall world view. This worldview combines with cultural norms and relationship management processes. The results are a system for problem solving and all affiliated stakeholders form concrete expectations about the way “things get done”. These processes and expectations carry on, even to the point of creating catastrophic crisis because, “that’s how things get done”. Here is how it works:

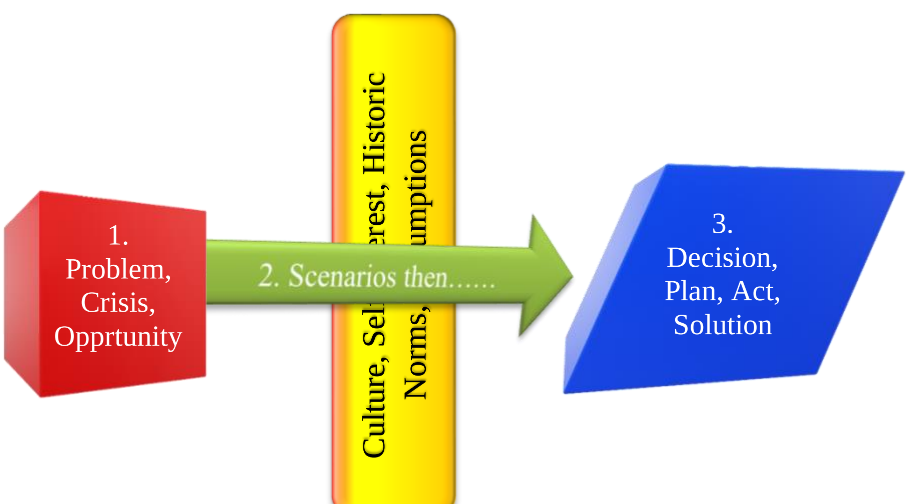
1. A problem, crisis, even opportunity is recognized
2. Decisions are made and a solution is locked in
3. A plan is acted upon
4. And then the ultimate desired outcome is never achieved

The wall blocking the outcome envisioned from the actual outcome is “the way things get done here”.



“We can’t solve problems with the same thinking that created them in the first place.”
Albert Einstein

This is how five to eight distinct public policies, enacted individually, come together and create a crisis, or allow a relatively minor problem to grow into systemic threat. When the statutes at the center of this research were enacted, what is the likelihood consequences from Florida’s Supreme Court decisions of Sebo or Joyce were considered? What a ridiculous question, unless Florida Legislators have some fantastic crystal ball giving them prophetic powers. Scenario planning works because it is not predicting a future, but forecasting multiple plausible futures. The result of using scenarios is an exponential growth in the effectiveness of solutions deployed. Scenarios point out the flaws of established frameworks and create clarity about the most plausible outcomes.



Again, the cornerstone for gaining additional clarity re potential public policy reforms is to jump ahead with this this statement:

> In 2025 Florida's P&C market is financially thriving, making significant contributions to the State's economy, attracting capital, backed by a competitive reinsurance industry and providing Florida's property owners with affordable, adequate, competitive and reliable insurance choices.

2025 was selected in order to frame the window of opportunity beginning with the 2021 Legislative Session. Regardless of actions, or inactions, market results can be tracked and used for directional planning. In fact, public policy decisions enacted must include tracking and reporting responsibilities. Simplistically, meaningful reforms in 2021 will mean the P&C sector should fall into alignment with Florida's Chamber of Commerce vision, "Florida 2030" by 2025.

The next step requires casting a broad net to identify issues, topics, and trends directly relevant to the problem. These are initially organized using an anacronym indicative of broad categories: Social, Technology, Environmental, Economic, and Political. (STEEP). After an initial round of prioritization 231 key factors result in an organized set of 64. The table of key factors is located at the end of this section. The key factors are then grouped and further narrowed down to the two most impacting issues affecting the market, within the scope and authority of the Florida legislative structures to address:

Litigation Exposure:

- Fee Multiplier
- 3rd Party FNOL and AOB changes
- Contingency Fee Penalties
- Policy Language
- Statute of Limitations re filed claims
- Separation of damages from attorney fees in dispute

Cat Exposure Solution Efficacy

- Citizens
- Reinsurance
- Surplus Lines
- Statute of limitations on Cat loss FNOL
- 3rd parties and AOB

Each Core Driver is then placed on a continuum with diametrically opposing ends. An overabundance of uncertainty has resulted in an unprecedented burden Floridians are tasked with funding. Therefore, the opposing ends of each core driver are being described in terms of increasing uncertainty vs contained uncertainty.

Low Uncertainty: Constrained Frequency & Severity	← Litigation Exposure →	High Uncertainty: Unconstrained Frequency & Severity
Low Uncertainty (Manageable due to alignment among solutions), Dynamic Model CAT Fund, Residual & surplus lines participant, Reinsurance Capacity & Availability	← Cat Exposure Solution Efficacy →	High Uncertainty (Not manageable due to lack of alignment among solutions), CAT Fund, Residual & surplus lines participant, Reinsurance Capacity & Availability

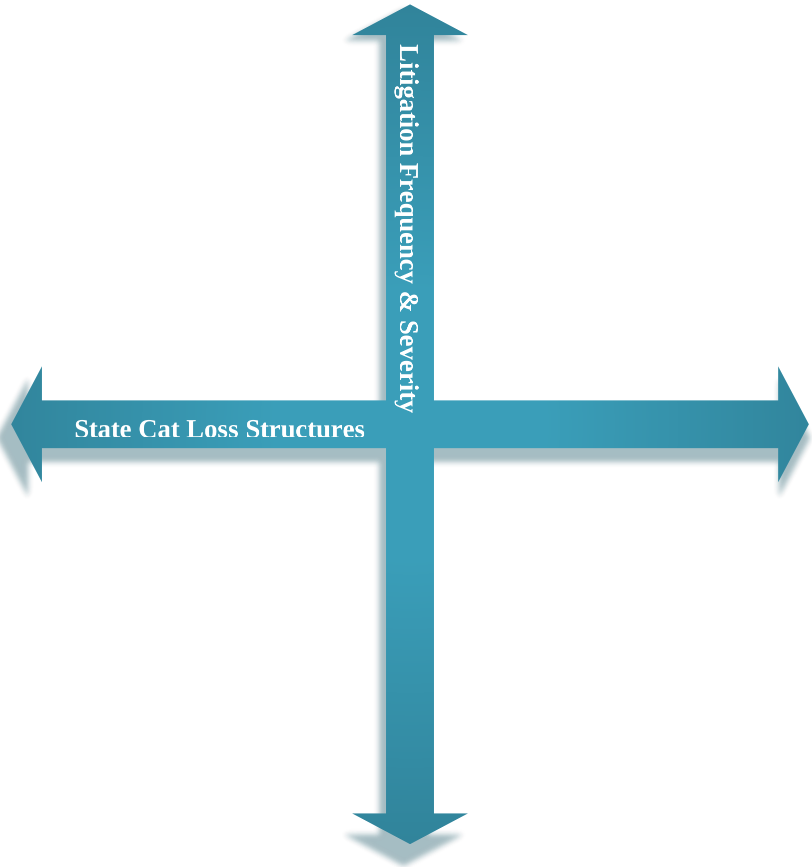
Once these 2 core drivers are combined, four quadrants emerge that provide insight into the four most likely futures on the basis of legislative action in the 2021 session. Familiar movie titles have been selected to label each quadrant in order to facilitate sharing and discussions.

Once these two core drivers are combined, we have the framework for defining the four most plausible views of the P&C market in 2025.

2 Core Driver Combined and Labeled

Highest Uncertainty:
Unconstrained Litigation Frequency & Severity

Mitigated Uncertainty:
Higher Alignment W/ Market Needs: Legislators, Statutes, Citizens, FHCF, FIGA, Solvency Regs



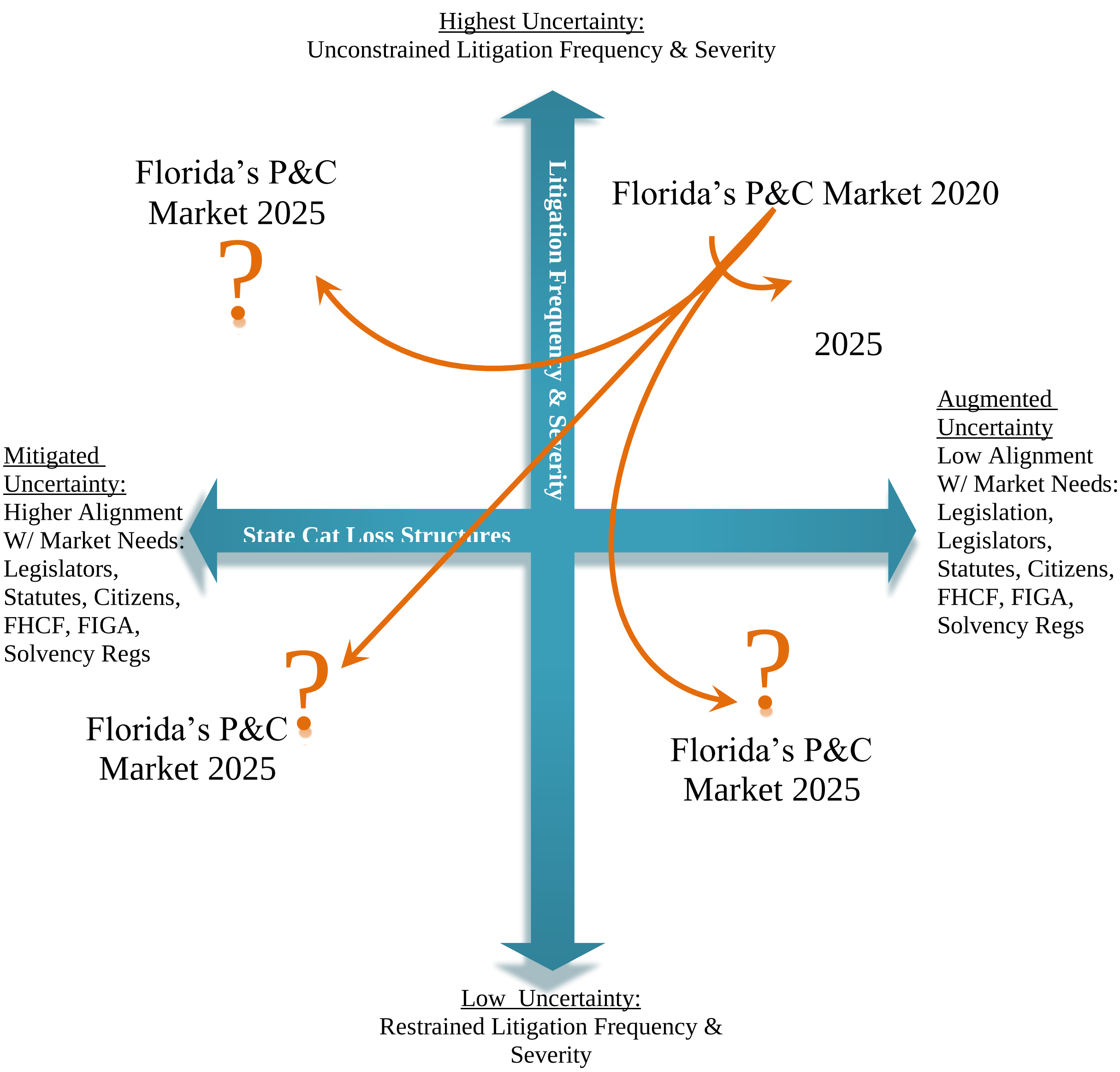
Augmented Uncertainty
Low Alignment W/ Market Needs: Legislation, Legislators, Statutes, Citizens, FHCF, FIGA, Solvency Regs Ratings Agencies

Low Uncertainty:
Restrained Litigation Frequency & Severity

Take a moment and consider these questions? As other's come to mind, take notes, write them down.

1. Which combined set of circumstances most accurately describes Florida's P&C Market today?
2. With either zero or extremely compromised actions, how will this market have evolved by 2025?
3. Which of these 4 P&C Markets would Florida's citizens vote for?
4. Which 2025 market represents the best set of choices for Florida's economy in light of a COVID-19 recovery?

The next step defines which of these quadrants best describes the market today based on the analysis. Next, which key market attributes can be used to define these 4 views of the P&C sector in Florida with consistency. Remember each quadrant is set five years out, looking back on legislative actions and/or lack of actions during the 2021 session.



Scenarios are discussion and debate facilitators to assist with decision making. Therefore, the next step is to begin filling in the quadrants with research-based attributes, and to give each quadrant a title for easy reference. For the purposes of this analysis, popular film titles have been chosen.

Highest Uncertainty:
Unconstrained Litigation Frequency & Severity

Litigation Frequency & Severity

State Cat Loss Structures

The Matrix

2021 Reforms incrementally address litigation frequency, but fail to address severity. FHCF is expanded, Citizens rates rise. Additional monies into the system fuels additional litigation. Stability is curtailed. The title Matrix was chosen because Florida insureds continue to be used as the energy source for litigation.

Florida's P&C Green Mile

Current market with no change. Legislators don't act, investment money hardens, investor lawsuits begin & grow, carrier geographic diversification grows, then shrinks Florida share. P&C market begins to drain real estate values, new entrants cease in the state.

Mitigated Uncertainty: Higher alignment W/ market needs:

Augmented Uncertainty Low alignment W/ market needs

The Flight of The Phoenix

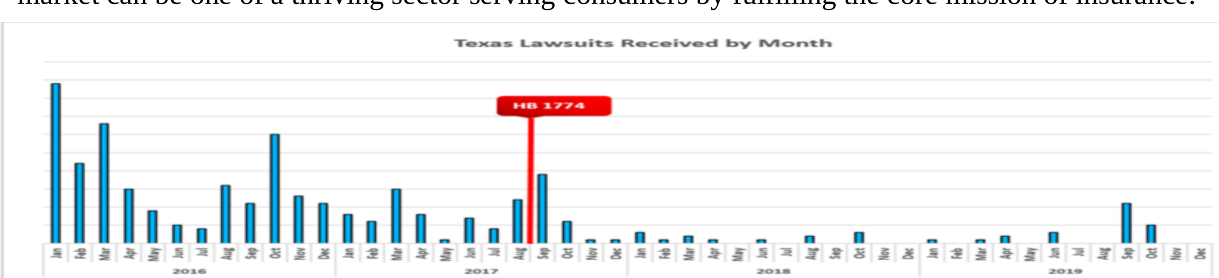
2021 Reforms are meaningful: By 2025 investor returns are double digit; reinsurance rates are aligned with balance of cat prone Southeast markets, surplus is growing with proportionality, litigation activity reflects alignment with other markets,

Backdraft

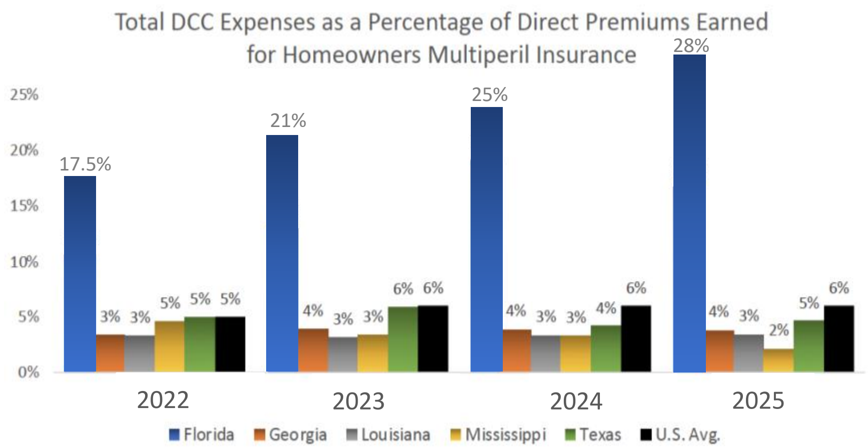
2021 Reforms are successful partially mitigating litigation uncertainty which does incrementally reduce litigation severity, which in turn has an incremental positive impact upon frequency. Carriers are competitive with Citizens after CPIC 's rate increases. The title Backdraft refers to slower controlled burn. A much longer spiral.

Low Uncertainty:
Restrained Litigation Frequency & Severity

As the graph below, from the Texas Department of Insurance (TDI) highlights, Florida's future P&C market can be one of a thriving sector serving consumers by fulfilling the core mission of insurance.

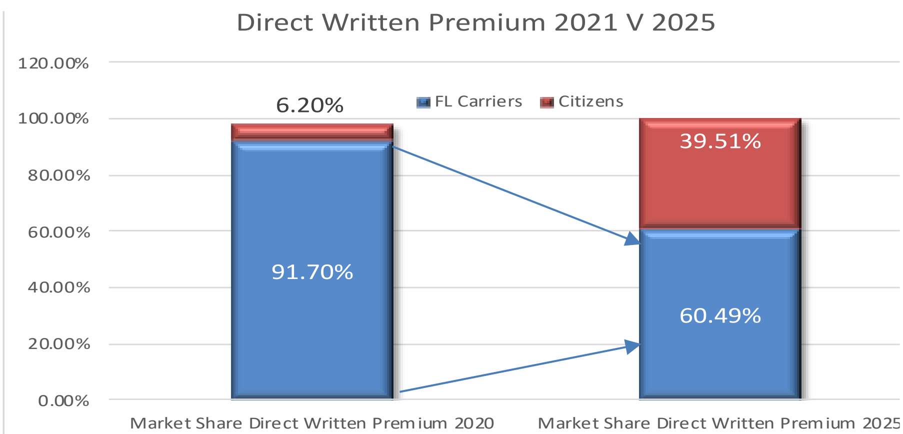


Green Mile: Florida's P&C Market 2025 Without Legislative Intervention



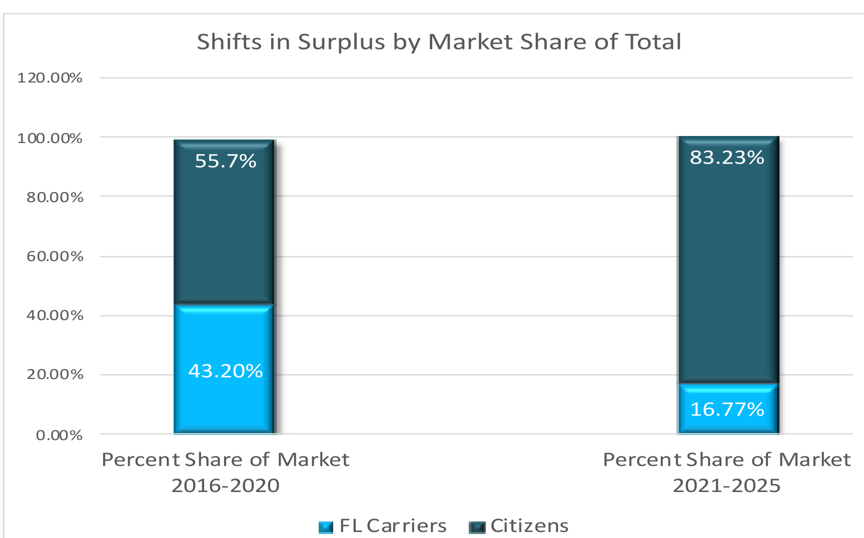
Source: National Assn. of Insurance Commissioners' Statistical Compilation of Annual Statement Information for Property/Casualty Insurance Companies 2020, 2019, 2018, 2017

Note growth of litigation cost increases, particularly compared to other states.



Note premium growth of Citizens

Premium decline in Florida among carriers withdrawing and/or failing. Premium growth experienced by Citizens is significant as carriers place growth emphasis on geographic expansion.

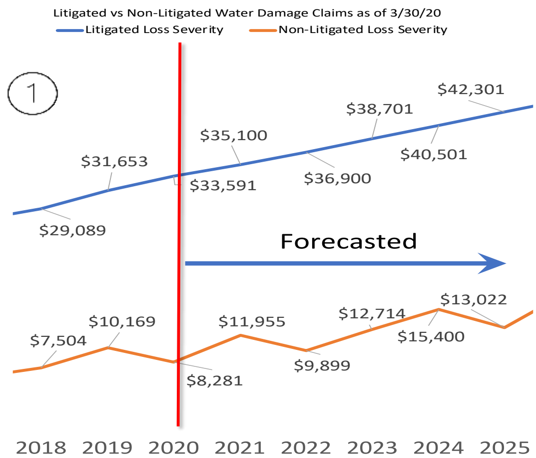


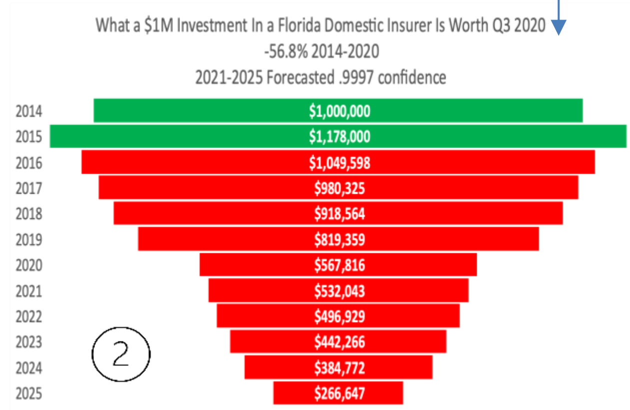
Note As a % of total surplus Citizens already had the majority share in 2020

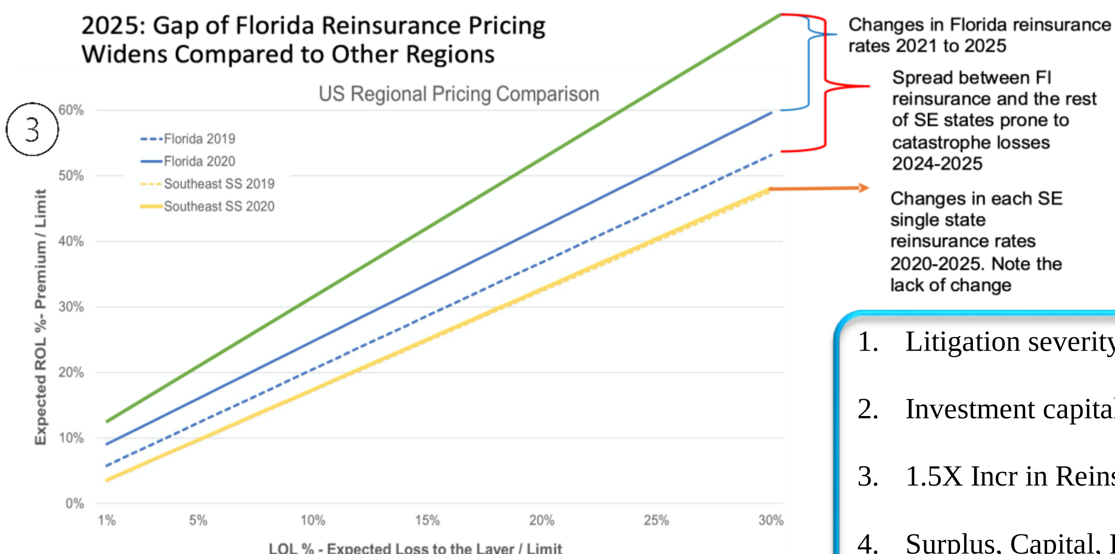
By 2025, the growth in Surplus reflects overall market needs.

CrestFutures

Florida's Green Mile Con't

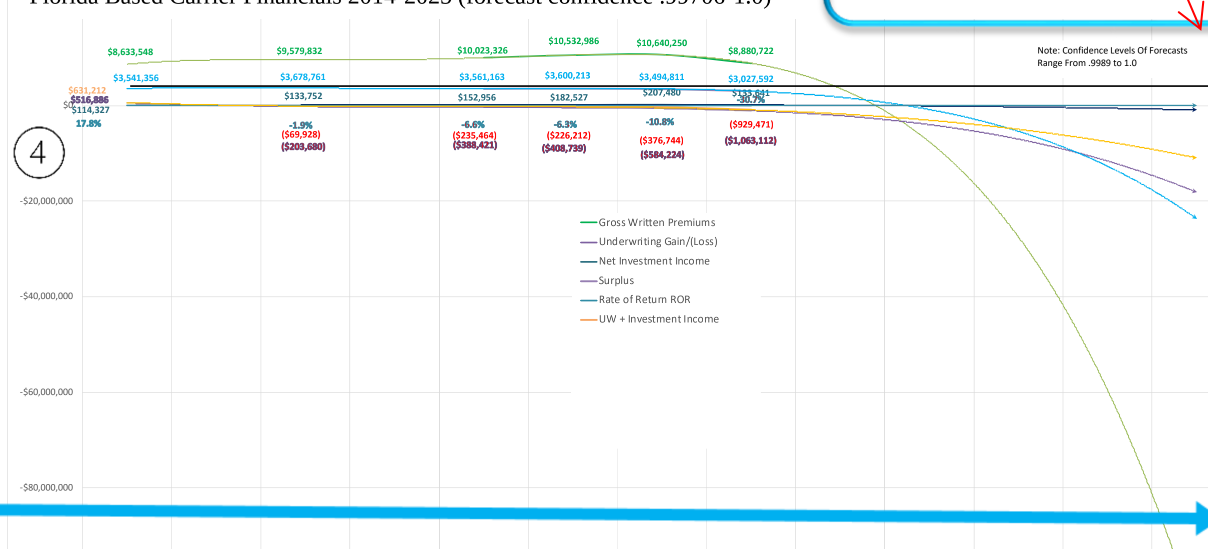






1. Litigation severity
2. Investment capital
3. 1.5X Incr in Reinsurance
4. Surplus, Capital, Premiums, Net Income- freefall

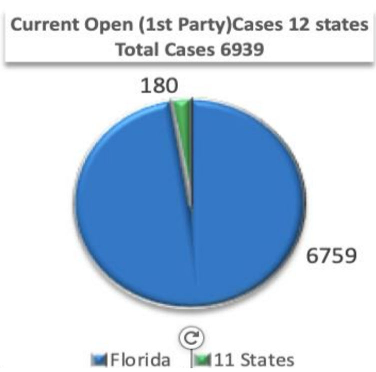
Florida Based Carrier Financials 2014-2025 (forecast confidence .99706-1.0)



CrestFutures

Key Factors

Social	Technology	Environment	Economic	Political
fraud		Fee multiplier	reinsurance	AOB
Income disparity	COVID-19 impact	Carrier financial results	Private equity	Carrier expenses
Aging population	Prior reforms	CPIC	Hurricane Cat Fund	OIR
Litigation tracking	Solvency	Sea level rise	Financial ratings agencies	Housing starts
Tourism economy	GDP structure	New Senate Leadership		Statute language
Litigation management practices	Litigation tracking	Changes in surplus	PML	Cat claims Florida Judiciary
Loss frequency	Loss severity	Closed claims vs open claims	Surplus Lines	Court backlog
Take-out business	Louisiana Citizens	Trade associations	Board of Realtors	Insurance litigation best practices
Social media	Data &transparency	Supreme Court Decisions	Premium tax	Consequences of quarterly earnings
Consumer advocate	Current carrier leadership	Ph retention rates	mediation	seasonality
Market share by insurance subsector (CPIC, SL, AC)	InsureTech	FEMA	Election	U.S. Supreme Court
		Climate mitigation	Past capitalizations	Affordable housing
		Climate events	Chamber 2030	Rate filings
		COVID-19 Economics	Claim FNOL time horizons	Building trade practices
		Insurer/PH communications	Carrier expenses other states	Lack of unity among carriers
			Contingency fee transfer	Contingency fee transfer
			Take-out business	Take-out business
			historical catastrophe events	Cohesive Plaintiff's lobby & strategy



Inventory of open cases for 1 domestic carrier.

Public Policy Solutions

cre8tfutures@icloud.com

Cre8tFutures

‘It was apparent from right away that it was going to be a very difficult case. There’s a strong likelihood that the most I’d be able to recover was $3,000. And the only reason I was able to take the case, was because there was an opportunity if we prevailed, to ultimately obtain a multiplier in the case.’

—Plaintiff Attorney testimony in
fee dispute related to Wayne Kile vs SFIC

Damages: $142.68   *Awarded Fees: $31,140*

Cost of defense: $28,880.60

Part B: Public Policy Measures

Recommendation applicable to sections I, II, V.A., V.B., VI: In consideration of the judiciary supplemental Covid budget requests, the need to jump start market stabilization entering the Covid-19 economic recovery, and finally to expedite judgements on behalf of Florida’s insureds, the recommended effective date for the above measures is January 1, 2020, thereby becoming applicable to all unresolved, or open, claim disputes.

Consumer Cost Containment Protections

I. One way attorney fees: Impacted existing statutes include, but are not limited to, FS 627.428

IMPORTANT NOTE: The best reforms for consumers and their insurers would be the termination of any attorney contingency fee statutes that create arrangements unique to the insurance industry, followed by eliminating fee enhancements, particularly from litigation reliant upon Concurrent Causation in order to prevail. Despite rhetoric lacking in facts to the contrary, those statutes included in this analysis have not evened the playing field for the consumers who dispute their insurers. For example, consider fraud detection. Residential dwelling insurance has no formal regulatory fraud detection mechanisms, at least none that are vigorously enforced. This is not a criticism of anti-fraud efforts as much as a declaration that the governing rules for P&C insurance make detection and thus prosecution extraordinarily forensic and labor intensive. With respect to each individual insurer as the front line of fraud detection, the combination of CCD, the one-way attorney fee statute, and Florida’s unique handling of 3rd party assignments have become the primary pathway for fraud. The principle means of fraud detection is by contesting claims that fit a certain profile comprised of specific attributes. Examples are in the main report’s appendix. However, every contested claim opens the door to one-way attorney fees and on an increasingly frequent basis, the fee multiplier. (See Chart 3)

I. Attorney Fee Arrangements:

Rationale: The governing rules for the P&C sector favor those initiating fraudulent activity at great expense to the Florida economy because of the rate increases that must be filed and approved to cover litigation costs that run on average 5X to 10X claimant damages. The longer the industry's governing rules drive insurers and reinsurers to seeking higher rates, the longer needed consumer spending, affiliated sales tax, and cash flow into the state's small business economy is prevented. Another by-product is growth of income and homeowner disparities already challenging economic health.
The concept of creating legal avenues for funding and enabling activities most states would deem fraudulent and/or predatory at the expense of a population drained by a global health crisis is extremely difficult to comprehend, much less allow to continue. The following suggestions are offered:

The outcome of reforms with respect to awarded attorney fees are twofold:

1. Tether damages and fees to the property coverage limit of the insured policy and/or damages awarded, whichever is less.
2. Codify schedule under this section may be rebutted only in rare or exceptional circumstances with evidence that competent counsel could not be retained in a reasonable manner

Contingency Fee Multiplier: Florida Stands Alone

The rationale for reform: Build upon the efforts of 2019 and 2020 with CS/SB 914, in order to constrain litigation severity uncertainty. A secondary objective is to align contingency fee awards with the concepts of reasonable and proportional (i.e., litigation severity). A third objective is to curtail the application of a fee multiplier calculation as an instrument for levying economic penalties upon property insurers. Finally, implementation of clarifying reforms will mitigate a uniquely powerful economic incentive to initiate claim disputes, even without the consent of the named insured as illustrated in the Scott Strems hearings.

A review of other state statutes confirms a study completed in 2019 by Floridians For Lawsuit Reform. Another well written analysis was published by The Florida Justice Reform Institute. In contemporary terms, The Fee Multiplier can be traced back to a Supreme Court decision, *Burlington v. Dague*, 505 U.S. 557 (1992). The Supreme Court issued it's majority decision, authored by Justice Scalia. The court presented clear logic that the multiplier should only be applied for cases so challenging that only representation of the highest relevant expertise could give the claimant a hope of prevailing. The phrase, "rare and exceptional" became the adopted standard. Justice Scalia closed the majority opinion with a statement of caution: "These statutes were not designed as a form of economic relief to improve the financial lot of lawyers.

II. Fee Multiplier

A. Institute SCOTUS guidance of adopting a strong presumption that a lodestar fee is sufficient and reasonable; rebutted only in rare or exceptional circumstances with evidence that competent counsel could not be retained in a reasonable manner.

B. Institute a mandate that Alternative Dispute Resolution means must first be attempted as a criteria prior to consideration of any fee enhancement applications. In order for a fee award to be contemplated an attempt to arrive at a settlement through any of the mechanisms already codified by Florida statutes.

Fees generated by counsel selected through the application of any 3rd party assignment instrument and/or generated by 3rd party representation on behalf of the named insured are excluded from any and all other fee enhancement mechanisms.

Additional Information: In 2005, U.S. Justice Attorneys Alan Hirsch and Diane Sheehey authored an extensive report titled, *Awarding Attorneys' Fees and Managing Fee Litigation Second Edition* for the Federal Judicial Center, the primary source of educational material for members of the U.S. Federal Judiciary. This study provides an excellent survey of Appellate, State, and U.S. Supreme Court decisions re awarding attorney fees, shifting attorney fees, enhancing attorney fees, and downward adjustments of attorney fees. A portion of the text specifically on "Novelty", "Rare", and Exceptional" has been provided for guidance.

"The Supreme Court has stated on several occasions that the novelty and complexity of the litigation are reflected in the lodestar and should not be the basis of an upward adjustment in attorneys' fees.220 Therefore, the Eighth Circuit overturned a fee enhancement for "complexity of the case and the absence of court precedent," stating that "counsel expended greater time and effort [on account of these factors]. Consequently, counsel's lodestar figure directly reflects [these factors], and an enhancement would constitute double counting."

"221 Likewise, the Fifth Circuit rejected an enhancement based on novelty and difficulty because [a]ll counsel competent to handle a case such as this one are expected to be able to deal with complex and technical matters; this expertise is reflected in their regular hourly rate. Still further, the difficulty in the handling of the case is adequately reflected in the number of hours billed. "

"222ii. Exceptional results or quality of representation
The Supreme Court has stated that the exceptional results or quality of representation of a case are reflected in the lodestar and thus are generally not a basis for a fee enhancement.223 In a rare case, in which the success or quality of representation transcends what can be expected given the hourly rates and number of hours expended."

"219. Connolly v. Nat'l Sch. Bus Serv., Inc., 177 F.3d 593, 598 (7th Cir. 1999).
220. See, e.g., Pennsylvania v. Del. Valley Citizens' Council for Clean Air, 478 U.S. 546, 565 (1986) (Delaware Valley I); Blum v. Stenson, 465 U.S. 886, 898–900 (1984).
221. Hendrickson v. Branstad, 934 F.2d 158, 163 (8th Cir. 1991).
222. Shipes v. Trinity Indus., 987 F.2d 311, 321 (5th Cir. 1993).
223. Blum, 465 U.S. at 899"

C. *Awarding Attorneys' Fees and Managing Fee Litigation Second Edition*
Alan Hirsch and Diane Sheehey Federal
Judicial Center
2005
P.43

III. Reforms re 627.7011FS

Rationale: Roofs became the primary vehicle enabling the escalation of claim frequency, then one-way fees, and ultimately the fee multiplier following the Florida Supreme Court decision Sebo v American Home Assurance 12/16. The Sebo decision created an ideal reason for contention by ruling in favor of the Concurrent Causation Doctrine (CCD) as opposed to ruling in favor of Anti-Concurrent Causation language. This decision essentially rendered policy exclusions nearly meaningless as long as any presence of a covered cause of loss could be related to the claim. As an alternative to legislating limits to CCD, the following suggestions are brought forward on the related issue of ACV vs RC. However, removing CCD ruling from consideration of either the one-way attorney fee and/or fee multiplier would remove a significant motivator with respect to moral hazard.

IV.Reform 627.70132: Claim Statute of limitations with respect to filing a First Notice Of Loss

Rationale for reform: Contain litigation frequency and frequency uncertainty Research from Hurricane Michael and Hurricane Irma clearly show that filing a claim within 12 months of a loss event is not only in the best interest of property owners and their communities, but reflect the will of the vast majority of Floridians. Without question, 91% of claims from these storms, as well as claims not associated with a storm, are initiated *<u>within 1 year of the loss</u>*. However, a review of the claims categorized as "open", or unresolved, years after a loss event, clearly shows the lack of direct participation by the named insured with respect to the timeliness of First Notice of Loss (FNOL), nor the submission of a FNOL. Furthermore, in approximately 54% of all claim litigation, the dispute process is initiated PRIOR to an insurer receiving, much less responding to, the FNOL. Finally, a review of disputed claims initiated within 1 year of an event vs those initiated past the 1 year anniversary show a trend of elevated defense expenses as well as elevated fees. A significant majority of those claims filed more than 1 year from a storm involve disputes over roof damages. The listed recommendation applies to the current statutes allowing 3 years for hurricane losses and 5 years on all other losses.

Supplemental (subsequent) claim notifications common when damage from the same loss is uncovered, must also be filed no later than 1 year from the insurer issuing a settlement offer and a named insured accepting.

V. Additional Reforms Consumer Choice & Protection

Rationale: Texas and Georgia have had significant success protecting consumers from the myriad of negative consequences resulting from run-away litigation. The primary public policy tools resulting in success include alternative dispute resolution, isolating awarded damages from the steps required to resolve attorney fee disputes, scheduled depreciation correlated to a roof's age and materials.

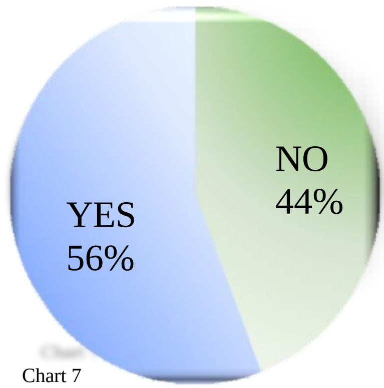


Chart 7

Chart 7 is from the 12/20 Citizens Litigation study for their Board of Governors public meeting. 44% of the incoming residential property lawsuits were initiated prior to disputing the offer directly to the insurer. In other words, the insurers had no opportunity to cooperate with their insureds before having litigation initiated against them.

Communications between and insurer and insured need additional protections throughout the claim and claim dispute process. Suggested targeted reforms include:
An offer of judgement shall be a valid offer on a distinct and unique basis, isolated from other financial issues such as attorney fees. Enabling expeditious payment of damages is essential. Therefore, a single offer of judgement to multiple named insureds who share an interest in the property is a needed change.

C. Additional Assignment Related Consumer Protections: FS 627.7152

Rationale: Reforms enacted through HB 7065 amending FS 627.422 and creating Sections 627.7152 and 627.7153 represent a significant step towards limiting litigation frequency and costs that must ultimately be paid by Florida's property owners. However, relative to crisis state of Florida's P&C market, these reforms must be considered as a first step.

In a study published by CPIC in advance of the December 2020 Board of Governors meeting, stats were included regarding who actually initiates claim disputes. . The plaintiff was represented at First Notice of Loss in 59 percent of incoming residential property lawsuits, *which has increased slightly from 55 percent as compared to 2019*:

Consolidation of litigated cases

Rationale for reform: In virtually every other insurance regulatory environment, multiple claims on the same property, occurring on the same date, filed by the same named insured, would be identified as fraudulent activity. Multiple suits using the same date of loss, named insured, property address emerging into a trend is another symptom, indicator, of the financial motivations and statute protected means of exploiting a system beyond sustainability. The net effect of the litigation frequency and severity has systematically degraded established and necessary insurance industry standards.

- Require open litigated first party property claims with the same date of loss and insurance contract at same property location to be consolidated under the circuit court's jurisdiction. In light of the impact from COVID-19 upon the state's circuit court docket, this consolidation should be applied to all applicable open suits. These must include
- Bar Sanctions For attorneys who engage in this practice.
- When a consolidation of cases is ordered, should the claimant prevail, plaintiff fees will be excluded from consideration of all fee enhancement statutes, bar rules, including but not limited to lodestar calculations and other fee multiplier mechanisms.

VII. Institutional Reforms

Rationale for reform: The best options to realign Florida Property and Casualty insurance institutions become much clearer once market-wide reform recommendations complete the consideration process, leaving only the enacted reforms. The likelihood of undesired & unintentional consequences grow significantly with institutional reforms based on current market conditions already rendering the P&C industry unsustainable. However, some realigning is needed regardless of other measures.

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Advisor, Futurist, Speaker, Strategist, Problem Solver

Guy's has dedicated the most recent 15 years of his career to world class innovation practices, as well as the events, markets, and technologies making the greatest impact on risk and risk management. Guy's distinct advisory work specializes in:

- Opportunity discovery and solution development resulting in significant growth (expense savings + new revenues) On an aggregated basis, Guy's innovation clients have generated new capital in excess of $8B;

- Advising client entities willing to face goals, problems, & circumstances deemed "intractable", "unthinkable", "unimaginable", that abruptly become imminent and real. Practice includes: creating new markets, answering the questions of "can it be done?" & "should we do it?"; Pandemic simulations and recovery models; U.S. Middle East Relations; Climate Scenario Planning; risk management in the gig economy; the role of insurance in Western Africa.

Guy serves State & Federal Legislators & Regulators, foreign governments, startups and established firms on the discovery, development, and deployment of exponential solutions. Guy's experiences include working with premier global innovators such as IDEO, Global Business Network, X-Prize Foundation, Google-X, Innosight, and Singularity University. Past clients in the public sector include State based Legislators, U.S. Dept of Treasury, France's Presidential Cabinet, New Zealand's Presidential Cabinet, U.S. Dept Ag (U.S.AID).

As an innovation architect, Guy's insurance and reinsurance clients have generated $BB in new capital by successfully inventing and launching new products, leveraging networks and rapid iteration, efficiency solutions, non-insurance revenue streams, and cutting insurance product development times from months to weeks. Guy was also engaged as a subject matter expert by AM Best in the development of the Innovation Rating Criteria announced earlier in 2019.

Academic History

Singularity University: 2010 & 2012: Executive Program, Emerging & Exponential Technologies
University of Georgia - Terry College of Business: 2001-2002: MBA, Behavioral Economics
University of Wyoming: BA, History 1979 – 1983

When not pushing technology frontiers, Guy has a passion for woodworking, and with his wife Rebecca, enjoy boating and big game fishing.