

## Property Insurers in Florida Are Pulling Back and Hiking Rates as Litigation Costs Surge

Carriers say Florida laws are tilted in trial lawyers' favor, despite attorney fee limits in the 2019 reform of its Assignment of Benefits law.

Florida property insurance companies are pulling out all the stops—raising rates, leaving markets, trimming risks they'll cover and joining criminal investigations—to stop the financial bleeding they say is being driven by a surge of lawsuits.

It's no secret insurers covering Florida's homeowners markets have been taking a beating in recent years, but a deeper look shows financial losses that began in 2016 have accelerated.

"People are raising rates as fast as they can," said Locke Burt, chairman and chief executive officer of Security First Insurance, the 10th-largest homeowners insurer in Florida, according to BestLink. "The rate increases are significant, and they are going to continue until people make money."

Insurers say Florida laws are tilted in trial lawyers' favor, despite attorney fee limits in the 2019 reform of its Assignment of Benefits law. They also say certain law firms allegedly worked with unscrupulous contractors, enabling them to file thousands of homeowners lawsuits a year.

With the Office of Insurance Regulation understaffed and working remotely, Burt said, insurers are raising prices faster by filing more use-and-file, rather than file-and-use, rates.

While some single rate hikes stand out, such as the 31.1% for Southern Fidelity Insurance and 26.2% for Capitol Preferred Insurance in December, other firms are coming back to the OIR multiple times a year with smaller increases. But when considered cumulatively, they hit the 40% range, Burt said.

One of them is Burt's company, Security First. "Our average customer is paying \$600 more, which is a 40% increase over last year," he said.

The jump in insurance costs is a blow to homeowners, who already were paying the second-highest homeowners rates in the United States as of 2018, according to the Insurance Information Institute. Companies also are pulling back from coastal and high-litigation areas, dropping policies of properties with claims histories—Burt said Security First has dropped about 20,000 policies this year—and become more cautious about what risks they will take. "Most companies won't write a shingled roof over 10 years (old)," Burt said.

First-quarter 2021 earnings reports for some companies provided the latest evidence of an ongoing crunch.

FedNat reported trimming 43,000 policies, or 17.9% of its Florida homeowners policies, in the quarter as part of a strategic exposure reduction. UPC Insurance strengthened its reserves for unpaid loss and loss adjustment expenses on prior accident years by \$30 million, it said in April.

"We anticipated the unfavorable trend of litigated homeowners claims in Florida continuing in 2021, but the actual number of new lawsuits filed during the first quarter was extremely disappointing and requires us to re-estimate our ultimate loss liabilities due to the overall increase in loss severity," said Brad Martz, president and chief financial officer, in a statement.

At Brown & Brown, President and CEO J. Powell Brown said: "One of the most challenging areas right now is excess and surplus personal lines in Florida, California and the Gulf states, which are seeing continued reduction in carrier appetite due to wildfires, weather events and increases in litigated claims over the past few years.

"We believe the reduction in personal lines capacity in catastrophe areas will continue through at least 2021," Brown said.

Anticipated higher rates will be welcomed with rate renewals later this year, but "structural issues in Florida continue to be a concern," said Kevin O'Donnell, president and CEO of Renaissance Re. Domestic insurers in Florida have not performed well and continue to show poor operating results, a trend he said is likely to continue.

At about the same time companies released those earnings reports, came two extraordinary numbers—the first an estimate of 2020 Florida property/casualty losses from Guy Carpenter in which underwriting losses more than doubled to \$1.58 billion, it said.

Also, in a National Association of Insurance Commissioners Market Conduct Annual Statement data call, the Office of Insurance Regulation found Florida accounted for 8.16% of all homeowners claims, but 76.4% of all homeowners lawsuits opened against insurance companies in the United States. **BR**

—Timothy Darragh