

FLORIDA ASSOCIATION OF INSURANCE AGENTS

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February 25, 2020

The Honorable
Ron DeSantis
Governor of Florida
The Capitol
400 S. Monroe St.
Tallahassee, FL 32399

Dear Governor DeSantis:

Homeowners' property insurance rates are on the rise, with no relief in sight. A timeline of the last 60 days shows the severity of the crisis we are now facing. The Florida Association of Insurance Agents represents over 2,000 independent agencies who collectively make up the largest distribution channel of property and casualty insurance in our state, and we are deeply concerned with these latest developments:

- In early January, the financial stability ratings agency, Demotech announced it could downgrade as many as 18 of the 46 Florida domestic insurers it reviews due to deteriorating financial results, increased litigation costs, and rising reinsurance rates.
- Later that same month, Demotech downgraded the financial stability of Florida-based Anchor Property and Casualty Insurance from an A, Exceptional, to M, Moderate, and parts of the company were subsequently acquired.
- Also in January, the state Office of Insurance Regulation approved a proposed 21.9 percent rate hike by Edison Insurance Co.
- Looking ahead, the Office of Insurance Regulation must review three more recent filings by property insurance companies seeking homeowners rate increases of 20 percent to 40 percent.

As more and more property insurance carriers are found to be financially unstable, they will be acquired or rendered insolvent. Many that remain open will continue to request rate increases of 20 percent, or even higher. Through our agents, we have a direct line of communication to consumers impacted by these higher rates and over the next few months, the conversations between agents and policyholders will become increasingly difficult. Florida's homeowners will not only incur more expense as premiums increase at an unsustainable rate, but there are also likely to be fewer options for coverage. For example, a family in Orlando paying \$1,000 for coverage may see their premiums rise to nearly \$1,500 if a proposed 45 percent rate increase is approved. Many will be left with no alternative other than to obtain insurance through the state-operated Citizens Property Insurance.



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As referenced by Demotech and others, one of the primary reasons for this rapidly escalating crisis is the rising costs of litigation. Lawsuits involving property insurance claims have doubled in volume in the last two years. The average attorney fee on property insurance claims is up over 300 percent during the same time period. Current law allows these exorbitant fees with the use of the contingency risk multiplier. Trial attorneys can sometimes take home up to 30 times more than the homeowners they represent in lawsuits tied to property insurance claims.

SB 914, filed by Sen. Jeff Brandes, and HB 7071, filed by Rep. Mike Beltran, aim to rein in these exorbitant fees by bringing Florida's law in line with the standards established by the U.S. Supreme Court and those currently in use in 49 other states. This legislation limits the contingency risk multiplier fee to be used only in rare and exceptional circumstances.

Florida's standard for the contingency risk multiplier makes our state an outlier, and our consumers are paying the bill in this increasingly litigious environment. By reforming the legal climate, we can stabilize the growth of property insurance rates and keep the American dream of homeownership within reach for Florida families.

I urge you to support SB 914 and HB 7071.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Grady". The signature is fluid and cursive, with the first name "Jeff" being more prominent than the last name "Grady".

Jeff Grady
President & CEO
Florida Association of Insurance Agents