



Policy Backgrounder: Property Insurance

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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 five 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 is now [Hurricane Ian](#), which hit in 2022 in Southwest Florida and [caused \\$50 billion to \\$65 billion in damage](#), making it the second most expensive storm on record in the United States after 2005's Katrina. Hurricane Andrew caused about \$34 billion in damage in 2022 dollars when it devastated Miami-Dade County in 1992. Hurricane Irma caused about \$25 billion in damage in 2017, though not all of that was in Florida. Hurricane Wilma, which hit the Miami and Fort Lauderdale areas and the Keys, and caused \$10 billion in damage in 2005.

2023 Property Insurance Legislation

Lawmakers came into the spring session in 2023 mindful that Florida residents have complained for years about the cost of property insurance and worried that it had reached the point in the last couple of years that some people were saying it was simply becoming too expensive to own a home in the state because of the insurance cost. Politically, rising costs have been an issue - with Republicans solidly in control of the Legislature for years and wary of arguments that they've failed to solve this particular problem, even after passing bills in a special session aimed at lowering costs in late 2022. Some said those changes, which were aimed mostly at reducing insurers' legal liabilities, helped out the companies, but didn't result in big drops in premiums. Lawmakers tried to address some criticism in 2023 by passing legislation that could be seen as more consumer friendly. The Legislature passed a bill ([SB 7052](#)) that gave regulators more ability to investigate companies for mishandling claims and other consumer complaints. The Legislature also passed and Gov. Ron DeSantis signed legislation ([HB 881](#)) expanding a program encouraging home hardening, and a bill ([HB 799](#)) requiring companies to provide discounts for wind mitigation measures in rate filings.

2022 Property Insurance Measures, RAP Fund

Over the years, there have been numerous efforts to spread the cost of large storms, harden the state's housing stock, and most recently, tackle fraud and high litigation expenses, which the industry says have become among its biggest problems in controlling costs. In the spring of 2022, industry officials, regulators and homeowners were all telling lawmakers that premiums were again rising excessively and several insurers were pulling

out of the market or going out of business. While lawmakers were unable to reach an agreement on how to address the re-emerging problem during a contentious regular session, they returned in May for a special session aimed primarily at property insurance reform. While Republicans did focus extensively on trying to reign in litigation costs and fraud, the final legislation ([SB 2D](#)), which was later signed by Gov. Ron DeSantis, also sought to provide insurance companies with an additional layer of reinsurance to tap into before having to go to the backup Florida Hurricane Catastrophe Fund (see below). The new 'Reinsurance to Assist Policyholders Fund,' or 'RAP Fund,' provides access to a \$2 billion backing account, which should allow companies to reduce their private reinsurance and pass the savings on to policyholders. Even supporters of the legislation acknowledged, however, that it was likely to take some time before the changes would ease the big rate increases that have flummoxed home owners since 2020. The Insurance Information Institute said that even with the new legislation in place, premiums in the state were expected to increase to an average of \$4,231 in 2022, almost three times the national average rate.

The Legislature returned for a second special session in December of 2022 and [made more changes to the legal rules](#) faced by property insurers. Lawmakers passed [SB 2A](#), which did away with a requirement that insurers pay plaintiffs' legal fees if the carrier loses in court in a bid to lower litigation costs for companies, hoping to entice more private carriers into the market. The measure also did away with a system where contractors are assigned insurance benefits and work out claims with the carriers. Another change provided for a new Florida Optional Reinsurance Assistance Program, or FORA, an additional \$1 billion state-funded layer of reinsurance aimed at making the market more attractive to insurers. Opponents argued the new law wouldn't offer consumers enough protection, and [that it may not lower rates](#), at least not quickly enough. [DeSantis signed the bill](#) before the end of the year.

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. Citizens has since reduced its policy count, but in recent years its number of customers has begun going up again as private insurers have failed and canceled policies. In May of 2022 Citizens [had about 883,300 policies in force](#), nearly double the 475,000 policies it had in force as recently as 2020.

Citizens is generally funded by policyholder premiums. But if it has a deficit because of a bad storm - or a large number of payouts in a short time - Florida law requires Citizens to 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](#). State law caps how much Citizens can raise premiums in a given year. In 2021, lawmakers passed a broad property insurance bill ([SB 76](#)) that, among other things, [raised that cap from 10%](#) until it reaches 15% in 2026.

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. The new RAP Fund, created in 2022, would be tapped into first by participating insurers, and if needed, the CAT Fund would then provide additional reinsurance beyond that.

Through the 2021 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.

Earlier Reform Efforts

In the mid-2000s, after the particularly difficult 2004 and 2005 hurricane seasons, [Florida faced a crisis](#), with property insurance increasingly becoming unaffordable or unavailable. The response came in 2007 when lawmakers passed [HB 1A](#), expanding the use of the Hurricane Catastrophe Fund and lowering 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](#).

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.

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.

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 Resources

[Insurance Information Institute Insurance Facts](#)

