

Home insurance coverage costs high because big-money forces are at war

Contractors and insurers battle as staggering number of lawsuits are filed in Florida

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By now, you don't need to be told that Florida's home insurance rates are skyrocketing. Increased frequency and intensity of hurricanes and other storms are one reason. They make us a bigger risk.

But Florida hasn't experienced a major hurricane since 2017's Irma, which affected most of the state, and Michael, which caused a wide path of destruction in the Panhandle in 2018.

The biggest reason insurance rates continue to rise, experts say, is the staggering number of lawsuits filed here, compared to other states, over hurricane, roofing and water damage claims.

Contractors and insurers are in a perpetual state of war. Attorneys for both sides rake in most of the money paid out for litigated claims, and everyday policyholders, whether or not they've ever filed a claim, are forced to cough up more money each year to fund those legal battles.

Not surprisingly, each side wants you, the customer, to act in a way that favors them.

Insurers want you to call them first. If a water pipe breaks, if a tree falls onto your roof, if a drunk driver crashes into your living room, or if your dishwasher malfunctions and floods your kitchen, most insurers want to know about it immediately, so they can suggest contractors they know and like and oversee repairs.

Contractors, lawyers and public adjusters have a different opinion.

Only they can make sure you get a fair settlement out of your insurance company. They might be able to get you a new roof. But their help has proven too costly, insurance experts say.

The fallout of contacting third parties first, insurers say, is that they drive up the cost of your insurance claim and thus all insurance, which homeowners with mortgage loans are

required to buy.

Florida's crazy costs

Florida's insurance market is in "free fall" right now because lawyers and contractors have figured out how to game the legal system and are bleeding the market dry, members of the industry said repeatedly at the recent Florida Chamber Insurance Summit in Tampa.

Premium costs are skyrocketing. In 2020, state insurance regulators approved rate increases of more than 10% in 55 rate filings by insurers compared to only six in 2016.

Florida consumers insuring a \$300,000 dwelling paid an average \$3,643 a year, highest in the nation after tornado-prone Oklahoma and Kansas and \$1,338 more than the national average of \$2,305, according to marketplace website insurance.com.

Price-comparison website Valuepenguin.com found that between 2016 and 2021, the cost of homeowner insurance in Florida increased by an average 32.5% — highest in the nation. By comparison, the average cost nationwide increased by 10.9%.

Costs in South Florida are even higher. Yet another price-comparison website, Quotewizard.com, calculated average rates for all 67 Florida counties, based on unspecified coverage criteria. The three highest-priced counties were: Miami-Dade (\$4,372), Broward (\$3,453) and Monroe (\$2,438).

Meanwhile, coverage is being reduced. Unprofitable insurers are pulling out of urban markets and dropping customers. State-run Citizens Property Insurance Corp., the insurer of last resort, is expected to have 1 million policies next year.

The legal battle lines

Summit participants said that too many homeowners have allowed those third-parties to enrich themselves by taking control of their claims and bombarding insurers with inflated invoices and costly lawsuits.

Lawsuits against insurers in Florida are more frequent and more costly because of numerous laws unique to the state that favor plaintiffs, as well as a state Supreme Court ruling that allow attorneys to collect higher legal fees than their counterparts in other states, insurers say.

A 2017 ruling broadened circumstances under which attorneys can collect "fee multipliers" of two to 2.5 times their hourly rates. Previously, the ruling allowed fee multipliers only in "rare" and "exceptional" cases in which attorneys could assert that the case was difficult. After the ruling, attorneys could seek fee multipliers in all property insurance cases, according to a position paper by the Florida Association of Insurance Agents.

Faced with the prospect of paying multiplied legal fees, insurers have become more likely to settle cases rather than defending themselves in a trial, the association said.

Names of companies and attorneys that have benefited from that business model show up hundreds, sometimes thousands, of times in a state-run database of lawsuits filed against insurance companies.

“You don’t have a property insurance market anymore. You have a litigation market,” said Sen. Jeff Brandes, a Pinellas County-area Republican.

Florida files 76% of U.S. insurance suits

Insurers in Florida are subjected to lawsuits at wildly disproportionate rates compared to insurers throughout the country, data shows.

While the average state outside Florida sees an average 780 lawsuits each year, Florida is on track to log 95,000 suits by year’s end, Brandes said.

When a lawsuit is filed, insurers’ cost to close a claim increases by three times, according to an analysis by the Florida Office of Insurance Regulation. In 2020, the average non-litigated claim cost insurers \$11,000. Filing a lawsuit propelled the average cost to \$54,000.

In 2019, Florida generated 8% of all property insurance claims and 76% of lawsuits in the U.S., according to the office’s analysis of data collected by the National Association of Insurance Commissioners.

Analyst Guy Fraker, in a study commissioned by a political action committee seeking insurance reforms, found that \$645 of Florida consumers’ average property insurance bills went to legal fees in 2019. And of \$15 billion that went to litigated claims since 2015, only 8% went to policyholders — plaintiffs attorneys got 71%, and insurers spent 21% on defense attorneys.

Collectively, insurers that cover Florida properties lost more than \$1 billion in 2020, Florida Insurance Commissioner David Altmaier told summit attendees.

’Roof envy’ at The Villages

While the litigation crisis began with water restoration companies in South Florida a decade ago, roofing contractors have been driving losses in recent years, said Bob Ritchie, president & CEO of American Integrity Insurance Group. Lawsuits by roofers against his company have increased 1,200% over the past five years, while 75% of all roofing claims result in lawsuits, he said.

Contractors advertise to homeowners or ply them with gift cards to let them go up on their roofs and inspect for damage. If they can claim that 25% or more of the roof must be repaired, Florida building’s code requires that the entire roof must be replaced.

Getting an insurer to pay for a new roof might save some homeowners tens of thousands of dollars, but everyone else pays for them with higher premiums.

A “perfect example” of the problem, Ritchie said, unfolded in The Villages, an upscale retirement community south of Ocala.

After roofing contractors began soliciting homeowners there, residents began to see neighbors get new roofs paid for by their insurers, Ritchie said.

“Then every neighbor got what I call roof envy,” he said. “They want a free roof. They talk about it on the golf course. They talk about it in their social outings. And very good customers now expect the roof.”

Florida insurers are hoping the state Legislature will find ways to address spiraling roof replacement costs in its upcoming session, including reviving last spring’s failed effort to allow insurers to limit coverage to depreciated value. Sen. Jim Boyd, who chairs the Senate Banking and Insurance Committee, said he is working on some ideas that he could not yet reveal.

Everyone’s fault

Contractors and lawyers aren’t solely to blame for the insurance cost crisis.

For every statistic insurers can cite showing impacts of litigation on rising premiums, attorneys can point to examples of insurers failing to perform their responsibilities while policyholders are left waiting months or years for money to fix their homes.

Some companies, said Palmetto Bay-based plaintiffs attorney Joe Ligman, train their adjusters to ask questions that “trick” policyholders into making statements that disqualify their claims.

“They’ll try to bait them into saying stupid stuff,” he said. “The adjuster will come to the house and say, ‘This has been going on a long time, right?’ When it’s hasn’t been. Or they’ll say, ‘You knew you had damage. Why didn’t you report this?’ ”

In 2018, three companies were documented sending checks to Hurricane Irma victims with language asserting that endorsement of the checks released the companies from further financial responsibilities connected to their claims. Ligman pointed out that unforeseen expenses often arise during repairs and state law keeps insurers on the hook to continue paying until repairs are completed.

Attorneys also point to long delays resolving hurricane claims from years ago.

A year after Hurricane Michael struck the Panhandle, nearly 16,000 claims remained open, state data showed. As of the Office of Insurance Regulation’s most recent tally in November 2020, 5,429 Michael claims remained open and 43,000 from Hurricane Irma were still unresolved.

Not a maintenance contract

Insurers are challenged with the need to change consumers’ mindsets about how insurance should be used, said Ricky Thrower, executive director of insurer USAA.

Thanks to advertising by plaintiffs attorneys, “There’s really an attitude that, I think, Floridians have: We pay very high average premiums. We’re constantly being bombarded with, ‘Hey, you have a right if not a duty to sue.’ ... I think there’s an attitude that Floridians utilize their homeowner insurance as a maintenance contract.”

‘Call us first’

Insurers say their customers can avoid exploitation by calling their insurer or their insurance agent first — before signing any contract or work authorization.

“We have lists of contractors that we work with and know are trustworthy,” says Locke Burt, president and CEO of Security First Insurance.

Some policies leave customers with no choice but to call them first. Several insurers, including Heritage Property Insurance Corp., operate managed repair programs that require customers to let the insurer decide which company will perform the work. People’s Trust Insurance created its own contractor, the Rapid Response Team, that it dispatches to handle repairs.

Such programs have spawned lawsuits by homeowners dissatisfied with the quality of repairs. Attorneys have accused insurers of directing workers to save money by using cheaper materials and failing to restore properties to pre-loss conditions.

Attorneys say consumers need protection

Plaintiffs attorneys object to the idea that policyholders should always call their insurers first.

“I would never allow an insured to call the carrier first without representation by a public adjuster or attorney,” Ligman said. “The insured may not appreciate the extent of his or her property damage and may even be tricked into signing a release. Without representation, the insured can be set up for a coverage denial. The insureds do not know the policy coverage and the statutes like public adjusters and attorneys do.”

To claim or not to claim

Chris Cury, president of the Florida Association of Public Insurance Adjusters, said confirming with an insurer that a loss is covered by the customer’s policy is “standard practice.” But if a claim is not covered, a customer can trigger higher premiums at renewal simply by filing the claim, he said.

“A professionally trained public adjuster possesses the expertise to review your policy and advise on filing a claim, and they will not charge you for a consultation,” he said.

Dave DeBlander, owner of Pro Clean Restoration and Cleaning in Pensacola, said a trustworthy contractor can look at damage and advise the homeowner whether the damage is extensive enough to warrant filing a claim.

Alex Cavvacale, owner of Cinergy Restoration in Sunrise, said he began working exclusively on jobs assigned by insurance companies after beginning his career with a

contractor that regularly sued insurers.

He works closely with insurers, agreeing on the scope and cost of services before commencing work, and says he has no problem securing additional money if unforeseen problems occur. While his average invoice is \$2,100 for jobs he's seen other companies bill at \$16,000, Cavvacale says he makes a good living and has never sued an insurance company.

He helps homeowners "avoid fraud, avoid public adjusters, avoid attorneys, avoid overcharging, and avoid having walls torn out that didn't need to be torn out," he said.

His advice to homeowners: "Always call your insurer first."

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