

State of the Florida Property Market

The Florida property insurance industry is in a state of distress and this was recently magnified with the landfall of Hurricane Ian. While Florida has always been a complex home insurance market, the latest developments contribute to the hardest market in recent history. Insurance companies are taking drastic measures, including voluntarily leaving the state insurance marketplace, issuing non-renewals, raising rates and tightening their policy eligibility requirements. Many others failed to take action in time and became insolvent.

In the last two years, **more than 400,000 Floridians have had their policies canceled or non-renewed**. Fourteen companies have stopped writing new policies in Florida, and six have gone bankrupt in 2022.

The obvious challenge to underwriting a property insurance policy in Florida is the high threat of widespread storm-related damage. However, the market's instability due to fraud, litigation, assignment of benefits and water damage claims are also contributing heavily to the current hard market.

Fraudulent Roof Claims

The increase in fraudulent roof damage claims has pushed the Florida insurance market to the brink of collapse. Predatory roofers canvas neighborhoods, offering inspections that almost always result in them finding alleged damage. They offer to make repairs at no cost to the homeowner in exchange for the homeowner's signature on an Assignment of Benefits form. This form gives the contractor the right to file a claim and collect on behalf of the homeowner. When an adjuster from the insurance carrier inspects the home and finds either minimal or no damage, the payout from the insurance company is less than what the contractor has demanded. The contractor will sue the insurance company, which gives them only two options: settle and pay the inflated claim, or fight the lawsuit and incur costly legal fees. The increasing claims and legal costs are passed back to the insureds in the form of higher premiums. Here are some suggestions on how to combat this tumultuous market:

- **Keep your roof updated and in good working order.** Inspect your roof regularly and make repairs as needed. Replace your roof as it approaches the end of its lifespan. Consider replacing a shingle roof every 15 years.
- **Install wind mitigation features, such as hurricane shutters or impact-rated glass.** Not only does this add protection during storms, but it also qualifies you for premium discounts.
- **Maintain your property.** Make sure trees are not touching or overhanging the roof. Replace your water heater every 10 to 15 years. Have your HVAC inspected and serviced regularly.

- **Be wary of solicitation.** Soliciting business is not against the law, but be cautious of contractors canvassing a neighborhood. If you have concerns about the condition of your roof, call a trusted roofer to come and inspect.
- **Do not sign an Assignment of Benefits form.** Your insurance company will work with your roofer or contractor. There is no need to sign over your rights to participate in your claim.

Additional Considerations

- **Make payments on time.** Many carriers are refusing to reinstate policies that have lapsed due to non-payment.
- **Submit all potential claims to the insurance company.** Your insurance advisor is available to assist you with the claims reporting process. Discuss home renovation projects with your insurance advisor before beginning work. You may jeopardize your coverage if you don't disclose renovations to your carrier. Additionally, there may be features you can incorporate into the scope of work that will reduce your insurance costs.
- **Speak with your insurance advisor before turning your primary home into a secondary or rental.** The stance on coverage for short- and long-term rental properties varies from carrier to carrier. You may be at risk for an uncovered claim.
- **Consider installing an automatic water shut-off device for both single-family homes and condos.** Give this special consideration to seasonal, secondary or unoccupied homes for extended periods. Water-related losses are on the rise in frequency and severity, and can be mitigated by installing a water leak detection device.

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