

# FLORIDA'S INSURANCE MARKET AND ACTIONS TAKEN TO HELP POLICYHOLDERS

## FREQUENTLY ASKED QUESTIONS

### Q. Why are insurance premiums going up?

*Currently, a major driver of premium hikes is inflation. It's a double whammy to Florida's insurance market.*

- Insurance premiums are not immune from double digit inflation. For example, with roofing materials being 19% more expensive than two years before, a \$12,000 roof replacement increases to \$14,316. ***Inflation causes premiums to increase.*** Moreover, construction inflation does not take into account fuel prices, food prices, supply chain and workforce challenges companies are having.
- Inflation has also resulted in a ***diversion of capital investment away from insurance companies.*** The fact is insurance premiums do not cover the full costs of paying claims. A company's success or failure is largely subject to the ups and downs of global markets and a company's investment holdings.
- Because the Federal Reserve has increased interest rates by 5 percentage points in about a year, investors can make better returns in banks, instead of investing those dollars into insurance companies. The result is ***insurance companies lose access to money,*** so they either have to acquire more from policyholders, reduce coverage, or a combination of both. Insurance companies need access to dollars to pay claims and run their business.
- Recent storms, like hurricanes Ian and Michael, have also dealt serious blows to the market. Insurance carriers have been paying out more in claims from storms than they expected. For example, ***Florida insurance companies have lost over \$1 billion over 2020 and 2021.***
- This isn't just a Florida problem — insurance companies are exiting California, several insurers have failed in Texas, and Louisiana held a special session because so many of their carriers were failing. According to an analysis by the Wall Street Journal ***31 states have had double digit rate increases*** since the beginning of 2022.

### Q. What has been done to combat rate hikes?

*The Legislature has held two special sessions to fix issues that drive up insurance costs and provide relief to policyholders.*

- **Legal Reforms to Rein in Premium Hikes:** Laws are now on the books to combat the epidemic of lawsuits that made insurance unaffordable in Florida. There were so many avenues contractors and lawyers had to go after insurance policies that ***insurance companies were losing money on each policy.*** For the time being, those loopholes have closed. Citizens Insurance Property Corp. believes these changes will result in over \$900 million in savings alone.
- **Programs to Help Reduce Insurance Premiums:** The Legislature invested \$250 million in the My Safe Florida Home Program which ***1.) Covers the cost of inspections for homes*** to see what improvements can be made to fortify a property from damage and qualify it for insurance premium reductions and ***2.) Provides up to \$10,000 in***

- grants to finance those home hardening improvements. The average reported ***premium discount for homes that fortified against damage is nearly \$1,000 annually***. Moreover, participants in the program may qualify for an immediate rebate once work is completed.
- The Legislature committed another \$460 million to the Home Hardening Sales Tax Exemption, which allows homeowners to buy impact windows, doors and garage doors tax free. These tax cuts help policyholders rein in, or even reduce, their insurance premiums.
- The Legislature also ***created two new insurance fraud squads*** along the I 4 corridor to crackdown on the type of fraud that increases insurance rates and they ***added more cash and positions for the state's mediation program***, where at ***no charge to the policyholder*** a mediator can work with the insurance company to resolve a dispute without having to pay for an attorney.

## Q. What's been done to hold insurance companies accountable?

***Aggressive reforms were passed last session in the Insurer Accountability Bill.***

- In the regular session, the Legislature passed the Insurer Accountability bill to hold insurers' feet to the fire if they're not doing right by policyholders. In certain circumstances, the Florida Office of Insurance Regulation can ***increase fines against insurers by up to 500%***.
- The Accountability bill also ***requires insurance companies to adjust*** their rates based on the savings they realized due to legal reforms to help rein in rates.
- The accountability measure also ***prohibits officers of insurers from getting bonuses*** if the company is on shaky financial footing.
- If a policyholder believes a crime is being committed, they are encouraged to call the Insurance Fraud Tip Line at 1 800 378 0445 where they could be eligible for a \$25,000 reward.
- Ultimately, the Florida Office of Insurance Regulation (FLOIR) regulates insurance companies to ensure they are meeting their obligations to the law and policyholders. If a carrier is not acting appropriately, FLOIR has certain tools to hold them accountable and impact their bottom line.

## Q. When will insurance premiums get better? Will they ever improve?

***Global markets have taken notice, but major changes won't happen until after storm season.***

- The global reinsurance market, which is the market American insurance companies use to spread their risk and mitigate loss, has ***taken notice of the reforms Florida has made to stabilize its insurance market***. Assuming Florida has a relatively calm hurricane season in 2023, insurance companies will be enabled to access global capital, stabilizing their business, and easing premiums on policyholders.
- Florida's Commissioner of Insurance Regulation has ***expressed optimism*** that the changes in the recent legislative sessions will attract capital to the state, stabilizing Florida's insurance market by driving up competition, and positively affecting rates.
- Moreover, several companies are now approaching Citizens Insurance Corp. about acquiring policies, which would help stabilize Florida's private insurance market while mitigating the risk of an assessment against all Florida residents. Since the start of 2023, FLOIR has approved 280,000 policies to be moved out of Citizens to the private market.