

MONEY

Farmers Insurance is the 4th major insurer to leave Florida, underlining insurance crisis



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Now that Farmers Insurance has decided to join more than a dozen other Florida insurance companies that have stopped writing home insurance policies in the state, over 100,000 homeowners are scrambling to find new coverage in a dwindling yet critical industry.

The move will only impact Farmers-branded insurance policies, not its other insurance companies such as Bristol West, Foremost Signature, Farmers GroupSelect, Foremost Choice and Foremost-branded policies.

Farmers notified the Florida Office of Insurance Regulation of its intention to pull out of the state on Monday, apparently blindsiding state lawmakers, including Florida Chief Financial Officer Jimmy Patronis, who tweeted that the Department of Financial Services "is going to explore every avenue possible for holding them accountable."

How to save money on home insurance: Florida homeowners insurance rates are rising. How can you protect your home and save?

"Don't get to leave after taking policyholder money. Can't write auto if you're not doing homeowners either. Zero communication!" Patronis wrote.

Those words, however, do little to help the roughly 100,000 homeowners who now have 120 days to find new policies in a market that is growing increasingly unfriendly to customers.

Floridians on average are paying over \$4,200 for their yearly home insurance premium, an increase of 42% compared with last year, Mark Friedlander, spokesperson for the Insurance Information Institute, told USA Today. By comparison, the average annual premium in the U.S. costs \$1,700.

Here's a look at which Florida insurance companies have left the state, why home insurance prices are skyrocketing and more.

Why is Florida homeowners insurance going up in 2023?

In October 2022, the Insurance Information Institute (Triple-I) published data showing that Florida leads the nation in homeowners' insurance-related litigation, making up 79% of the lawsuits across the U.S. while accounting for just 9% of the total claims.

In the brief, Triple-I states that fraudulent roof-replacement schemes and too much litigation, coupled with generous attorney-fee mechanisms, resulted in huge net underwriting losses for Florida's homeowners' insurers.

Triple-I and other insurance companies have pointed to a 2017 state Supreme Court decision as the driving force behind an increase in attorneys' fees. They say the decision now allows courts to award attorneys with much higher hourly billing rates. Previously, attorneys' fees were limited to no more than 25% of any judgment against a sovereign.

My Safe Florida Home hardening grant: DeSantis extends My Safe Florida Home hardening grant. How it can slash insurance premiums

Between 2017 and 2021, data from the Florida Office of Insurance Regulation showed that \$51 billion was paid out by Florida insurers over 10 years. About 71% of that total went to attorney's fees and public adjusters while only 8% went to claimants.

An increase in storm hazards played another important role. United Property and Casualty, a Florida insurance company that is in liquidation, wrote that between 1851 and 2018, 41% of the 292 hurricanes that hit the U.S. in that time frame also hit Florida — 37 of those 120 hurricanes were rated a Category 3 or higher.

A recently published study led by researchers from the Pacific Northwest National Laboratory and published in the peer-reviewed journal *Science Advances* looked at how climate change was strengthening hurricanes along the East and Gulf Coast.

Their takeaway? Hurricanes impacting the U.S. could rise by one-third compared to what we're seeing now if things don't change.

What insurance companies are pulling out of Florida?

Farmers Insurance is now among Bankers Insurance, Centauri Insurance and Lexington Insurance, a subsidiary of AIG, in withdrawing from the Florida market since last year.

The Florida Department of Financial Services website lists 14 companies that are currently in liquidation in the receivership process. This means that the Office of Insurance Regulation determined that there are grounds for the Department of Financial Services and the Division of Rehabilitation and Liquidation department to initiate delinquency proceedings against the companies listed below.

- American Capital Assurance Corporation
- Avatar Property and Casualty Insurance Company
- FedNat Insurance Company
- Florida Specialty Insurance Company
- Guarantee Insurance Company
- Gulfstream Property and Casualty Insurance Company
- Physicians United Plan, Inc.
- Southern Fidelity Insurance Company
- St. Johns Insurance Company, Inc.
- United Property and Casualty Insurance Company
- Universal Health Care Insurance Company, Inc.
- Universal Health Care, Inc.
- Weston Property & Casualty Insurance Company
- Windhaven Insurance Company

Florida auto insurance: Florida car insurance in 2023 out-paced the national average by almost double

Why are insurers leaving Florida?

“Follow the money” is tried-and-true advice that applies to many situations — including as the answer to this frequently asked question. Melanie Gall, co-director of the Center for

Emergency Management and Homeland Security at Arizona State University, wrote in *The Conversation* in June that insurers have fled high-risk, high-loss markets for years.

She reiterates just how expensive and risky the insurance market has become for companies in Florida and California following an increase in multibillion-dollar disasters, which lead to many insurers going insolvent or leaving the state.

For insurers, it's not simply the cost of paying out claims to policyholders after these disasters. Insurance companies rely on reinsurance, which is basically insurance for insurers, to offset their own monetary risks involved in providing coverage to policyholders.

Gall says that reinsurance costs have been rising in response to these disasters. She says that reinsurer's risk-adjusted property-catastrophe prices rose 33% on average as of June 1, on top of a 25% rise in 2022, citing an analysis conducted by reinsurance broker Howden Tiger.

What is the average home insurance cost in Florida?

Florida residents pay some of the highest home insurance premiums in the country, clocking in at \$4,231 per year on average, which is three times the national average, according to Friedlander.

Year-over-year, the average cost of home insurance increased 33% in Florida versus 9% nationally in 2022, said Friedlander. Widespread fraud and insurance litigation, along with rising reinsurance costs and hurricane losses are driving the trend.