

NEWSWIRES

([HTTPS://INSURANCENEWSNET.COM/TOPICS/NE](https://INSURANCENEWSNET.COM/TOPICS/NE))

🕒 August 30, 2022

📰 Property and Casualty News



The growing state of Florida's Citizens Insurance

Pinecrest Tribune (FL)

The number of Citizens Property Insurance Corporation policies has skyrocketed as bankrupt or exiting carriers force homeowners to seek refuge with the "insurer of last resort."

As of July 2022, Citizen's policy count stood at 937, 835, which is double that of 2020. At the current growth rate of 6, 000+ policies a week, Citizens will have well over a million by year end.

Insurers place blame on rampant fraud, excessive litigation, and inadequate premium levels. Recent events lend some credence to this argument. To date, ten property and casualty companies are in liquidation, four of which are in bankruptcy. Coral Gables-based Weston Insurance is the latest. The remaining carriers are tightening their underwriting criteria and increasing premiums, in some cases as high as 30-50 percent.

CAUSES Though spared over the last few years from devastating natural disasters, Florida, surrounded by water, remains a high-risk territory with hurricanes, water intrusion and the recent tragic collapse of a condominium on the shoreline.

Historically, the State has pushed carriers for lower premiums in spite of the underwriting risks. However, over the last several years, what has been incredibly damaging to the carriers has been consumer-leaning legislation that has resulted in an extraordinary number of claims and litigation. The key pieces of legislation that allegedly pose undue risk to carriers: the requirement to provide full roof replacement if there is damage to 25 percent of the roof and the ability for attorneys have their fees paid for by the carrier if a claim is ultimately paid.

The well-intended legislation created the unintended consequence of incenting roofing contractors to aggressively seek business and for attorneys to take on litigation. As a result, Florida has become ground zero for the bulk of the country's insurance litigation. According to the Insurance Information Institute, Florida represents 9 percent of all insurance claims in the country, but accounts for 79 percent of all homeowners' insurance lawsuits filed.

Oddly enough, premium increases have also been the driver of new Citizens' policies. One of the criteria necessary to qualify for a Citizens policy is to show that premiums from a Florida authorized carrier are more than 20 percent higher than premiums for similar coverage at Citizens. With remaining private carriers increasing premiums as high as 30-50 percent, as mentioned above, the 20 percent limit isn't so insurmountable.

In May of this year, the Florida legislature did pass new laws aimed at reducing roofing claims and litigation. Though a positive step, many contend it will take years for this legislation to show results.

STORM STRIKE, DEFICIT DISASTER Of the many articles that are published regarding the growth of Citizens, none speak to the potential greater impact that will affect both Citizens policy holders and non-Citizens policyholders.

What happens if a storm strikes and Citizens has a deficit as a result of the volume of claims being filed?

THE STATE HAS THREE MECHANISMS IT CAN IMPLEMENT TO RECOVER A CAPITAL DEFICIENCY.

1. Citizens' policy holders can be assessed a one-time charge of up to 45 percent of their premium; 2. If the assessment of Tier One is insufficient, the State can then assess a one-time charge to all private market policyholders, including, but not limited to, homeowners, auto, and specialty and surplus lines up to 2 percent of the premium; 3. Should those prove inadequate, the State may assess Citizens and all privatemarket policy holders up to 30 percent of the premium per year until the deficit is eliminated.

The administrative and logistical challenge to collect on these assessments would be enormous and its impact to the timing to pay out claims on such a catastrophic event is difficult to project. With the most ominous months of the hurricane season upon us and our exposure to Citizens' risk continues to grow, let's hope we don't have to find out.

Doug Sawyer, a native Miamian, has a long career serving as an executive for several prominent financial institutions overseeing retail, commercial and wealth management divisions. He has obtained numerous investment and insurance licenses, the most recent being that of General Agent. He is now aligned with Century Risk Advisors, a South Florida based firm that offers a broad range of insurance and risk management solutions.