

PROPERTY INSURANCE REPORT

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Washington Mulls Change To Transparency Rule

As he prepares to hand the reins to his successor, **Washington** Insurance Commissioner **Mike Kreidler** handed insurers a gift: He offered to consider a two-year delay in the second phase of premium transparency rules based on the results of a data call.

Implementation of the second phase will fall to **Patty Kuderer**, a Democratic state senator who won this month's election as insurance commissioner, defeating Republican state Sen. **Phil Fortunato**. Kuderer was one of five commissioners up for election on Nov. 5. Incumbents won in **Delaware**, **North Carolina** and **North Dakota**. **Montana** voters elected **Jim Brown**, president of the state **Public Service Commission**, which regulates utilities, to serve

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Inspection Deadline Worsens Florida Condo Insurance Market

The condo insurance crisis in **Florida** is easing for smaller buildings far from the ocean, but three years after the deadly Champlain Towers collapse, **few carriers are willing to underwrite the taller condos that dot the coasts, and a state lawmaker is pushing to expand the residual market to make coverage more available.**

Even as new carriers enter the market and rates plateau for some condos after several years of hikes, agents and owners are on edge waiting to see what insurance impacts will result from the state's Dec. 31 deadline requiring condos to have engineering inspections and adequate reserve funding schedules for repairs.

Condo associations have grappled with surging insurance prices and fewer willing carriers since the 2021 partial collapse of the 12-story Champlain Towers condo buildings

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Maryland Moves to Stop Bad Repair Contracts After Storms

A new law in **Maryland** will help residents avoid late-night or early-morning visits from public adjusters after disasters, while providing a longer window to escape their contracts.

House Bill 36 – introduced at the request of the **Maryland Insurance Administration (MIA)** – extended the time policyholders can cancel or rescind their contract with public adjusters from three days to 10 days. The new law also prohibits public adjusters from soliciting between the hours of 8 p.m. and 8 a.m.

Under the new law, public adjusters must notify MIA within one business day of any contract with a resident entered within 72 hours after a loss giving rise to an insurance claim. MIA released **Bulletin 24-18** to further explain the law.

Nancy Egan, vice president of state government rela-

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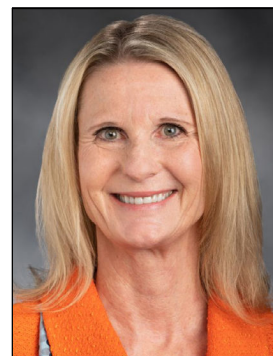
as state auditor and commissioner of insurance and securities. He will succeed **Troy Downing**, who won election to Congress.

Insurers had urged Kreidler to repeal the second phase of the rule or delay it until after evaluating the results of the first phase, which took effect in June. ([AIR 10/14/24](#))

The first phase requires insurers to notify auto and homeowners insurance policyholders that they have the right to request an explanation of why their premium increased and to respond to any such requests within 20 days. The second phase, originally slated to take effect in June 2027, is more onerous. Insurers must notify policyholders with increases greater than 10% within 20 days before renewal. The notice must include what insurers described as a more granular factor-by-factor premium breakdown, a requirement that could cost “tens of millions, or

even hundreds of millions of dollars” to implement, according to a joint statement from the **American Property Casualty Insurance Association**, the **National Association of Mutual Insurance Companies** and the **Northwest Insurance Council**.

“This transparency rule is important to consumers and insurers alike and is helping people get clear answers about why they are paying what they pay for insurance,” Kreidler said in a [news release](#). “Moving the Phase 2 timing allows us to collect more data on Phase 1 and work with industry to better understand the technical and administrative impacts of implementing Phase 2.” [PIR](#)



Patty Kuderer
Washington Insurance
Commissioner-Elect

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in Surfside, Florida. The tragedy exacerbated challenges in a property insurance market that was already hardening in 2021, laid bare the aging condo building stock in Florida and acted as a wake-up call about the deadly consequences that can result when association boards delay structural repairs to save money.

Following the collapse, the condo insurance market turned upside down, and the state created new laws requiring the inspections and reserve requirements to prevent another collapse.

The average annual premium per policy for condo association insurance more than doubled to \$145,940 in the second quarter of 2024 from \$71,963 in second-quarter 2022, according to **Florida Office of Insurance Regulation (FLOIR)** data.

Condo association insurance – which covers the structure of the building, the roof and any common areas – is paid for by the unit owners as a portion of their association fees. Separate HO-6 policies cover the inside of individual units and

contents.

As rates skyrocketed and insurers fled the condo market, condo policy counts swelled in the state’s residual market, **Citizens Property Insurance Corp.** Citizens wrote 37% of all Florida condo association policies in June 2024, up from 15% in June 2022, as the policy count increased to 5,054 from 1,096 over the two-year period, according to FLOIR data. The figures include both wind-only and dwelling fire policies.

“You can’t have the third-worst building collapse in the history of the United States without having some reaction from both the lending community and the insurance community,” said **Travis Moor**, a lobbyist who represents condo associations. “And I think it showed, unfortunately, the world what was going on as it relates to maintenance and reserves in these buildings.”

While the market is improving for shorter, lower-risk condos, the deadline for engineering reports and reserve studies presents a new challenge for owners and agents. In response to

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the Surfside disaster, the state enacted new laws requiring a structural engineering inspection by Dec. 31 for condos that are at least three stories tall and more than 30 years old. **All condos at least three stories tall also must have a reserve study that estimates the remaining useful life of each structural component, the estimated cost of repair or replacement, and the amount of funds that must be reserved to cover these costs. Boards will no longer be allowed to vote to delay repairs.**

For condos with inadequate reserves, the boards will have to take out loans or levy special assessments on owners that can reach into the hundreds of thousands of dollars in worst-case scenarios.



*Fred Karlinsky
Greenberg Traurig*

Condos that are under contract with engineering firms but have not completed the work by the end of the year satisfy the state's deadline. But condos that do not have engineers under contract or inspections completed by 2025 may become un-insurable as carriers will likely make the inspections an underwriting requirement, agents said.

Carriers already are asking condo boards for inspection documents and meeting minutes as a requirement for quotes. Owners are concerned that after three-plus years of increasingly stringent underwriting, any additional flaws revealed by the reports – regardless of how minor – will further limit carrier appetite and lead to more price increases. Condo associations that can't afford the repairs required by engineers may also find it impossible to find coverage.

"Buildings that have either dragged their feet or unintentionally been unable to find somebody to [inspect], or pushed it back, they're going to have a very hard time finding coverage," said

Brendan Lynch, president and owner of Plastridge Insurance Agency in South Florida.

Some condo boards have waited in hope that lawmakers would grant a deadline extension, but even many boards that intend to follow the law have struggled to find an engineering firm to do the inspection because of the high demand.

If lawmakers wanted to extend the deadline, they could call a special session or take action retroactively when the regular session convenes in March, said **Fred Karlinsky**, chair of the law firm **Greenberg Traurig's** insurance regulatory and transactions practice.

"Everybody knows that while it was necessary to impose a deadline, the reality of being able to meet it is much easier said than done," said state Rep. **Hillary Cassel**. **"We don't have the resources and the engineers available to meet that."**

While condo boards struggle to meet the new state law, the property insurance market in the state is improving for some segments including smaller, garden-style condos.

Last month, Florida regulators reported that the appetite for condominium association policies has improved as admitted carriers depopulate Citizens, "resulting in a \$15 billion reduction of exposure" in the first eight months of the year. FLOIR also reported that the cost of reinsurance has recently decreased for Florida carriers.

Hurricanes Milton and Helene are unlikely to reverse this improvement and will "probably just mean more of a slowing of the softening than it is going to be mass firming" for reinsurance prices, according to Randy Fuller, Florida segment leader for reinsurance broker Guy Carpenter.



*Brendan Lynch
Plastridge
Insurance Agency*

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Market improvements in Florida have been stronger for homeowners lines than for commercial residential, which requires more capital to underwrite and is therefore typically provided by larger, more conservative companies, he said.

Cassel described the current cycle of attracting undercapitalized insurance companies that rely heavily on reinsurance to depopulate Citizens as unsustainable. And the fact that few have been willing to assume the risk of condos shows the limits of recent reforms.

“While we are sort of patting ourselves on the back for this depopulation program ... the condo market is something we haven’t even begun to really tackle in Tallahassee,” she said. “And none of the reforms that have passed have really helped that market grow. The insurance companies that you need to write those large-

A Florida lawmaker fights an uphill battle to make it easier for condo associations to obtain coverage from Citizens.

loss policies aren’t interested in writing in a state that’s as high-risk as we are.”

Cassel plans to reintroduce legislation next year that would expand Citizens’ eligibility to more locations to help more condos find coverage. She has submitted a request to Citizens for premium data for current wind policies intending to show that the existing pool has collected more premium than it has paid in claims and that expanding it would not create a drag on taxpayers.

“We know the model is profitable, and we know that the private marketplace will still come in and write the other lines that are necessary,” she said.

A similar bill introduced by Cassel this year died in committee

“I foresee filing that bill year after year, because I think at a certain point it’s not a matter of if, it’s a matter of when,” she said.

Karlinsky said there is little legislative appetite to increase Citizens’ exposure, especially following recent litigation reform laws that have led to a reduction in the number of Citizens policies, primarily among homeowners.

“I don’t think anyone’s going to say, ‘crisis averted’ or ‘crisis stopped,’” he said. “But people are definitely going to say, ‘what we’ve done worked, and we’re moving in the right direction.’”

While the two deadly hurricanes this fall didn’t land the direct hit on Tampa that many feared would lead to a humanitarian and insurance crisis, the storms present a worryingly frequent reminder that the Sunshine State’s slowly stabilizing market remains one devastating storm from turmoil and dysfunction.

For now, some condo associations are seeing a respite from the last several years of rate increases. “A few associations that we just renewed insurance for have come in like 2% or 3% higher than last year, so that’s been one less thing we had to worry about,” said John Cadden, managing principal at the Condominium Advisory Group. “But we don’t know what next year is going to bring.”

The market has not improved equally across the state, said Lynch with Plastridge Insurance Agency. “The capacity right now is for non-coastal garden-style, low-rise buildings,” he said. “There are companies that want to write that business.”

By contrast, Citizens is likely the only market for condos on the waterfront or a barrier island built in the 1990s or earlier that have not completed the engineering and reserve studies and do not have a new roof, hurricane shutters and impact-resistant windows, he said. “They



Randy Fuller
Guy Carpenter

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may remain with Citizens in the near term until they finish all those projects and get everything done.”

Last week, the **Florida Department of Financial Services** launched a pilot program to provide eligible condo associations free inspections and up to \$175,000 in matching grants for wind mitigation improvements. The “My Safe Florida Condo” program is similar to “My Safe Florida Home” program for homeowners, but it is limited in scope during the pilot phase, state CFO **Jimmy Patronis** said in a [news release](#).

Created by the Legislature this year with \$30 million in funding, the pilot is limited to properties within 15 miles of the coast. The condo association must contribute \$1 for every \$2 in grant funding. Patronis said eligible condo associations could benefit from lower wind insurance premiums in addition to reducing their risk of storm damage.



Dan Alexander
Thompson Baker

Many of the associations that have been able to obtain private coverage turned to surplus lines carriers, agents say. But

even that market has narrowed, and many buildings are now insured for far less than their replacement cost value.

Dan Alexander, vice president of the **Thompson Baker** agency in northeastern Florida, said while property premiums in his part of the state are stabilizing, challenges remain. One new condo client came to his office seeking additional cover because the current policy provided only \$5 million in limits for a building with an estimated \$31 million in total insured value.

Another oceanfront client saw premiums increase from \$100,000 to \$682,000 in just a few years, he said.

After a hurricane, “typically admitted mar-

kets kind of drop out,” he said, “But in the past, the excess and surplus lines markets have been there to fulfill the need. These past three or four years, the excess and surplus lines market is not there.”

Both liability insurance rates and prices for directors and officers (D&O) coverage that insure board members from lawsuits, have also risen substantially following the Champlain Towers collapse, Alexander said.

Condo associations also face significantly higher deductibles. Before the market turned, deductibles were often \$2,500 to \$5,000 for all perils, Lynch said. “Now that same policy [deductible] is \$25,000 or \$50,000,” he said.

Lynch placed coverage for one \$68 million building and had to accept a \$500,000 deductible for water damage.

Cadden, with the Condominium Advisory Group, said some condo owners have explored forming captives to self-insure in response to affordability and availability challenges, but so far, he is unaware of any boards that have succeeded.

“The challenges of trying to self-insure is not something that one association has the bandwidth to achieve,” he said.

The sudden jump in insurance costs, combined with the specter of mammoth special assessments, are more than many condo owners can afford.

“Investor owners can absorb it,” Cadden said. “But for people who live in their unit, or especially on their fixed income, any increase is a killer. And when you go to sell now, the market is just bad.”

Lynch said that of the completed engineering inspections reports that he has seen, the vast majority have not turned up urgent structural issues.



Hillary Cassel
Florida State Rep.

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“They’ll identify areas that need to be addressed to avoid having issues down the road,” he said. “But 99% that come across my desk are not in any way a structural integrity problem where the building is in an unsafe state for occupancy.”

The bigger worry is that older owners of condos cannot afford the cost of delayed repairs for new roofs and other issues.

Older coastal buildings in rough shape with unaffordable special assessments will likely

be sold to developers and torn down for new luxury high-rises. Condo units worth hundreds of thousands of dollars on valuable land will be foreclosed upon and replaced with condos worth millions of dollars, said Erum Kistemaker, an attorney in the Daytona Beach area who represents condominium associations.

“These condos became almost like retirement living facilities – people with fixed incomes – that is what is going to change,” she said. “You’re going to see a different [type of owner] in condos.” [PIR](#)

State Market Focus: MARYLAND

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tions with the **American Property Casualty Insurance Association** (APCIA), said that homeowners devastated after a disaster may be quick to sign on with a public adjuster who comes to their door. Often, they realize too late that they could have filed their own claim, without sharing the proceeds with a third party. This new law, which took effect Oct. 1, gives consumers more time to rescind a contract they may have signed in a vulnerable moment.

“Maryland is trying to prevent people being taken advantage of by not understanding what the public adjuster does,” Egan said.

Policyholders typically must [pay public adjusters 15%](#) of their total claim settlement, according to the **Insurance Information Institute** (III). In the past, MIA has [warned consumers](#) that a public adjuster and insurance company may disagree on the estimate of damage, and insurance companies are not obligated to accept damages claimed by a public adjuster. ([PIR 3/25/13](#))

The Maryland Legislature may also tackle the issue of “storm chasers” in 2025, according to **Matt Overturf**, regional vice president of state affairs with the **National Association of Mutual Insurance Companies** (NAMIC).

“Roofing companies are taking advantage of consumers and upcharging,” Overturf said. “Then, the insurance companies are caught in the middle

of whether [they’re] paying for it. I think [legislators] potentially have a bill drafted for Maryland in 2025 dealing with storm scammers.”

Storm chasers are a [big issue nationally](#), Overturf said, as there’s often fraud involved. In some cases, unscrupulous roofing contractors knock on people’s doors asking to inspect for damage, and then they worsen the damage to get a bigger claim, he said. Roofers often have homeowners sign an assignment of benefits, cutting the homeowner out of the process entirely.

“It’s a sophisticated scheme,” Overturf said. “Some states, like **Florida, Louisiana and Kentucky**, have taken steps to crack down on it. ... We’re trying to protect the consumer and get their home repaired and back to what it was before the storm. When [scammers] get involved, it prolongs that and creates all kinds of issues.”

Compared to other coastal states, Maryland has avoided major storm damage. Since 2023, Maryland has [experienced nine severe storm events](#), one flood event, and one winter storm event, totaling between \$500 million and \$1 bil-



Matt Overturf
NAMIC

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