The Florida Senate

COMMITTEE MEETING EXPANDED AGENDA

BANKING AND INSURANCE Senator Broxson, Chair Senator Rouson, Vice Chair

| MEETING DATE: | Tuesday, October 15, 2019 |
|---------------|---|
| TIME: | 11:00 a.m.—12:30 p.m. |
| PLACE: | Pat Thomas Committee Room, 412 Knott Building |
| | |

MEMBERS: Senator Broxson, Chair; Senator Rouson, Vice Chair; Senators Brandes, Gruters, Lee, Perry, Taddeo, and Thurston

| TAB | BILL NO. and INTRODUCER | BILL DESCRIPTION and SENATE COMMITTEE ACTIONS | COMMITTEE ACTION |
|-----|-------------------------------------|--|------------------|
| | Property Insurance Panel Discussion | | Discussed |

Other Related Meeting Documents

Florida Personal Lines Property Insurance Market

October 2019

Briefing Material Prepared for The Florida Senate Banking and Insurance Committee

Security First Insurance Company October 15, 2019

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Part 1

How would you describe the Florida personal lines property insurance market?

How does the stock market view Florida insurance companies?

5 year average Annual Rate of Return (October 7, 2014 to October 7, 2018)

| Dow Jones Industrial Average | 11.96% |
|----------------------------------|--------|
| S&P 500 | 10.58% |
| Universal Insurance Holdings Inc | 20.46% |
| HCI Group, Inc | 3.03% |
| Heritage Insurance Holdings, Inc | .08% |
| United Insurance Holdings Corp | .90% |
| FedNat Holding Company | 12.66% |

Analyst Commentary (September 12, 2019)

"The Florida (re)insurance market remains in a state of flux ...While recent legislative AOB reform was a step in the right direction, we believe "social inflation" will remain a chronic issue in Florida and primary rates remain inadequate relative to the state's outsized catastrophe risk (direct premiums/rates nearly 30% inadequate by our math = relative to a 10% ROE hurdle, which arguably could be too low) ...It remains our view that the Florida (re)insurance market and the post loss assessment model is poised to fail" (excerpts from IBNR Weekly newsletter published by Dowling & Partners)

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Profitability of Florida's Publically Held Companies

| Company | % Florida Business | 2015 | 2016 | 2017 | 2018 | 1H 2019 |
|------------------------------------|-----------------------|--------|--------|---------|--------|---------|
| FedNat Holding Co | 84% | 17.65% | .49% | 2.27% | 6.78 | 2.94% |
| HCI Group, Inc. | 100% | 30.24% | 12.06% | (3.12%) | 9.28% | 15.41% |
| Heritage Insurance Holdings, Inc. | 55% | 29.89% | 9.26% | (0.32%) | 6.93% | 3.54% |
| United Insurance Holdings | 57% | 12.35% | 2.27% | 2.43% | .07% | 2.46% |
| Universal Insurance Holdings, Inc. | 86% | 41.49% | 29.00% | 25.99% | 23.90% | 28.87% |

Annual Rate of Return on Average Equity

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Florida Domestic Property Writers*

Financial Results 2014 -2019 Q2 (\$ in '000's)

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019** |
|------------------------|-------------|-------------|-------------|--------------|--------------|-------------|
| Gross Written Premiums | \$8,471,009 | \$8,360,907 | \$9,579,832 | \$10,018,579 | \$10,532,986 | \$6,117,878 |
| Underwriting Gain/Loss | \$561,417 | \$516,886 | \$(203,680) | \$(379,126) | \$(408,739) | \$(183,770) |
| Net Investment Income | \$84,955 | \$114,327 | \$133,752 | \$152,996 | \$182,527 | \$106,562 |
| UW + Investment Income | \$646,372 | \$631,212 | \$(69,928) | \$(226,130) | \$226,212 | \$(77,208) |
| Surplus | \$3,200,702 | \$3,541,356 | \$3,678,761 | \$3,560,252 | \$3,597,023 | \$3,613,125 |
| Rate of Return | 20.2% | 17.8% | -1.9% | -6.4% | -6.3% | -2.1% |

*FL Domestic Property Writers: includes 48 FL Domiciled Companies

*Excludes: Citizens and National Carriers such as Allstate, Nationwide, Travelers, State Farm and USAA **First half of 2019 through Q2

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On October 10, 2019, TigerRisk Capital Markets & Advisory Acted as Exclusive Placement Agent to Tower Hill Group in the Issuance of \$25mm of Senior Notes.



Exclusive Placement Agent

\$25,000,000 Senior Notes Issuance



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Insolvencies of Florida Homeowners Insurance Companies since 2004



Sample of FL Property Carriers

Number of Suits Served by Quarter



Number of Suits Served includes all LOB

Information Retrieved from FL DFS

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New Underwriting and Capacity Restrictions

Orlando Area

American Integrity American Traditions Anchor Carrillo Centauri Heritage Prepared Security First

Saint Johns

United P+C

Tampa Area

American Integrity

Universal N.A.

Tri-County Area

Peoples Trust

Closed for New Business

United P+C

 Closed for new business in Broward and Miami-Dade

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Common Underwriting Restrictions in Florida Fall 2019

- Homes with two or more water losses
- Homes with shingle roofs over 15 years old
- Homes with replacement cost below \$250,000
- Homes occupied by people with poor credit
- Homes located in zip codes with high claim frequency
- Homes located in zip codes with high exposure to wind loss
- Homes built prior to 1995
- Homes with limited wind mitigation features

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Larger Losses Are Possible -What Dorian or Irma Could Have Been

KCC Model High-Loss Producing Events Consistent with Hurricane Climatology



Loss = \$180,252,494,000 (2012 FHLPM Exposure, Personal and Commercial Residential Only)

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Florida's Probable Maximum Loss (PML) is \$117 Billion

KCC Hurricane Reference Model shows estimated industry losses greater than PML for a 100-year event



Industry Losses for the 100 Year Florida Hurricanes by Landfall Point

Regulation of Florida Domestic Insurance Companies

- Policy forms require prior approval by OIR
- Rates require prior approval by OIR
- Rates must be re-filed at least annually and are submitted under oath
- Contracts with subsidiaries and affiliates require prior approval by OIR
- Quarterly financial statements are required and are filed under oath
- Annual financial statements are required and are filed under oath
- Annual statements are required to be audited by an independent CPA
- A report called "Management Discussion and Analysis" must be filed annually
- Loss reserves must be certified as adequate annually by an independent actuary
- Companies must keep a record of every complaint received
- OIR can conduct a market conduct examination, paid for by the company, at any time
- OIR must conduct a financial examination of the company, paid for by the company, at least once every five years
- The holding company is required to file financial statements and other information annually
- The ultimate controlling shareholders of the insurance company can be required to furnish audited financial statements at any time
- A Form A filing must be made when there is a change in ownership

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The Slow Financial Impact of Approved Rate Increases in Florida

Reported financial results do not improve quickly because any increased earned premium generated by a rate increase approach by the OIR is spread over three years.

0 Days September 30, 2019 - Data set
90 Days December 31, 2019 - Aged data and modeling
180 Days - March 31, 2020 - Submit filing to OIR
270 Days - June 30, 2020 - Filing Approved
300 Days - July 31, 2020 - System implementation
301 Days - August/September, 2020 - Policyholder Notice Period
1 Year - October 1, 2020 - Increased rates effective for new business
2 Years - September 30, 2021 - Last policy issued at new rate
3 years - September 30, 2022 - Premium for new rate is fully earned



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Part 2

What are the major cost drivers in the Florida homeowners insurance marketplace?

Where do the premium dollars go?

Average Cost of HO3 policy (premium plus fees) \$1,500

Plan

| Description | Percent of Premium (Plan) | Amount (Plan) |
|---|------------------------------|------------------|
| Cost of Reinsurance | 35.0% | \$525.00 |
| Claims (excluding hurricanes) | 35.0% | \$525.00 |
| Local agents' commissions | 12.0% | \$180.00 |
| Premium Tax and fees | 2.0% | \$30.00 |
| Administrative Expenses | 10.0% | \$150.00 |
| Total | 94.0 % | \$1,410.00 |
| Pre-tax profit | 6.0% | \$90.00 |
| Corporate income tax (Federal and State) | 1.6% | \$23.40 |
| Underwriting Profit or (Loss) | 4.4% | \$66.60 |

Actual

| Description | Percent of Premium (Actual) | Amount (Actual) | |
|---|--------------------------------|--------------------|--|
| Cost of Reinsurance | 40.0% | \$600.00 | |
| Claims (excluding hurricanes) | 50.0% | \$750.00 | |
| Local agents' commissions | 12.0% | \$180.00 | |
| Premium Tax and fees | 2.0% | \$30.00 | |
| Administrative Expenses | 10.0% | \$150.00 | |
| Total | 114.0% | \$1.710.00 | |
| Pre-tax profit | 0% | \$0 | |
| Corporate income tax (Federal and State) | 0% | \$0 | |
| Underwriting Profit or (Loss) | 114.0% | (\$210.00) | |

Difference

| Description | Difference from Plan |
|---|-------------------------|
| Cost of Reinsurance | \$75.00 |
| Claims (excluding hurricanes) | \$225.00 |
| Local agents' commissions | \$O |
| Premium Tax and fees | \$ |
| Administrative Expenses | \$ |
| Total | \$300.00 |
| Pre-tax profit | \$90.00 |
| Corporate income tax (Federal and State) | \$ 23.40 |
| Underwriting Profit or (Loss) | \$276.60 |

To reach the planned profitability of 4.4% of premium the average cost of an HO3 policy would have to be increased by \$364 annually or \$1 per day or 24.3%

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Florida Residential Property Market Premium Flow - 2018





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Losses Incurred by Florida -Hurricane Catastrophe Fund

1993-2019

| Year | Covered Events | Number of Insurers Reimbursed by FHCF | Total FHCF Reimbursement Paid (\$ million) | Total Unpaid Reimbursement (\$ million) | Projected FHCF Ultimate Total Insured Loss (\$ million) |
|-------|-----------------------------------|--|---|---|--|
| 1995 | Erin, Opal | 9 | \$13 | \$O | \$13 |
| 2004 | Charley, Frances, Ivan, Jeanne | 136 | \$3,860 | \$0 | \$3,860 |
| 2005 | Dennis, Katrina, Wilma | 114 | \$5,536 | \$O | \$5,536 |
| 2017* | Irma | 67 | \$2,840 | \$2,160 | \$3,750 |
| 2018* | Michael | 12 | \$645 | \$805 | \$1,450 |
| Total | | 338 | \$12,894 | \$2,965 | \$14,609 |

*as of September 11, 2019

Estimated cash balance at December 31, 2019 \$12,834,000,000

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New Hurricane Claims Reported to Security First Insurance Company in 2019

| Hurricane | Date of Landfall or Closest Approach to Florida | New Claims in September | New Claims in August | New Claims in July | New Claims in June |
|------------------|--|----------------------------|-------------------------|-----------------------|-----------------------|
| Hermine | Sept. 2, 2016 | 0 | 0 | 0 | 1 |
| Matthew | October 7, 2016 | 2 | 0 | 6 | 1 |
| Irma | Sept. 10, 2017 | 47 | 84 | 71 | 89 |
| Michael | Oct. 10,2018 | 8 | 16 | 16 | 24 |
| Dorian | Sept. 1, 2019 | 276 | 4 | 0 | 0 |
| Total New Claims | | 333 | 104 | 93 | 115 |

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Reinsurance Rate Filings HO-3 Policies

2019

| Name | Requested Increase |
|--------------------|--------------------|
| American Integrity | 5.80% |
| Anchor | 8.80% |
| ASI Preferred | 1.80% |
| Edison | 4.30% |
| Florida Family | 4.90% |
| Florida Peninsula | 4.00% |
| Security First | 7.80% |

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Hurricane Losses Incurred by Security First Insurance Company Estimated Gross and Net



Market Challenges – Security First Insurance Company

Increase in Non-Hurricane Weather Events



Market Challenges – Security First Insurance Company Non-Hurricane CAT Incurred Losses



Security First Insurance Company Catastrophe Experience 2019

| Hurricane | Claims | Total Incurred | | |
|-----------|--------|----------------|--|--|
| Dorian | 280 | \$1,126,466 | | |

| Non-Hurricane | Claims | Total Incurred | |
|--------------------------------------|-----------------|----------------|--|
| 2019 September Wind Event (PCS 1956) | 26 | \$209,899 | |
| 2019 May Storm | 636 | \$4,620,167 | |
| 2019 March Storm (PCS 1918) | 131 | \$1,568,944 | |
| 2019 March Hail Storm (PCS 1921) | 611 \$6,204,275 | | |
| 2019 June Storm | 244 | \$1,347,063 | |
| 2019 April Wind Storm (PCS 1924) | 199 | \$1,799,518 | |
| 2019 April Storm | 532 | \$4,831,074 | |
| 2019 January Storm | 184 | \$1,538,350 | |
| Totals | 2,563 | \$22,119,279 | |

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Non-CAT Loss Cost Per Policy

| Year | Total | Water | Fire | Wind | Hail | Mold | Liability | Sinkhole | Cat Ground Collapse | Vandalism & Theft | Lightning | All Other | Avg Earned Prem |
|------|-------|-------|-------|------|------|------|-----------|----------|---------------------------|----------------------|-----------|-----------|--------------------|
| 2007 | \$305 | \$134 | \$97 | \$7 | \$1 | \$3 | \$11 | \$18 | \$0 | \$20 | \$6 | \$9 | \$1,617.0 |
| 2008 | \$370 | \$143 | \$98 | \$4 | \$2 | \$5 | \$21 | \$37 | \$0 | \$28 | \$4 | \$27 | \$1,558.0 |
| 2009 | \$473 | \$155 | \$134 | \$7 | \$1 | \$6 | \$14 | \$89 | \$0 | \$33 | \$6 | \$28 | \$1,481.0 |
| 2010 | \$489 | \$192 | \$133 | \$2 | \$O | \$5 | \$18 | \$81 | \$O | \$30 | \$4 | \$23 | \$1,368.0 |
| 2011 | \$410 | \$187 | \$82 | \$12 | \$8 | \$6 | \$17 | \$50 | \$0 | \$27 | \$5 | \$17 | \$1,283.0 |
| 2012 | \$361 | \$184 | \$70 | \$9 | \$9 | \$8 | \$19 | \$19 | \$O | \$20 | \$5 | \$19 | \$1,251.0 |
| 2013 | \$329 | \$167 | \$50 | \$20 | \$22 | \$8 | \$17 | \$2 | \$0 | \$17 | \$6 | \$20 | \$1,268.0 |
| 2014 | \$335 | \$187 | \$44 | \$19 | \$21 | \$11 | \$6 | \$2 | \$0 | \$14 | \$9 | \$21 | \$1,236.0 |
| 2015 | \$414 | \$209 | \$85 | \$24 | \$22 | \$8 | \$14 | \$1 | \$0 | \$14 | \$6 | \$30 | \$1,099.0 |
| 2016 | \$461 | \$237 | \$76 | \$42 | \$32 | \$9 | \$11 | \$1 | \$0 | \$13 | \$6 | \$35 | \$1,047.0 |
| 2017 | \$475 | \$268 | \$80 | \$43 | \$12 | \$10 | \$15 | \$1 | \$1 | \$10 | \$6 | \$27 | \$1,077.0 |
| 2018 | \$557 | \$306 | \$84 | \$72 | \$23 | \$10 | \$13 | \$1 | \$2 | \$9 | \$8 | \$29 | \$1,162.0 |

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Market Challenges

Increase in Claim Litigation



Source: Florida Department of Financial Services (57 companies included in analysis)

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Sample of FL Property Carriers

Number of Suits Served by Month



Civil Remedy Notices filed with DFS Since 2015

Civil Remedy Notices

| Year | Filed |
|------|--------|
| 2015 | 28,572 |
| 2016 | 27,765 |
| 2017 | 38,903 |
| 2018 | 47,504 |
| 2019 | 38,832 |

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Non-CAT Loss Cost Per Policy

Cost to Premium With and Without Lawsuits



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AOB Industry Trends

- Spike in litigation in 2018 likely due to Hurricane Irma disputed claims converting to litigation.
- AOB litigation increased 88% from April to May 2019.
- Forecasted 2019 lawsuits may reach 29K non-AOB lawsuits and 24K AOB lawsuits filed if current trends continue through Q4.





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Potential Arguments that Plaintiff Attorneys will make to avoid the fee shifting provisions of the new AOB law

- The ability to collect attorney's fees from the opposing party is a vested substantive right that cannot be adversely affected by legislative action ex-post facto (One court in Miami has already ruled that AOB reforms cannot be imposed on cases filed between May 23,2019 and July 1, 2019)
- The second set of arguments will be that the reforms do not apply to AOB agreements signed before July 2, 2019 for the same reason
- The third set of arguments will be that the one way fee statute applies in all cases where the insured's policy incepted before July 1, 2019

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Timeline For Closed Cases

| Type of Loss | Date of Loss | Date Fled | Date Settled | Days in Litigation |
|------------------------|--------------|-----------|--------------|--------------------|
| Security First Non Cat | Day 1 | Day 212 | Day 579 | 367 |
| Security First Cat | Day 1 | Day 249 | Day 575 | 326 |
| CaseGlide Non Cat | Unknown | Day 1 | Day 371 | 371 |

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Part 3

Are there other issues in the Florida personal lines property insurance market that should be addressed by the Senate Banking and Insurance Committee?
Is insurance fraud okay?

- 24% of Americans believe it's ok to inflate a claim to cover the deductible
- 18% of Americans believe it's ok to misrepresent facts on an insurance application to lower their premiums
- 18% of Americans believe it's ok to inflate a claim to cover premiums paid in prior years with no losses
- 15% of Americans believe it's ok to make a claim for damage that occurred before the date of loss in addition to a claim for the covered loss

Source: Insurance Fraud: A Public View – 2013 Edition – Insurance Research Council



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Why do you think people commit insurance fraud?

- They believe they can get away with it 68%
- They need the money 60%
- They believe they are paying too much for insurance 42%
- They want to make up for the deductible they would have to pay 33%
- Their family, friends, insurance agent, or attorney influenced them 19%

Source: Insurance Consumer Fraud Survey 2010 – Accenture





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Do you think insurance fraud leads to higher rates for everyone?

• 86% of Americans agree with that statement

Should people who commit insurance fraud be prosecuted to the full extent of the law?

• 82% of Americans agree with that statement

Source: Insurance Fraud: A Public View – 2013 Edition – Insurance Research Council

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Homeowners Insurance Fraud in Florida

| Fiscal Year | Referrals | Presentations | Percent |
|-------------|-----------|---------------|---------|
| 2013/2014 | 788 | 58 | 7.4% |
| 2014/2015 | 832 | 57 | 6.9% |
| 2015/2016 | 1,162 | 61 | 5.2% |
| 2016/2017 | 1,262 | 44 | 3.5% |
| 2017/2018 | 1,444 | 63 | 4.4% |

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Part 4

What are your recommendations for legislation that the Senate Banking and Insurance Committee should consider to lower property insurance rates and increase the availability of homeowners insurance in Florida?

Legislative Recommendations

Civil Remedy Notice (624.155)

- 1. Specificity Civil remedy notices (CRNs) filed without a demand for a specific payment (including all costs and fees) do not give an insurance company the one piece of information that it needs to settle the dispute.
- 2. Timing to encourage settlement of disputes and the use of alternative dispute resolution procedures that can help speed up the process of closing a claim, the 60 day notice provision of the CRN statute should be tolled while alternative dispute resolution (appraisal, mediation, or arbitration) is occurring.
- 3. Natural disasters CRN's should not be filed for 60 days in counties where emergencies have been declared for wind, water, hurricane, or flood events.

Litigation Reform

- 1. Require 30-day pre-suit notification
- 2. Require the plaintiff to sign the initial pleadings
- 3. Reduce the statute of limitations for hurricane claims to one year

Attorney's Fees

- 1. Eliminate fee multipliers for property insurance claims
- 2. Replace the one-way fee statue with the fee shifting language in last year's AOB bill
- 3. Adopt a limitation on attorney's fees (sliding scale or percentage of amount recovered)

Florida Hurricane Catastrophe Fund

- 1. Remove the rapid cash build-up
- 2. Reduce the attachment point from \$7 billion to \$5 billion
- 3. Prohibit the purchase of reinsurance

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Hurricane Response

Security First Insurance Company - Hurricane Response

| | Matthew | Irma | Michael |
|------------------------------------|-------------|---------------|--------------|
| Claims Reported | 13,188 | 42,234 | 4,554 |
| | | | |
| Median # of Days to First Payment | 19 | 36 | 24 |
| | | | |
| Average # of Days to First Payment | 33 | 53 | 28 |
| Conseleinte | | 120 | 74 |
| Complaints | - | 139 | 76 |
| % of Complaints | - | .3% | 1.7% |
| Lawsuits | | | |
| # | 315 | 1,840 | 230 |
| % of Total Claims | 2.4% | 4.4% | 5.2% |
| | | | |
| AOB | | | |
| # | 222 | 1,165 | 192 |
| % of Total Claims | 1.7% | 2.8% | 4.2% |
| | | | |
| Open Claims | 2 | 163 | 17 |
| Re-opened Claims | 139 | 1,549 | 684 |
| Total | 141 | 1,712 | 701 |
| % of reported Claims | 1.1% | 4.1% | 15.4% |
| Amount Paid on Open and | \$4 Million | \$27 Million | \$35 Million |
| Re-opened Claims | p+ minon | .p∠7 iviiii0Π | 232 MUIIOII |

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Security First Insurance Company Hurricane Comparison - By Payment

| | 2016 Hurricane Matthew | | |
|---|------------------------|-------------------|---------------------------|
| Claim Count with Payment: 7,952 | Number of Claims | Percent of Claims | Cumulative Percent |
| First Payment Made within: 10 days | 1,693 | 21% | 21% |
| First Payment Made within: 11 - 30 Days | 4,181 | 53% | 74% |
| First Payment Made within: 31-60 Days | 1,441 | 18% | 92% |
| First Payment Made within: 61+ Days | 637 | 8% | 100% |

| | 2017 Hurricane Irma | | |
|---|---------------------|-------------------|---------------------------|
| Claim Count with Payment: 24,937 | Number of Claims | Percent of Claims | Cumulative Percent |
| First Payment Made within: 10 days | 2,099 | 8% | 8% |
| First Payment Made within: 11 - 30 Days | 7,947 | 32% | 40% |
| First Payment Made within: 31-60 Days | 11,210 | 45% | 85% |
| First Payment Made within: 61+ Days | 3,681 | 15% | 100% |

| | 2018 Hurricane Michael | | |
|---|------------------------|-------------------|---------------------------|
| Claim Count with Payment: 7,952 | Number of Claims | Percent of Claims | Cumulative Percent |
| First Payment Made within: 10 days | 417 | 12% | 12% |
| First Payment Made within: 11 - 30 Days | 2,029 | 57% | 69% |
| First Payment Made within: 31-60 Days | 943 | 27% | 96% |
| First Payment Made within: 61+ Days | 150 | 4% | 100% |

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Causes of Customer Complaints Filed with Division of Financial Services

| 2018 | Number of Complaints | Percent of Complaints |
|-----------------------------------|-------------------------|--------------------------|
| Claim Delay/Lack of Communication | 11 | 44% |
| Claim Denial | 6 | 24% |
| Payment Amount/Insufficient | 7 | 28% |
| Other/Coverage Dispute | 1 | 4% |
| Total | 25 | 100% |
| 2019 | | |
| Claim Delay/Lack of Communication | 32 | 63% |
| Claim Denial | 5 | 10% |
| Payment Amount/Insufficient | 13 | 25% |
| Other/Coverage Dispute | 1 | 2% |
| Total | 51 | 100% |
| 2018 and 2019 | | |
| Claim Delay/Lack of Communication | 43 | 57% |
| Claim Denial | 11 | 14% |
| Payment Amount/Insufficient | 20 | 26% |
| Other/Coverage Dispute | 2 | 3% |
| Total | 76 | 100% < |

Source - Department of Financial Services



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Security First Insurance Company Status of Open and Reopened Michael Claims

October 10, 2019

| Claim Status | Number |
|---|--------|
| Open - Investigating | 10 |
| Re-opened - payment made - awaiting completion of repairs | 368 |
| Claims in mediation | 16 |
| Claims with legal representation | 231 |
| Claims with AOB and no attorney | 11 |
| Status undetermined | 63 |
| Total | 699 |

Total Michael claims reported: 4,561 Percent Opened and Reopened: 15.3%

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Public Policy Issues in Current Legal Environment

Public Policy Issues in Current Litigation Environment

How do you make sure the repair work is completed?

The case: Contractor filed a Hurricane Matthew claim for roof damage on behalf of elderly couple on February 6, 2017. Security First paid \$42,571.82 twenty-one days after the loss was reported. The check was made payable to the insureds, their contractor, and their mortgagee. On April 24, 2018, fourteen months after the check was cashed, the insured called Security First and said no work had been done on the roof. Security First called the contractor immediately to request that the work be performed. On July 6, 2018, Security First was sued and a civil remedy notice was filed alleging failure to properly investigate the claim and failure to pay the claim in full. On August 31, 2018, Security First sent an additional \$35,084.32 to the contractor's attorney. The attorney sent that money to the contractor. On July 30, 2019, the contractor's attorney withdrew from the case.

Current status: No work has been done on the damaged roof. The case remains in court awaiting appointment of new counsel by the plaintiff. The claim remains open. Security First has 14 open cases with the same contractor.

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Public Policy Issues in Current Legal Environment

Should as public adjuster obtain a signed retainer agreement on behalf of a law firm that has never met or talked with the prospective client? Is a fee multiplier appropriate for work done by an attorney hired after the insured has been paid?

Case: A home in Broward county suffered water damage to its kitchen. The date of loss was August 1, 2014. The loss was first reported to Security First on August 26, 2014 by a public adjuster. The public adjuster presented a claim for \$49,000 of water and mold damage even though the policy limited damages from water and mold to a total of \$20,000.

Security First paid a water mitigation company \$1,171.21 and sent the insured and the public adjuster checks for Security First's estimate of the covered loss, \$16,357.32. The checks were sent prior to an attorney being retained by the insured and the checks were never cashed.

After receiving the checks, the public adjuster recommended that the insured hire an attorney in Fort Lauderdale. The insured signed a retainer agreement with that attorney on July 28, 2015. The public adjuster mailed the claim file and the signed retainer agreement to the attorney in Fort Lauderdale on August 8th. The attorney signed the retainer agreement on August 11th and filed suit on August 29th.

On August 26, 2016, the insured accepted an offer of \$16,500 to settle the case. This was only \$142.68 more than the amount that was mailed to the insured 15 months previously. The offer was exclusive of attorney fees.

At a fee hearing on November 16, 2016 the attorney testified: "It was apparent from right away that it was going to be a very difficult case. There's a strong likelihood that the most I'd be able to recover was \$3,000. And the only reason I was able to take the case, was because there was an opportunity if we prevailed, to ultimately obtain a multiplier in the case."

The attorney got a 1.5 multiplier and was awarded fees of \$31,140 for a case where there were no depositions taken and no paper discovery. The fee award was affirmed by the Fifth District court of Appeal on December 19, 2017 three and one half years after the loss.

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|----------------|---------|------------------|----|

Public Policy Issues in Current Legal Environment

What's a reasonable attorney's fee for a water damage claim?

Case: Miami law firm reported water loss for a homeowner in Polk County on April 22, 2019. The attorney reported that the loss occurred three days previously.

The insured was paid \$12,297 in October 2016.

Security First offered to settle the case for an additional payment of \$9,000 on December 6, 2016. The offer was rejected, and suit was filed on December 20, 2016.

In April 2019, the plaintiff attorney estimated that additional damages totaled \$27,000 so the amount in dispute was \$18,000.

In August 2019, Security First offered to settle the case for \$27,000. That offer was not accepted because the plaintiff attorney demanded \$125,000 in fees in addition to the amount offered to the insured.

The case went to trial and the plaintiff received nothing. That meant that the insured was responsible for paying Security First's legal fees which exceed \$50,000.

The plaintiff is appealing the trial court's verdict.



October 15, 2019

Public Policy Issues in Current Litigation Environment

Should a home that suffers hurricane damage equivalent to more than 50% of its assessed value be declared a "total loss" by the local building inspector?

Case: Home built in 2008 in Calhoun County suffered extensive damage to Hurricane Michael on October 10, 2018. Home was inspected on October 13, 2018 and a bid for repairs was received on October 20,2018. The house was assessed for \$119,000 and the contractor estimated that the home could be repaired for \$105,150. The initial estimate of repairs was increased following re-inspections in November and December.

Security First issued its first payment to the insured on November 7, 2018. Additional payments followed:

| Month | Total Payments |
|----------|----------------|
| November | \$ 56,753 |
| December | \$ 39,378 |
| January | \$ 29,323 |
| Total | \$125,454 |

Security First



October 15, 2019

Public Policy Issues in Current Litigation Environment (cont.)

On December 17, 2018 the insured received a letter from the building inspector stating that the home was a "total loss" because the home had suffered damage equivalent to more than 50% of its assessed value and that his office would not issue any building permits for repairs to the home.

On February 4, 2019, Security First was sued. The suit was accompanied by a civil remedy notice demanding payment of full policy limits. Policy limits total \$330,990. To date no repairs have been made to the home.

Security First has nine other cases in Calhoun county where the building inspector has declared the home a total loss.



October 15, 2019

For additional information contact:



Locke Burt Chairman and President (386) 523-2300 Lburt@SecurityFirstFlorida.com





October 15, 2019



October 9, 2019

W. Lockwood Burt Chairman and President Security First Insurance Company 140 South Atlantic Avenue Suite 200 Ormond Beach, FL 32176

Concerning: Request for Comments Your Participation at Senate Banking and Insurance Committee

Dear Locke,

Thank you for your recent request to provide commentary on a range of important issues facing Floridians who are stakeholders in the residential property insurance marketplace. In response to your request I share the following thoughts with you. You have my explicit permission to share the entirety of this communication with third parties.

To provide perspective for my comments, I summarize my education, experience and expertise:

I am President and Co-Founder of Demotech, the second largest rating service in the United States based upon the count of uniquely rated clients, specializing in evaluating the financial stability of regional and specialty insurers. I have initiated many firsts within the P&C and Title industries, including a model for assigning Financial Stability Rating[®] (FSRs) based on balance sheet strength and financial integrity, the development and utilization of a Management Audit Process a decade in advance of emphasis on enterprise risk management, an ongoing analysis to evaluate assigned FSRs relative to insurer survival rates, and the development of a procedure to review and rate startup insurance companies.

I direct an experienced team that works closely with clients to evaluate their long-term solvency through the review and issuance of FSRs. I am a frequent speaker and presenter on the topics of risk management, compliance, regulatory reporting, actuarial and financial analysis.

I have a strong passion for education and professional development, actively supporting trade associations, contributing to industry journals, and driving formation of the Buckeye Actuarial Continuing Education, an affiliate of the Casualty Actuarial Society. In addition to being a member in good standing of the Casualty Actuarial Society, I am a member of the American Academy of Actuaries, and the Society of Actuaries.

I have been engaged in the Property & Casualty insurance industry since 1969, beginning my career at the predecessor to Insurance Services Office, and then holding positions at Agway Insurance Company, Nationwide Mutual Insurance Company, and as a consulting actuary prior to founding Demotech in 1985.



I hold a Bachelor of Science in Actuarial Science from The College of Insurance (now within St. John's University) and a Master in Business Administration from The Ohio State University.

During my career, I have prepared in excess of 1,600 statements of actuarial opinion as regards loss and loss adjustment expense reserves in addition to preparing or supervising the preparation of thousands of rate, rule and form filings submitted to the respective departments of insurance.

As to the questions posed for the panel discussion to be held October 15, 2019:

1. How would I describe the Florida personal lines property insurance market?

Since 1996 when the (then) State of Florida Department of Insurance Government and Industry Relations Department requested that we review take out carriers so as to depopulate the Florida Residential Property Casualty Joint Underwriting Authority, Demotech rated carriers have grown from 0% of the residential property and homeowners market to approximately 65%. We have reviewed national carriers (First Floridian Auto and Home by Travelers, Castle Key by Allstate) to start-ups such as Security First, ASI, Florida Family, Universal P&C, United P&C, Olympus, FedNat, Homeowners Choice, Heritage Property and Casualty, Peoples Trust, Florida Peninsula to name a few, with KIN Interinsurance Network our latest Financial Stability Rating[®], FSR.

The business models range from direct to consumer to independent agency to captive agents to managing general agencies. Algorithms for calculating the premiums to be paid by consumers have been enhanced and become more intricate and sophisticated. Concurrently, catastrophe modeling has similarly been refined and recalibrated.

All things considered, I would describe the Florida personal lines property insurance marketplace as fundamentally sound, with recently enacted legislative revisions providing an opportunity for substantial improvements.

2. What are the major cost drivers in the marketplace?

According to an Insurance Information Institute analysis, <u>https://www.iii.org/fact-statistic/facts-statistics-homeowners-and-renters-insurance</u>: Over the period 2013 through 2017, inclusive, more than 95% of the percent of losses incurred by count were for property damage. With more than 95% of claims being property damage, the cost of repairs is comprised of time and materials plus the cost of adjusting the claim.

To those who believe premiums might be reduced, I suggest that even with the effort to harden homes, and thereby reduce the hours needed to effect a repair, or an unexpected and sustained decline in the cost of materials utilized to effect a repair, the optimal situation for future changes in premium will be a moderation in the amount of increase, not a decrease in premium.



In fact, the fact that the preponderance of claims in the property insurance marketplace are property damage, may have led to the creativity of the plaintiff's bar to insert itself into the more common property insurance claims – roofing and water damage.

3. Are there other issues in the marketplace that I recommend the committee should consider?

Based upon our review of the operating results of carriers through June 30, 2019, and pending our analysis of year-to-date results through September 30, 2019, as supplemented by our periodic requests for updates on claims activity related to Hurricane Irma (2016), Michael (2017) Matthew (2018) and Dorian (2019), the following summary is applicable.

For several years, Demotech has been encouraging carriers to increase their loss and loss adjustment expense (L&LAE) reserve estimates to reflect the assignment of benefits (AOB) phenomenon as well as the impact of other judicial precedents such as the Sebo and Johnson cases, Although this effort has resulted in adverse L&LAE reserve development, our requirement to infuse additional capital to sustain the Financial Stability Rating[®] (FSR) assigned to the carriers has been effective. Despite the storms of 2016, 2017 and 2018, and our efforts to encourage carriers to strengthen Loss and LAE reserves, surplus at June 30, 2019 is all but identical to that reported at December 31, 2017.

With realistic Loss and LAE reserves, rigorous vertical and horizontal reinsurance programs and surplus as a buffer, consumers are well protected.

This said, the response of Florida Specialty management to the recent liquidation of Florida Specialty Insurance Company (FSIC) should be reviewed. Although an exhaustive discussion of insurance accounting and financial analysis is beyond the scope of my comments, I note that although there are significant differences of opinion as to the accounting underlying the financial statement of FSIC utilized to secure its liquidations, i.e., June 30 2019, the verification of the marked difference of opinion between Florida Specialty and DFS/OIR can be reconciled by a review of the general ledger and entries in the June 30, 2019. In other words, the diametrically opposed legal arguments can resolved with a prompt and straight-forward accounting review.

4. As to legislation that the committee should consider, it is my belief that a thorough review of the one way attorney fee statute that results in meaningful reform might be the committee's most potent weapon in a war of premium increases.

Thank you this opportunity to share my thoughts with you. Best of luck in the panel discussion.

Very truly yours,

Joge L Gétrelli

Joseph L. Petrelli, ACAS, ASA, MAAA (MBA) President



Citizens Lawsuit Costs

| Both AOB and Non-AOB Suit \$50,213 | AOB Suit Only \$24,939 | Non-AOB Suit Only \$38,725 | All Suits \$39,870 | Litigated Claims Loss/ALAE | Loss/ALAE Costs | Both AOB and Non-AOB Suit \$13,106 | AOB Suit Only \$6,027 | Non-AOB Suit Only \$8,483 | All Suits \$9,399 | Litigated Claims ALAE Severity | ALAE Costs | Both AOB and Non-AOB Suit \$37,107 | AOB Suit Only \$18,911 | Non-AOB Suit Only \$30,243 | All Suits \$30,470 | Litigated Claims Loss Severity | Indemnity Costs |
|------------------------------------|------------------------|----------------------------|--------------------|-------------------------------------|-----------------|------------------------------------|-----------------------|---------------------------|-------------------|--|------------|------------------------------------|------------------------|----------------------------|--------------------|--------------------------------|-----------------|
| \$18,156 | \$7,623 | \$15,183 | \$14,916 | Total Cost to All Attorneys | | \$11,713 | \$4,472 | \$7,242 | \$8,072 | y Defense Attorney Costs | | \$6,443 | \$3,151 | \$7,941 | \$6,844 | v Plaintiff Attorney Fees | |
| \$32,057 | \$17,316 | \$23,542 | \$24,953 | Total to Policyholder/non-legal fee | | \$1,392 | \$1,555 | \$1,240 | \$1,327 | ALAE w/Out Defense Costs | | \$30,664 | \$15,760 | \$22,302 | \$23,627 | Loss w/Out Attorney Fee | |
| 36.2% | 30.6% | 39.2% | 37.4% | <u>% to Attorneys</u> | | 89.4% | 74.2% | 85.4% | 85.9% | % ALAE to Attorney | | 21.0% | 20.0% | 35.6% | 22.5% | % to Attorney | |
| 63.8% | 69.4% | 60.8% | 62.6% | <u>% to Policyholder</u> | | 10.6% | 25.8% | 14.6% | 14.1% | % ALAE to Attorney % ALAE to non-legal fee | | 79.0% | 80.0% | 64.4% | 77.5% | % to Policyholder | |

Based on 8,173 litigated HO3 NWW claims where Plaintiff's attorney fees were identified All claims are closed as of 12-31-18

Carrier Litigation Experience



LSOP Summary 2013 - 2019

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 Q3 |
|-------------------------------------|--------|--------|--------|--------|-------------|--------|---------|
| Citizens Property Insurance Company | | | | | | | |
| All | 9,146 | 9,525 | 7,653 | 10,061 | 7,624 | 13,363 | 7,981 |
| AOB | 860 | | 1,250 | 3,242 | 2,718 | 3,631 | 3,312 |
| AOB % | %6 | | 16% | 32% | 36% | 27% | 41% |
| All Other Carriers | | | | | | | |
| All | 18,270 | 22,122 | 30,167 | 31,790 | 41,524 | 69,300 | |
| AOB | 4,613 | | 6,645 | 5,968 | 9,772 | 17,421 | 20,325 |
| AOB % | 25% | | 22% | 19% | 24% | 25% | 1 |
| Total All | 27,416 | ы | 37,820 | 41,851 | 49,148 | 82,663 | 65,225 |
| Total AOB | 5,473 | | 7,895 | 9,210 |) 12,490 21 | 21,052 | 23,637 |
| Total AOB % | 20% | 19% | 21% | 22% | 25% | 25% | 36% |

Data source – DFS LSOP 2013-2019 Q3

Data source – DFS LSOP 2013-2019 Q3

| | 2013 Qtr1 | Qtr2 | Qtr3 | Qtr4 | 2014 Qtr1 (| Qtr2 Q | Qtr3 Qtr4 | 2015 tr4 Qtr1 | 15 r1 Qtr2 | 2 Qtr3 | 3 Qtr4 | 2016 Qtr1 | 6 1 Qtr2 | | Qtr3 Q | Qtr4 Q | 2017 Qtr1 | | Qtr2 | Qtr3 | Qtr3 Qtr4 | Qtr3 Qtr4 | Qtr3 Qtr4 | 2018 Qtr3 Qtr4 Qtr1 | 2018 Qtr3 Qtr4 Qtr1 Qtr2 | 2018 Qtr3 Qtr4 Qtr1 Qtr2 Qtr3 Qtr4 | 2018 Qtr3 Qtr4 Qtr1 Qtr2 Qtr3 Qtr4 |
|-------------------------------------|--------------|-------|---------|---------|----------------|--------|-------------|------------------|---------------|-------------|--------|--------------|-------------|---|--------|---------------|----------------------|-------------------|-------------------------|------------------------------------|---|--|---|--|---|--|--|
| Citizens Property Insurance Company | Y | | | | | | | | | | | | | | | | | | | | | | | | | | |
| All | 1,90 | 2,090 | 0 2,545 | 5 2,611 | 2,749 | | | | | | | - | ,509 | | | | 2,904 | 2,904 2,365 | 2,904 2,365 2,272 | 2,904 2,365 2,272 1,980 | 2,904 2,365 2,272 1,980 1,735 | 2,904 2,365 2,272 1,980 1,735 1,637 | 2,904 2,365 2,272 1,980 1,735 1,637 3,078 | 2,904 2,365 2,272 1,980 1,735 1,637 3,078 3,684 | 2,904 2,365 2,272 1,980 1,735 1,637 3,078 3,684 3,595 | 2,904 2,365 2,272 1,980 1,735 1,637 3,078 3,684 3,595 3,006 | 2,904 2,365 2,272 1,980 1,735 1,637 3,078 3,684 3,595 3,006 2,483 |
| AOB | 188 | | - | | 307 | 226 | 224 | 305 | 274 | 231 275 | | 470 | 760 | | 646 | 646 1,016 | | 1,016 | 1,016 820 800 | 1,016 820 800 757 | 1,016 820 800 757 621 | 1,016 820 800 757 621 540 | 1,016 820 800 757 621 540 818 | 1,016 820 800 757 621 540 818 793 | 1,016 820 800 757 621 540 818 793 1,006 | 1,016 820 800 757 621 540 818 793 1,006 1,014 | 1,016 820 800 757 621 540 818 793 1,006 1,014 |
| AOB % | 10 | % 10% | % 7% | 11% | 11% | 9% | | | | | | | 30% | | | | 35% | 35% 35% | 35% 35% | 35% 35% 35% | - 35% 35% 35% 38% 36% | - 35% 35% 35% 38% 36% 33% | - 35% 35% 35% 38% 36% 33% 27% | - 35% 35% 35% 38% 36% 33% 27% 22% | - 35% 35% 38% 36% 33% 27% 22% 28% | - 35% 35% 35% 38% 36% 33% 27% 22% 28% 34% | - 35% 35% 35% 38% 36% 33% 27% 22% 28% 34% 38% |
| All Other Carriers | 1 TO | | 0 4 997 | | л 787 | 5 097 | 7 7 9 9 7 1 | 5,745 6 | | | | 8.809 8 | 8.717 | | 8.055 | 8.055 | 8.055 | 8,055 7,253 7,765 | 8,055 7,253 7,765 | 8,055 7,253 7,765 9,955 10,503 | 8,055 7,253 7,765 9,955 10,503 9,973 | 8,055 7,253 7,765 9,955 10,503 9,973 11,093 | 8,055 7,253 7,765 9,955 10,503 9,973 11,093 15,968 | 8,055 7,253 7,765 9,955 10,503 9,973 11,093 15,968 17,881 | 8,055 7,253 7,765 9,955 10,503 9,973 11,093 15,968 17,881 19,311 | 8,055 7,253 7,765 9,955 10,503 9,973 11,093 15,968 17,881 19,311 16,140 | 8,055 7,253 7,765 9,955 10,503 9,973 11,093 15,968 17,881 19,311 16,140 16,547 |
| AOB | 1.48 | | | 1 772 | 1,280 | 1,154 | 1,216 | L,170 1 | | 616 1,523 | | | 1,832 | | 1,421 | | 1,421 1,278 | 1,421 1,278 | 1,421 1,278 1,437 2,158 | 1,421 1,278 1,437 2,158 2,214 | 1,421 1,278 1,437 2,158 2,214 2,568 | 1,421 1,278 1,437 2,158 2,214 2,568 2,832 | 1,421 1,278 1,437 2,158 2,214 2,568 2,832 3,782 | 1,421 1,278 1,437 2,158 2,214 2,568 2,832 3,782 4,097 4 | 1,421 1,278 1,437 2,158 2,214 2,568 2,832 3,782 4,097 4,964 | 1,421 1,278 1,437 2,158 2,214 2,568 2,832 3,782 4,097 4,964 4,578 | 1,421 1,278 1,437 2,158 2,214 2,568 2,832 3,782 4,097 4,964 |
| AOB % | 31% | | | | | 23% | 20% | 20% | 21% 2 | 22% 2 | - | | 21% | | 18% | 18% | 18% 18% 19% | 18% 18% 19% | 18% 18% 19% 22% | 18% 18% 19% 22% | 18% 18% 19% 22% 21% 26% | 18% 18% 19% 22% 21% 26% 26% | 18% 18% 19% 22% 21% 26% 26% 24% | 18% 18% 19% 22% 21% 26% 26% 24% 23% | 18% 18% 19% 22% 21% 26% 26% 24% 23% 26% | 18% 18% 19% 22% 21% 26% 26% 24% 23% 26% 28% | 18% 18% 19% 22% 21% 26% 26% 24% 23% 26% 28% 31% |
| Total All | 6,6 | _ | | | 8,034 | | | | | | | 10,929 11 | 11,226 | | 10,338 | 10,338 10,157 | 10,338 10,157 10,130 | 10,338 10,157 | 10,338 10,157 10,130 | 10,338 10,157 10,130 12,227 12,483 | 10,338 10,157 10,130 12,227 12,483 11,708 | 10,338 10,157 10,130 12,227 12,483 11,708 12,730 | 10,338 10,157 10,130 12,227 12,483 11,708 12,730 19,046 | 10,338 10,157 10,130 12,227 12,483 11,708 12,730 19,046 21,565 | 10,338 10,157 10,130 12,227 12,483 11,708 12,730 19,046 21,565 22,906 | 10,338 10,157 10,130 12,227 12,483 11,708 12,730 19,046 21,565 22,906 19,146 | 10,338 10,157 10,130 12,227 12,483 11,708 12,730 19,046 21,565 22,906 |
| Total AOB | 1,668 | | 7 1,686 | 5 1,062 | 1,587 | 1,380 | 1,440 | 1,475 1 | | 1,847 1,798 | | | 2,592 | | 2,067 | 2,067 2,294 | 2,067 2,294 2,257 | 2,067 2,294 2,257 | 2,067 2,294 2,257 2,958 | 2,067 2,294 2,257 2,958 | 2,067 2,294 2,257 2,958 2,971 | 2,067 2,294 2,257 2,958 2,971 3,189 3,372 | 2,067 2,294 2,257 2,958 2,971 3,189 3,372 4,600 | 2,067 2,294 2,257 2,958 2,971 3,189 3,372 4,600 4,890 | 2,067 2,294 2,257 2,958 2,971 3,189 3,372 4,600 4,890 5,970 | 2,067 2,294 2,257 2,958 2,971 3,189 3,372 4,600 4,890 5,970 5,592 | 2,067 2,294 2,257 2,958 2,971 3,189 3,372 4,600 4,890 5,970 5,592 6,005 |
| Total AOB % | 25% | | - | - | 20% | 18% | 18% | 19% | 19% 2 | 20% 1 | 19% | 24% | 23% | 8 | 20% | 20% | 20% | 20% 23% | 20% 23% 22% 24% | 20% 23% 22% 24% 24% | 20% 23% 22% 24% 24% 27% | 20% 23% 22% 24% 24% 27% 26% | 20% 23% 22% 24% 24% 27% 26% 24% | 20% 23% 22% 24% 24% 27% 26% 24% 23% | 20% 23% 22% 24% 24% 27% 26% 24% 23% 26% | 20% 23% 22% 24% 27% 26% 24% 23% 26% 29% | 20% 23% 22% 24% 27% 26% 24% 23% 26% 22% |

PROPERTY INSURANCE CORPORATION

Carrier Litigation Experience

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Florida Senate Banking and Insurance Committee Hearing

CASE STUDIES

DAVID DAVIDSON



David Davidson's family home suffered severely from the hurricane. The back bayfront windows were blown out, the patio screening torn away, and the entire exterior of the home peppered by wind blown debris. David called in his claim, got things boarded up, began mitigation, and waited for an adjuster. The adjuster came out and seemed to have blinders on, delivering a tiny initial settlement of 2,131.27 on November 28th, 2019. Over 45 days after thestorm!

David Davidson's family home suffered severely from the hurricane. The back bayfront windows were blown out, the patio screening torn away, and the entire exterior of the home peppered by wind blown debris. David called in his claim, got things boarded up, began mitigation, and waited for an adjuster. The adjuster came out and seemed to have blinders on, delivering a tiny initial settlement of 2,131.27 on November 28th, 2019. Over 45 days after the storm!

JACK & NANCY MOORE

Jack and Nancy Moore had a quadplex rental property that they relied upon for retirement income. When Hurricane Michael devastated the area it destroyed the entire structure. The initial inspection of the structure determined it to be a unrepairable total loss. This was communicated to management. Management then overwrote the field assessment and provided a settlement of 1/3 the properties value. After struggling to get a reasonable response, Jack finally engaged a public adjuster.



An inspection with the public adjuster and the insurance carriers field adjuster took place with the exact same result, the property was a total loss. Again, management struggled with accepting the obvious. Over the next eight weeks delays and correspondence dragged out the settlement until on March 20th they made an offer to pay policy limits. Unfortunately Jack Moore passed away from a massive heart attach on March 16th, He never saw the resolution of his claim. A final agreement and settlement check was delayed by the insurance company until May 1st, 2019, over six weeks after Jack Moore's death.



CLUB LA VELA



Club La Vela knew they had suffered roofing damage to the club after Hurricane Michael passed through Panama City Beach. What they didn't know was that their insurance company would be the source of much more damage than Michael ever caused. After tarping the roof and giving the insurance company access to inspect there was nothing to do but wait. While waiting another storm came through and tore off their tarps. Requests were made to replace the tarping, those were denied. Additional messages went out to implore the insurance carrier to act quickly as there was water getting inside the club, those were denied. Just wait, they were told. Unfortunately, by the time the insurance company and their "experts" were ready to Approve a new roof the entire interior was saturated and everything destroyed. All this could have been prevented by the insurance adjuster simply listening to the mitigation company and club owners and approving replacement of the roof tarps. While they have agreed to replace all the damaged interior of the club, who is going to pay for the hundreds of employees who haven't been able to work or the millions of lost revenue when the club was closed for Spring Break? After eleven months of discussions, the insurance company just let club management know they would not be making those payments. Eleven months.



SAINT ANDREWS UNITED METHODIST

The damageat St. Andrews UMC made national headlines both for the severity of the destruction to a historic church and the way the parishioner's responded in hope and resilience to the tragedy. Little did they know that a year of constant delay and obfuscation were in their future. Their insurance company hired building consultants and engineers who placed the repairs to the buildings at 1/3 of their actual costs. Repeated visits, additional engineering opinions, and constant delays continued to drag the resolution of this claim out for over eleven and a half months!



After a change of adjusters and a general ability of the insurance companies "experts" to ignore basic facts and actual scope and costs the church was forced to consider legal options. Upon notice that litigation was pending, the insurance company verbally agreed to pay the full policy limits last Wednesday. A final agreement and settlement must be approved by the insurance company. This will be over twelve months from when Saint Andrews United Methodist Church first called their claim in.



SPINNAKER BEACH CLUB



Spinnaker Beach Club thought they had dodged a bullet. They knew there was damage, called in their claim, and trusted that their insurance company would fully investigate their claim. Instead, after waiting for weeks for an adjuster, and then another month for an estimate, they were told the insurance company didn't have enough resources and they needed to get their own contractors and estimates. Then the real extent of the damage became apparent. Mitigation crews determined that the entire roofing system was compromised and had allowed water into all the interior of the club. The insurance company was informed and they conducted an inspection on February 11th, 2019

It then took the insurance company over ten months to get a partial check to the insured for their damages and over eleven months to get the mitigation company partially paid. The claim still has over a million dollar in disputed damages without any apparent urgency from the insurance company or their administrators to expedite this claim and get this business and over one hundred employees back to work. So now, a landmark of the community and a stro ng part of the local economy has been devastated by both the storm and the ridiculous response from their insurance company.



| THE FLORIDA SENATE | |
|--|--|
| Image: Meeting Date Image: Comparison of the senator of the senat | |
| Topic PRODUNCE TUSICCOM | Bill Number (if applicable) |
| Name David Altmain | Amendment Barcode (if applicable) |
| Job Title Commissioner | |
| Address 200 9. (10/100 St. | Phone |
| City State 32399 | Email |
| Speaking: For Against Information Wa | aive Speaking: In Support Against |
| Representing Office of Insurance Reg | The Chair will read this information into the record.) |
| Appearing at request of Chair: Yes No | registered with Legislature: |
| While it is a Senate tradition to encourage public testimony, time may not per meeting. Those who do speak may be asked to limit their remarks so that as | mit all persons wishing to speak to be heard at this |
| This form is part of the public record for this meeting. | many persons as possible can be heard. |



While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

This form is part of the public record for this meeting.

S-001 (10/14/14)

CourtSmart Tag Report

Length: 01:28:10

Room: EL 110 Case No.: Caption: Senate Banking and Insurance Committee

Started: 10/15/2019 11:02:26 AM

10/15/2019 12:30:35 PM

Ends:

Type: Judge:

11:02:29 AM Roll call 11:02:33 AM Quorum present 11:03:04 AM Chair comments 11:03:47 AM **Commissioner Altmaier** Chair comments and intro of Tasha Carter 11:06:25 AM 11:06:43 AM Tasha Carter, new Insurance Consumer Advocate 11:09:19 AM Chair comments 11:11:19 AM Question Sen. Perry **Respond Commissioner Altmaier** 11:11:26 AM Sen. Perry further questions 11:12:10 AM 11:13:06 AM Sen. Taddeo comments/question/requests 11:13:47 AM Sen. Thurston comments to Com. Altmaier Com. Altmaier 11:14:40 AM 11:15:18 AM Sen. Rouson 11:16:10 AM Chair instructions to Commissioner 11:17:45 AM Chair opens panel 11:18:43 AM Sen. Locke Burt, speaker 11:25:51 AM Sen. Rouson question Response, Mr. Burt 11:26:15 AM Sen. Brandes questions 11:29:05 AM Response, Mr. Burt 11:29:18 AM Speaker, Mr. Jeff Merlin 11:30:53 AM Chair, question 11:32:29 AM 11:32:37 AM Further response of speaker Sen. Brandes question 11:35:28 AM 11:35:58 AM Response, Mr. Merlin Follow up Sen. Brandes 11:37:28 AM 11:37:49 AM Response 11:38:48 AM Sen. Thurston question to speaker Speaker response 11:39:26 AM 11:40:10 AM Chairman to Ms. Tasha Carter 11:40:31 AM Response Chair follow up questions 11:43:12 AM Ms. Carter 11:43:26 AM Sen. Thurston, question to Ms. Carter 11:44:31 AM 11:45:42 AM Ms. Carter response 11:46:30 AM Sen. Taddeo question to Ms. Carter Response 11:46:48 AM 11:47:15 AM 11:47:44 AM Further question to Mr. Altmaier of Sen. Taddeo 11:47:54 AM Response 11:49:53 AM Chair introduces Amy Boggs as next speaker 11:50:13 AM Ms. Amy Boggs, Policy holder attorney Chairman, question 11:56:57 AM 11:58:23 AM Ms. Boggs 12:02:56 PM Sen. Brandes, questions 12:04:07 PM Response from Commissioner Altmaier 12:04:33 PM Ms. Boggs explanation 12:04:49 PM Sen. Brandes comments 12:05:00 PM Ms. Boggs Sen. Brandes further 12:05:32 PM 12:05:39 PM Ms. Boggs

12:05:54 PM Sen. Lee questions Ms. Boggs response 12:07:28 PM Sen. Lee comments 12:09:32 PM 12:11:17 PM Chair ask question of Sen. Burt to help respond to Sen. Lee 12:11:41 PM Mr. Burt responds 12:13:56 PM Chair 12:14:03 PM Mr. Burt and Chair converse 12:14:37 PM Sen. Brandes 12:14:53 PM Mr. Burt Chair to Melissa Burt to respond 12:15:15 PM Chair comment and gives Mr. Merlin final comments 12:16:50 PM 12:17:20 PM Mr. Merlin 12:19:09 PM Final words, Ms. Carter 12:21:06 PM Final words, Ms. Boggs 12:23:35 PM Final words, Mr. Burt 12:25:09 PM Final words, Commissioner Altmaier 12:26:29 PM Sen. Brandes Sen. Lee 12:27:57 PM 12:29:32 PM Sen. Rouson 12:29:57 PM Meeting adjourned