

## General Overview of Why the Rates are Increasing

### **Carriers Pulling Out of Florida or Becoming Insolvent**

It may seem like a policy holder pays more in premium costs than is repaid in claim reimbursement and that is true when looking at just one policy, but when looking at the market as a whole, that is not always the case. The past few years have of bad weather and increased claims have caused carriers to go insolvent or leave the state completely. Weston Insurance, for example, had lower rates than the average carrier, but they ended up going out of business because the claims were more than the premiums. Each year, property claims are in the billions.

### **Carriers Implement More Strict Guidelines**

Carriers that have stayed in Florida have drastically increased their workload, which has led to implementing more strict guidelines to handle the clientele- if an Association no longer fits into their carrier's guidelines, they have to find coverage elsewhere. Changing the criteria is not only due to workload, but from overall claim assessment. For example, as more property is damaged by hurricanes, then instead of having a 2%, 3%, 5% option for a hurricane deductible, an Insured may only have a 3% or 5% option. If data shows that claims increase due to the age of the building, then coverage for a building constructed in 1980 may now only allow building constructed in 1990 or later.

### **Unscrupulous 3<sup>rd</sup> Parties**

Third parties like contractors, litigators, etc. (not all, of course) push for unnecessary claims or lawsuits that are driving prices up. We always hope for the best with companies, but in recent years litigation is increasing and when sometimes it is necessary, in many cases payouts are drastically high or litigations are stretched out that end up costing more than it should. Always check multiple reviews and do research before using any contractors. In addition, consult an attorney if a claim is made against the Association for options and to review what is within the context of the Association's bylaws.

### **Named Storms**

The number of storms in southern states has increased steadily over the past few years and data which is reviewed by actuaries has determined future risk probabilities are high.



Hurricane Ian is estimated to have caused more than **\$60B in private insured losses** in Florida alone, making it **the second-largest disaster loss event on record.**

Hurricane Ian and Hurricane Nicole have only amplified the likelihood of increased pressure on rates, a greater focus on adequate property values, and limited carrier options for reinsurance capacity.

### **Reinsurance**

Reinsurance is a type of reimbursement system that protects insurers from very high claims. It usually involves a 3<sup>rd</sup> party paying part of an insurance company's claims once they pass a certain amount. Reinsurance is a way to stabilize an insurance market, but even before Hurricane Ian hit reinsurance pricing and availability were a key concern in the industry. The hurricane's impact has now served to amplify those concerns and solidified that the market is heading rapidly into a hard market. These concerns have started to impact insurer's capabilities and capacities available through 2023.

### **The Champlain Towers Collapse**

The collapse of Champlain Towers in Surfside was a horrible event that caused the death of 98 people. In 2021. The event placed a microscope on older buildings, construction types, and location (coastal counties). In addition, requirements for restoration, inspections, specific electric panels, and roof replacements are tightening with many carriers requiring updates before offering quotes for coverage.

### **Inflation**

Inflation is at a 40-year high, interest rates are nearing 7%, and construction and material costs remain expensive, which can impact future renewals.

For centuries there have been ups and downs with the economy and factors that go into the reasons why things increase and decrease. As quickly, as prices have increased, in a year or two we can see those same prices hold steady or even decrease. The important thing is to have open communication between all parties involved with Association coverages. This includes Board Members with unit owners, the Board and their Agent, Wren Insurance as your agents with brokers and brokers with carriers. There are many actions that can be considered when we negotiate on your behalf at renewal time. Taking these steps together may not always eliminate challenging situations, but our relationship with each other can make it easier to navigate.