

POLICY BACKGROUND:

PROPERTY INSURANCE

Brought to you by the policy experts at LobbyTools, Florida's most trusted legislative tracking service.

Topics covered in this backgrounder:

- Hurricanes
- Citizens Property Insurance Corp
- The Florida Hurricane Catastrophe Fund
- Floods and Storm Surge
- Sinkholes
- Homeowners Bill of Rights
- Recent Legislation
- Recent News
- The Law
- Additional Reading

Updated 1/5/2021

Hurricanes

Property insurance is one of the top issues in Florida policymaking because of hurricanes. The state has been among the hardest-hit in the country by tropical weather over the last couple of decades, and six of the 10 costliest hurricanes in U.S. history have caused damage in Florida, according to the [Insurance Institute](#). The costliest hurricane in terms of insured property losses in Florida was 1992's Hurricane Andrew, which caused about \$26 billion in damage in 2019 dollars when it devastated Miami-Dade County. Irma caused about \$25 billion in damage in 2017, though not all of that was in Florida. Two storms that hit Florida hard during the active 2004 and 2005 seasons are also on the Top 10 list: Hurricane Charley, which was particularly devastating in Southwest Florida and caused more than \$13 billion in damage, and 2005's Hurricane Wilma, which hit the Miami and Fort Lauderdale areas and the Keys, and caused \$10 billion in damage.

Citizens Property Insurance Corp

In 2002, lawmakers passed legislation combining two high-risk insurance pools, the Florida Windstorm Underwriting Association and the Florida Residential Property & Casualty Joint Underwriting Association, to create [Citizens Property Insurance Corp.](#), which remains the state's insurer of last resort. It was intended to provide wind insurance coverage to those Florida homeowners who can't buy insurance on the private market. After the devastation of the 2004 and 2005 hurricane seasons, Citizens grew to be the state's largest property insurer. At its peak in 2011, Citizens had 1.5 million policies, about a quarter of the state's insurance market. That put Florida residents on the hook for potentially more than \$11 billion in assessments had there been a particularly bad storm. Since then, Citizens has worked to reduce its policy count. In 2020 Citizens had about 475,000 policies and a total insured value of more than \$120 billion.

Citizens is generally funded by policyholder premiums. But if it has a deficit because of a particularly bad storm - or a large number of payouts in a short time - Florida law requires that Citizens make up the shortfall by levying assessments on most Florida homeowners policyholders. That potential has bolstered the effort through the years [to](#)

[keep Citizens from becoming too large.](#)

The Florida Hurricane Catastrophe Fund

The [Hurricane Catastrophe Fund](#), known as the CAT Fund, is a backup fund administered by the [State Board of Administration](#) that provides reinsurance to insurers writing property policies in Florida. All insurers that cover property in the state, including Citizens, are [required to have CAT Fund reinsurance](#). Private insurers pay premiums to provide the money for the fund, which was created in a 1993 special session in the wake of huge losses from Hurricane Andrew.

When insurers have to pay out large amounts in claims in a bad storm season, the CAT Fund is tapped to back them up. The reimbursement coverage is triggered when insurers meet a “retention amount,” which is similar to a deductible on a consumer insurance policy. The CAT fund can impose emergency assessments and can issue bonds if needed to cover its own claims.

[Going into the 2020 season](#), the CAT Fund had only ever paid out reimbursements to insurers for hurricane losses in five seasons: 1995, 2004, 2005, 2017 and 2018. The highest payout amount was in 2005, in which it had to reimburse insurers \$5.5 billion to cover damage from Hurricanes Dennis, Katrina and Wilma. That season came on the heels of 2004’s reimbursements of \$3.8 billion in aggregate to 136 insurers covering damage from Charley, Francis, Ivan and Jean. [At the end of 2019](#), the CAT Fund had an estimated balance of just over \$10 billion.

In the mid-2000s, after the particularly difficult 2004 and 2005 hurricane seasons, [Florida faced a crisis](#). In addition to some being uninsurable on the private market, many people said they simply could no longer afford to insure their homes against hurricane damage. The [response came in a special session](#) in early 2007 when lawmakers passed and new Gov. Charlie Crist signed [HB 1A](#). The effort expanded the use of the Hurricane Catastrophe Fund and lowered the rates of Citizens Property Insurance. The move essentially shifted some of the state’s hurricane risk away from private insurance

companies and homeowners and to the state's residents in general through the [state-backed organizations](#).

In subsequent years, Florida moved slowly back in the other direction, with a long-running effort to [reduce the number of Citizens Property policies](#) and get those policyholders back into the private market.

Floods and Storm Surge

Homeowners' insurance policies typically cover wind damage from hurricanes - but don't cover flood risk. Water damage from flooding during storms is covered instead by [the federal flood insurance program](#). Florida leads the nation in the number of flood policies, according to the [National Flood Insurance Program](#), with about 1.8 million policies in force.

Florida was estimated in 2020 to have more than 350,000 homes at risk of being damaged by storm surge even in a Category 1 Hurricane, while more than 1 million homes could be damaged by a surge in a Cat 3, and nearly 3 million homes could be damaged by a surge in a Category 5 hurricane.

Sinkholes

Hurricanes aren't the only insured hazard for homeowners, just the biggest. [Florida has more sinkholes](#) than any other state in the country. [Section 627.706, Florida Statutes](#), requires every property insurer authorized to write policies in the state to cover "[catastrophic ground cover collapse](#)," but some sinkhole damage might not be covered.

Homeowners Bill of Rights

In 2014, the Legislature created a "[Homeowners Bill of Rights](#)," spelling out certain

guarantees for homeowners in the property insurance claims process. The list of rights, spelled out in [Florida Statutes 627.7142](#), includes the right to have an acknowledgment of a claim within a certain time frame and full payment of undisputed parts of claims within 90 days, along with mediation of disputes in many cases.

Recent Legislation

2020: Sen. Anitere Flores filed a bill ([SB 1204](#)) that would have capped Citizens Property Insurance Corp. wind insurance rate increases to 10 percent on a single policy annually. Flores had filed the bill in several successive years. It again failed to pass in 2020, dying in the Senate Banking and Insurance Committee.

2019: Assignment of Benefits (AOB). Gov. Ron DeSantis signed into law [HB 7065](#) aimed at reducing “Assignment of Benefits” lawsuits in a bid to reduce property insurance rate hikes.

Recent News

[“Citizens Insurance urged to raise rates to discourage homeowners from switching,” Sun Sentinel](#), 12-15-2020

[“As property insurance costs skyrocket, lawmakers will consider these ideas to keep coverage affordable,” Sun Sentinel](#), 11-14-2020

The Law

[Citizens Property Insurance Corp. Statute](#), F.S. 627.351(6).

[Hurricane Catastrophe Fund Statute](#), F.S. 215.555

[Sinkhole Coverage Statute](#), F.S. 627.706

Additional Reading

[Insurance Information Institute Florida Fact File](#)

[CAT Fund 2020 Annual Report of Aggregate Net Probable Maximum Loss](#)

[FLOIR 2018 Annual Report](#)

Sign up for the LobbyTools Policy Briefing newsletter
for more policy news and original analysis.

[Sign Up Now](#)



930 Thomasville Rd Ste 200

Tallahassee, FL 32303

850-915-0100

sales@lobbytools.com