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2026 FLORIDA SPECIAL REPORT





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PACKAGING PROPERTY AND LIABILITY IN A HARD MARKET

Why structure matters more now than ever

By Lynnae Martinez

Florida agents have been dealing with a tough property market for a long time, so placing different pieces of an account with different carriers is nothing new. For many agents, that is just part of the job now. It is not unusual to use one market for property, another for liability, and others for crime, inland marine,

or excess just to build the coverage a client needs.

This has always been more common on larger or more complicated accounts, where coverage has to be put together piece by piece. In small commercial, though, it can feel different. Time matters, and every agent knows that spending hours trying to place a very small account can quickly turn into a losing proposition. The premium may be small,

but the work can be anything but.

What makes small commercial challenging today is that smaller accounts are not always simpler accounts. A single-location retail shop or a small artisan contractor can still involve older buildings, coastal exposure, tenant improvements, subcontractor concerns, or prior losses that make placement more complicated than the premium would suggest. On paper, it may look like a straightforward account, but in



When the property becomes the obstacle, a commercial package policy can offer another way to keep the account together.

years, the BOP has been the familiar way to handle smaller accounts by combining property and liability into a single policy.

The challenge is that not every small account fits neatly into that structure anymore.

A risk might have a solid liability profile but fall outside a carrier's property appetite because of the location, the age of the building, the construction type, or simply because it is in Florida. Agents see this every day. A carrier may still want the liability but have no interest in the property. When both coverages have to stay together, that can close off options that otherwise could have worked.

That is where the commercial package policy (CPP) deserves a closer look.

Many agents still think of a CPP as something built for larger or more complicated business, when in reality it can often provide many of the same core coverages available in a BOP, while offering more flexibility in how those coverages are written.

Don't let the name fool you

The name itself can be misleading, because commercial package policy sounds like everything has to stay packaged together with one carrier. In reality, this is not always the case. A CPP can include property, general liability, business income, inland marine, crime, and other common coverage parts, but it can also allow those pieces to be handled separately when the account calls for it.

For agents who already build larger accounts across multiple markets, that concept is familiar. Liability can stay with one carrier while property goes somewhere else. Other coverages can be placed where each one fits best. In some cases, this can even be done within the admitted market, allowing an agent to preserve admitted coverage where it still fits instead of moving an entire account into the excess and surplus market simply because one piece became difficult.

For many Florida agents, that idea is not new. Most have been doing some version of it for years. The difference is that many agents still think of that strategy as something reserved for larger middle-market business, not for smaller Main Street accounts. But sometimes that small contractor, retail shop, or office risk still has a place, just not always inside a BOP.

When the property becomes the obstacle, a commercial package policy can offer another way to keep the account together. This can be especially valuable when the client is still a good liability account, but the property has become harder to place. Instead of losing the account altogether, the same placement strategy agents have used on larger business can sometimes work just as well on smaller accounts.

This is not about choosing one policy form over another. It is simply a reminder that small commercial accounts may have more placement options than they appear to at first glance.

Florida agents already understand that small commercial business can require the same level of thought as larger accounts. In today's market, the challenge is often not just finding coverage but deciding how that coverage should be structured in the first place. In a hard market, coverage still matters, but the way an account is structured can make all the difference in how successfully it comes together. ■

The author

Lynnae Martinez is CPP product manager for Frank Winston Crum Insurance (FWC). She has more than 15 years of P&C underwriting experience in commercial, personal, and excess and surplus lines. After working at Chubb, she came to FWC to lead the end-to-end development and launch of CPP products, including comprehensive market research, managing regulatory filings, and overseeing systems implementation.

reality, it can require the same level of attention as a much larger risk.

That is why having more than one way to structure coverage can matter, even when the account itself looks small.

Not everything is made for a BOP

Many small business accounts still get placed in a businessowners policy (BOP), simply because that has long been the standard approach. For

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STABILIZATION, STRATEGY AND CAUTION

A look inside Florida's rapidly evolving insurance market



By Chris Siegel and John Heaner

The Florida insurance market continues to shift, driven by legal reforms aimed at reducing litigation, evolving carrier behavior, and broader changes in how risk is evaluated. The recent absence of catastrophic hurricanes has also played a role in stabilizing conditions. For agents in the state, the challenge is no longer just navigating a hard market. It is understanding how quickly conditions are changing and what that means going forward, as several key shifts continue to reshape how business is being written across the state.

Legal developments and market impact

One of the more notable developments over the past year has been the increase in construction defect claims. Roughly a year after legislation aimed at reducing bad faith litigation and one-way attorney fees was passed, claim activity has picked up significantly.

At the same time, certain classes have not seen the same level of relief. Daycares continue to be priced accordingly, and hotel and motel risks remain a difficult segment of the market.

Carriers returning to the space are doing so cautiously. While some are lowering rates, they are also tightening

terms, introducing exclusions such as firearms limitations and maintaining stricter underwriting guidelines. This is not a full return to prior market conditions, but a more measured re-entry.

Property market correction

The most significant shift is taking place on the property side. Pricing is dropping quickly, with the market effectively regressing three to four years. In many cases, rates are approaching levels that were being actively shopped in 2022.

The real question now is how long that trend can continue. Carriers understand where their profitability thresholds are, and while competition is driving rates down, there is a clear point where underwriting discipline takes over. What remains to be seen is which carriers step back if margins tighten and whether that shift materially impacts the broader market.

Technology and underwriting discipline

The adoption of artificial intelligence and advanced modeling are playing a larger role in how carriers approach risk. Entire books of business can now be modeled against potential storm scenarios, allowing for more precise forecasting through data acquired over the years. With



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that level of data, carriers are not operating blindly. They know their walk-away points. They are making decisions based on years of accumulated data and are prepared to say no when a risk no longer fits their model.

State of the E&S market

Within the Florida excess and surplus market, the dominant trend is correction. The market is softening, particularly on the property side, where increased capacity is driving pricing down.

Florida is still viewed as a strong investment opportunity. Even with declining rates, carriers can achieve returns that remain attractive relative to other states, which continues to bring capital into the market.

The hard market is no longer the defining condition. Renewal strategies have shifted and, in many cases, business is coming in with meaningful rate reductions rather than flat or increased pricing.

From the consumer's perspective, both cost and coverage availability are improving. While legal reforms may have contributed to some of this shift, the lack of major catastrophic storms in recent years has also played a significant role.

Casualty and other lines

The casualty market presents a more stable picture, though it varies by risk. Excess casualty remains expensive, largely driven by reinsurance costs. Commercial auto has not experienced the same level of softening seen in property, though increases have moderated compared to prior years.

These differences reinforce that the market is not moving uniformly. Property may be softening quickly, but other lines are adjusting at a much slower pace.

Market dynamics and carrier relationships

As conditions shift, so do the dynamics between carriers and distribution partners. There has been a noticeable increase in carriers looking to expand their presence in Florida and actively seeking out partners to help do so.

In many cases, the dynamic has reversed. Capacity is becoming more accessible, allowing for greater flexibility and a more strategic approach to placement.

Experience has become a key factor. Carriers are drawn to partners who understand the Florida market and can manage business in a way that aligns with long-term profitability.

A differentiator in the marketplace

Our company has been approached by a number of new markets looking to expand their footprint in Florida, and our role is to help place that business where it makes sense. We have the tools in place to do that, but we are selective; every opportunity has to be beneficial for the carrier, the agent, and the insured.

The firm brings the level of experience that many carriers are looking for, along with the ability to be strategic and find the right solution for each situation. Maintaining a balanced portfolio remains a priority, both internally and in how we support our carrier partners.

We are also able to leverage the range of products that we offer and the number of states in which we operate. Our size and scale allow us to attract new products and create more opportunities for our producers.

Our presence in the London market continues to be a strength, leading to new contracts and additional opportunities, with access to further capacity when needed. There is also an

increased focus on cross-selling, identifying ways to offer additional products that better protect insureds.

Looking ahead

For the remainder of 2026, the Florida market is expected to remain competitive, particularly in property. Pricing has moved quickly, and while current conditions are favorable, they are not guaranteed to hold.

Carriers remain disciplined, even as rates decline. The sustainability of the current environment will depend on profitability and storm activity, two factors that can shift just as quickly as the market itself.

For agents, the opportunity is clear. The challenge is recognizing that this window may not last indefinitely and making decisions accordingly. ■

The authors

Chris Siegel is currently Burns & Wilcox Vice President, Florida, based in Orlando. With 27 years of industry experience and specific training in Professional Liability, Chris leads his team of roughly 50 individuals overseeing day-to-day operations of two offices, ensuring that producers have the resources they need to meet their goals, and building successful teams contributing to the continued growth within Florida. He is best known for his natural knack for insurance, exposure analysis, and strategic planning methods. His constant efforts to expand his industry knowledge have earned him RPLU, CIC, CRIS, ARM and AAI designations.

John Heaner is an AVP Commercial Regional Director for Burns & Wilcox, Tampa, helping drive a total Florida commercial team of over 50 individuals to increase their writings as well as producing his own book of Commercial insurance with a forte in construction. Before joining Burns & Wilcox, John spent four years as a Marketing Underwriter with Amerisure Insurance, having two years of experience as a Production Underwriter prior to that. With 17 years of industry experience and a bachelor's degree in Communications from the University of North Carolina at Chapel Hill, John has also earned himself CPCU, CIC, and ARM designations. John has been with Burns & Wilcox for 11 years and is known for his ability to rapidly identify and solve problems as well as providing excellent customer service to his clients, taking every opportunity to build and grow relationships. He is also a member of the Kaufman Presidents Circle based on his production book size.

[T]he challenge is no longer just navigating a hard market. It is understanding how quickly conditions are changing and what that means going forward

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FLORIDA'S PROPERTY INSURANCE MARKET IN 2026

*Stabilization, shifting capacity, and what
agents need to know now*



By Christopher Reid

Florida's property insurance market enters 2026 with something it has not experienced in nearly a decade: credible signs of stabilization. After years defined by sharp premium increases, carrier insolvencies, and rampant litigation, data from the Florida Office of Insurance Regulation's (OIR) January 1, 2026 *Property Insurance Stability Report* indicates that legislative reform and renewed capital investment are beginning to produce measurable results.

For agents, this moment represents both a turning point and a new set of responsibilities—educating clients, navigating shifting capacity, and managing expectations in a market that is improving but not yet normalized.

Litigation reform is reshaping the market

Few forces have distorted Florida's insurance market more than litigation. For years, the state generated a disproportionate share of U.S. homeowners insurance lawsuits, driving loss adjustment expenses and destabilizing underwriting results.

That trend has now reversed.

According to the OIR's 2026 report, Legal Service of Process (LSOP) filings—a leading indicator of lawsuits against insurers—declined 23% from 2023 to 2024, followed by an additional 26% decline during the first eleven months of 2025. Compared to the 2021 litigation peak, the reduction is dramatic.

Assignment of Benefits (AOB) litigation, once a primary cost driver, has been largely neutralized. AOB-related LSOP filings now average 137 to 220 per month statewide, a fraction of historical norms. These improvements reflect the cumulative impact of reforms including SB 2-D, SB 2-A, SB 76, and HB 837, which eliminated one-way attorney fees, restricted AOB abuse, and strengthened pre-suit requirements.

Why does this matter for agents? Lower litigation frequency reduces loss adjustment expenses and improves carrier profitability—both essential foundations for long-term rate stability.

Claims handling is improving—and the data supports it

The OIR's 2024 *Property Claims Lifecycle Report* (PCLR) provides a clearer picture of operational

improvement across the market.

- Total claims closed in 2024: 698,742
- Litigated claims closed: 60,261
- Average claim closure time: 57 days
- Median closure time: 27 days

These metrics point to faster resolution and fewer systemic bottlenecks.

The cost differential between litigated and non-litigated claims remains significant:

- Average Loss Adjustment Expense (LAE), litigated claims: \$12,701
- Average LAE, non-litigated claims: \$1,778

This nearly seven-fold difference reinforces why litigation suppression is central to any sustainable pricing recovery. Agents can leverage this data to help policyholders understand why reform was necessary—and why its benefits will emerge over multiple renewal cycles rather than immediately.

Premiums are up, but Citizens is shrinking

While premiums remain historically high, momentum has shifted away from unchecked escalation. Rate increases have slowed materially, and select segments are beginning to experience moderation—particularly where risk characteristics and loss history warrant.

This stabilization is uneven, but real.

One of the most meaningful indicators of improving market health is the changing role of Citizens Property Insurance Corporation.

As of Q3 2025:

- 91.19% of homeowners policies are now in the voluntary market
- 8.81% remain in Citizens

For wind-only coverage, Citizens still carries a 75.36% market share, but the broader trend favors private-market participation. Depopulation accelerated in 2024 and 2025, with over one million policies assumed across multiple take-out programs.

Agent takeaway: Clients should expect continued take-out offers. While private-market premiums may exceed Citizens' capped rates, the transition reflects a deliberate strategy to restore market vitality and reduce systemic exposure.

HO-3 market update: Availability expands

The HO-3 segment continues to show meaningful expansion in both policy count and premium volume.

- Quarterly policy count increased 123%
- Policy growth significantly

outpaced premium growth. This divergence reinforces expanding availability, particularly within the surplus lines market. Average cost per policy held just above \$3,800, representing a 38% year-over-year decrease, signaling continued movement toward more attainable pricing for qualifying risks.

Excess and surplus trends

Increased capacity and improving outlooks among standard (admitted) carriers over the past two quarters have marked a meaningful turning point in the market. These positive developments are now carrying over into the excess and surplus (E&S) space—particularly within the high-value homeowners segment—in a significant way.

New entrants are bringing fresh capacity to the market, while established E&S carriers are increasingly willing and able to deploy higher limits on quality high-valued single-family homes. As a result, placing larger limits has become noticeably easier than at any point in the past decade.

Heightened competition has especially benefited Florida insureds, where rates continue to trend downward for well-selected utility risks. While it remains uncertain where pricing will ultimately stabilize, current market conditions suggest an

aggressive competitive environment that increasingly resembles a race to the bottom.

Reinsurance relief signals a turning point and property market turns profitable

Reinsurance—long a primary driver of Florida’s pricing pressure—is finally easing. According to the Office of Insurance Regulation:

- Risk-adjusted reinsurance costs decreased 0.46% in 2025, following a 1.70% decline in 2024
- Florida Hurricane Catastrophe Fund (FHCF) rates declined 9.51%

This stands in stark contrast to the 27% increase from 2022 to 2023. For agents, reinsurance relief may

For agents, success in 2026 will depend on education, proactive communication, and strategic risk placement.

be the strongest indicator that rate stabilization—and eventual moderation—is achievable.

Perhaps the most encouraging data point in the 2026 report is profitability. Florida domestic property insurers collectively reported positive underwriting results and net income in 2024, ending nine consecutive years of losses.

Adding to confidence, 17 new residential property insurers have been approved since reform measures were enacted—clear evidence that capital providers are once again willing to engage in the Florida market.

What agents should expect in 2026

Florida’s property insurance market is not “fixed,” but it is decisively improving. Here’s what we expect to see for the balance of the year:

- Premiums remain elevated but should continue to stabilize
- E&S markets will maintain a significant role, particularly for coastal and older homes
- Citizens depopulation will persist
- Declining litigation will further improve loss ratios
- Reinsurance relief may begin influencing primary rates in late 2026 or 2027

For agents, success in 2026 will depend on education, proactive communication, and strategic risk placement. After years of volatility, the long-awaited path toward stabilization is no longer theoretical—it is finally taking shape. ■

The author

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OUT OF THE FRYING PAN, INTO THE WILDFIRE

As Florida's homeowners insurance market seems to be settling, wildfires create a new crisis



By Heather Mawn

For the better part of a decade, Florida's insurance market has been defined by two things: hurricanes and a litigation economy. As hurricanes kept battering the coast, predatory Assignment of Benefits schemes and uncapped attorney fees made the aftermath worse. Eventually, Florida accounted for nearly three-quarters of all homeowners insurance lawsuits in the nation, driving carriers out and leaving agents and homeowners with soaring premiums and shrinking options.

Tort reforms passed in 2022 and 2023 brought some welcome relief, bringing litigation filings down, making space for new carriers, and pushing Citizens back toward its intended role as insurer of last resort.

The market appears to be finding its footing. However, while the industry's attention has been fixed on the coast, a different threat has been building inland. Wildfire has become a real and present danger for Florida residents, and most standard policies aren't equipped to handle it.

The current state of Florida's wildfires

As of April 2026, nearly 80% of Florida was in extreme drought conditions. More than 1,797 wildfires had already burned over 103,000 acres and the National Interagency Fire Center projects above normal wildfire potential through peak season, which runs through June.

Florida ranks third in the nation for total homes on the edge of wildlands, also known as Wildland-Urban Interface (WUI) zones, behind only Texas and California.

Hurricane debris from Ian, Helene, and Milton has made it worse, turning Central and Southwest Florida into a tinderbox.

The insurance blind spot

Fire damage is a named peril on standard HO-3 policies, so, technically, wildfire is covered. But the HO-3 form was designed for structure fires that are fought quickly by a well-equipped department drawing from pressurized municipal water. Suppression is assumed, response is fast, and total loss is the exception. Wildland fires rarely follow this model.

According to the Insurance Institute for Business & Home Safety (IBHS), wind-borne embers, not direct flame contact, account for up to 90% of home ignitions during wildfire events. What often happens in a wildfire scenario is that embers travel miles ahead of a fire front and ignite structures from the outside in, through roof materials, unscreened vents, and wood decks.

Because the main fire has not even arrived, there is no engine company responding; and by the time anyone does respond, there is nothing left to save. It is a loss profile the standard policy was never priced or structured for, and it applies to any home in the path of wildfire, regardless of location or protection class.

The problem compounds for properties with ISO Protection Class 10 (PC 10) ratings, those situated more than five road miles from a recognized fire station and without a creditable water source within 1,000 feet. Here the issue isn't just whether the policy will perform; it's whether a policy exists at all. With no suppression response to assume, most admitted carriers won't write these properties.



[W]ildfires are now part of the risk conversation in Florida. That means coaching clients on steps they can take to protect themselves ...

Watching an entire class of properties being cut out of the market is nothing new for Florida agents. The difference is that now they need to be focusing inland, as well as along the coast.

Learning from history

A Weiss Ratings study of NAIC data published in October 2025 found that Florida led all disaster-prone states in homeowners insurance non-renewal rates, with 3.35% of policies non-renewed in 2024, up from 1.98% in 2018. Those numbers were built from hurricane losses.

When carriers couldn't model the risk profitably, they stopped writing

it, and entire regions lost access to the standard market. California saw the same thing happen with wildfire. After the 2017 and 2018 fire seasons, catastrophic losses forced modeling updates, carriers repriced or exited entire regions, and more than 100,000 homeowners lost coverage over the following five years.

Given Florida's drought conditions, fuel loads, and WUI exposure, the conditions for this same pattern to repeat are already in place.

What agents can do

For agents, the first step is recognizing that wildfires are now part of the risk conversation in Florida. That

means coaching clients on steps they can take to protect themselves, such as creating defensible space and adding ember-resistant vents, Class A roofing, and noncombustible siding. These measures won't guarantee coverage, but they will give homeowners a fighting chance in the event of a wildfire and give underwriters something to work with when considering the risk.

On the placement side, many of the carriers that re-entered Florida's market on the strength of tort reform are still underwriting with a hurricane lens. Wildfire exposure in Florida's interior isn't in their modeling or their appetite statements.

The agents best positioned to help are the ones with access to E&S carriers that write what most of the admitted market won't: PC 10 zones, rural properties, brush-exposed locations, and high-risk coastal regions.

Addressing the hard-to-place

Our company began placing hard-to-insure, hurricane-exposed properties in Florida and up and down the Gulf and Atlantic Coasts more than a decade ago. We watched the coastal market harden and saw carriers exit. We were able to stay in the market because we had the backing of an E&S carrier with a long-standing A (Excellent) rating from A.M. Best and the appetite to write the nuanced risks that standard markets avoid.

In 2024, we started expanding inland in the Gulf and Atlantic states, and in 2025 opened access in California and Colorado, where carrier withdrawal and inadequate coverage had already played out due to wildfire exposure.

Today, we access coverage for site-built and manufactured homes in PC 10 zones, wildfire-exposed locations, and high-risk coastal regions in 12 states, with more to come.

We've seen firsthand the difference that experience makes when a coverage crisis hits. Although your clients may not know they have a wildfire problem, you do. Now's the time to find a broker with the experience and carrier access to handle what's coming. ■

The author

Heather Mawn is the Personal Lines Division Manager at Aspera Insurance Services, Inc., an underwriting manager for personal lines risks specializing in hard-to-place accounts. She has led the Personal Lines team at Aspera since 2018 and has 10 years of underwriting experience. For more information on working with Aspera, email marketing@asperains.com or visit asperains.com.

WHY ADEQUATE COVERAGE ISN'T ALWAYS ENOUGH

Why structure matters more now than ever



By Nick Calabro

A trade contractor in Florida secures insurance coverage, pays the premiums, and submits the certificate to the general contractor. Days later, the certificate gets kicked back. The policy was not fraudulent and the contractor was not underinsured. The coverage was simply not

accepted by the builder. As a result, the general contractor is withholding payment in a situation no one saw coming.

This very scenario occurs regularly within Florida's new residential construction market. Understanding why it is happening and how to best prevent it starts with recognizing that this type of placement works differently than most.

Here's the market reality: Agents working in Florida's new residential construction market are facing limited carrier



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The fix is straightforward: Confirm builder acceptability before binding, not after. In practice, there are three steps to confirming builder acceptability.

appetite, tighter terms, and fewer options than even a few years ago. Additionally, Florida's legal environment adds a layer of structural pressure showing no signs of easing.

In a constrained market of this nature, getting the placement right the first time is essential because there is little margin for error and limited room to course correct once a policy is bound.

Two standards, not one

Most agents focus on one question: Does this policy adequately cover the insured? However, in Florida's new residential space, there is a second and equally important question: Will the general contractor accept this policy?

These are two completely separate standards, and a policy can pass one while simultaneously failing the other.

Consider a mechanical contractor working on a project for a national homebuilder. The contractor is working on 100 units for the builder, and the policy in place carries a 200-unit limitation. From a pure coverage perspective, the insured is protected. The contractor's exposure doesn't come close to exceeding the policy limitation, and their balance sheet is adequately covered. By the traditional measure, the placement is sufficient, and the job is done.

The builder disagrees. Their compliance team requires a clean form with no residential limitation of any kind. Consequently, the certificate gets submitted and kicked back, and the general contractor withholds payment. Now, the mechanical contractor who thought they had done everything correctly faces a cash-flow crisis over a policy they have already paid for.

This problem is difficult to anticipate because builder requirements can be a moving target, even within the same national company. A policy could be accepted by one regional office, and then the same policy could be firmly rejected by another office of the same organization. Requirements can shift based on location, project, and other variables or circumstances.

General contractors wield significant leverage in this dynamic. They can and do withhold substantial payments over what may often be classified as a minor technicality, and the insured has very little recourse once the certificate is rejected.

Building a two-checkpoint process

The good news is that this is a solvable problem, and it doesn't

require a different policy or a different carrier. It requires an added step in the placement process, one that many experienced agents have started building into their standard workflow.

The fix is straightforward: Confirm builder acceptability before binding, not after. In practice, there are three steps to confirming builder acceptability.

First, obtain the builder's insurance requirements directly from the contractor's contract prior to going to market. These requirements define the actual standard the policy needs to meet. Those standards should drive the placement from the beginning, as opposed to being reviewed after a quote comes back.

Second, when proposals are returned, screen the policy form against the builder's requirements. While coverage limits matter, form language is where rejections happen. A policy can look clean on a summary sheet while also containing exclusions or limitations that a builder's compliance team will reject.

Third, before binding, run the proposed coverage by the builder's compliance contact or the general contractor's risk management team for confirmation. If the form will not be accepted, go back to market before the premium is paid. This step prevents the kicked-back certificate and the withheld payment.

Also, remember in many cases, a carrier can adjust form language to produce something a builder will accept. Once the premium is paid and the policy is active, the options narrow considerably.

In Florida's new residential construction market, a policy that protects the insured is just the start. The placement isn't truly complete until the coverage has been confirmed as acceptable to the general contractor holding the contract.

Agents who make the builder review a part of their standard placement process will protect their clients from a problem that is both common and preventable. In a market this constrained, the details on the front end are what make the most impact in preventing headaches on the back end. ■

The author

Nick Calabro is senior vice president of Brown & Riding's National Casualty Practice. Based in Florida, he brings more than 13 years of industry experience to his new role, where he specializes in construction, real estate, and hospitality.





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TRADITIONAL APPROACH ADDS NEW SHAPE TO SHIFTING MARKET

Changes may ultimately translate to some premium relief for Florida policyholders

By Chris Draghi

As another hurricane season looms, the positive traction from Florida's tort reforms continues to move its insurance market in a solid direction. This is evident through a reduction in litigated insurance claims coupled with a decline in loss severity. However, there are other sensitive variables that remain in play for the balance of 2026, including any potential impact from landfall hurricane events and the dynamic state of property reinsurance renewal rates.

These themes are all too familiar for insurance agents and brokers placing coverage in the Sunshine State. A fortunate aspect is that Florida may well be viewed as something of an early adopter when it comes to leveraging legislative initiatives in response to what some had once viewed as a broken insurance market. Some may argue that the aggressive response is out of need given the volatile state of the market; however, the state has nonetheless proven to be open to new ideas when it is in peril.

Aside from tort reform, Florida's property market also has the state-backed insurance company, Citizens Property

Insurance Corporation (Citizens), to provide capacity in times of distress and uniquely offers state-backed reinsurance through the Florida Hurricane Catastrophe Fund and formerly provided other temporary reinsurance programs to aid when the reinsurance market increased.

On the heels of tort reform measures, efforts to depopulate homeowners policies from Citizens resulted in a 76% decline in policy count to just 336,000. That's according to a March 2026 statement from the state's insurer of last resort. That steep decline from a peak of 1.4 million policies in October 2023 has created an opportunity.

Similar to other coastal states that live under the threat and impact of catastrophic weather-related effects, namely Texas and Louisiana, the ebb of more established insurers pulling back geographically in Florida was met by an inflow of new capacity from reciprocal insurance exchanges. It's a model that has been around since the late 1800s, typically having a presence in commercial lines, affinity/homogeneous groups and cat-exposed property.

Given the elevated natural catastrophe loss exposure in Florida and previously climbing reinsurance costs,



dislocation created an opportunity for reciprocals within the homeowners insurance market.

From a technical standpoint, “subscribers” or the policyholders from within the exchange itself insure each other. As such, there is no traditional company owned as seen in a mutual insurance structure under which policyholders own that company. Under the reciprocal model, the subscriber acts as both the insured and insurer while operations and management fall to an attorney-in-fact, which is a separate entity.

Most reciprocals have a subscriber advisory committee to represent policyholder interests and oversee actions by the attorney-in-fact in order to facilitate alignment between the subscriber and managing partner. How well these interests are aligned may depend on

how engaged the subscriber committee is and how the agreements are structured. Nonetheless, the authority granted to an attorney-in-fact is set by a power-of-attorney agreement defining what the attorney-in-fact can do, the fee structure and termination provisions.

The model partially insulates losses from investors who often capitalize an exchange via surplus notes and do not have return expectations akin to an equity investor (importantly there is no stock to sell in an exchange); however, repayment of interest and principal of surplus notes require regulatory approval. The capitalization structure creates some incentive for the attorney-in-fact to manage the exchange effectively in order to satisfy surplus note obligations.

In some cases, the attorney-in-fact may be owned by the same investors of

the surplus note, which creates another revenue stream for investors via fees charged by the attorney-in-fact as compensation for work rendered and expenses incurred.

Florida grew in popularity for reciprocal exchanges as it’s a structure that provided some capital insulation with risk retained in the exchange and returns generated via note interest and fees, attracting investors to a struggling market. The success of these exchanges from an operational perspective remains tied to the appropriateness of terms regarding both interest and fees, with subscribers needing to ensure that they are fair and reasonable.

An AM Best report issued in 2025 noted that, of the 27 reciprocals formed in 2017-2024, 14 were in Florida, followed by four in Texas and two in

Louisiana. From 2022 through 2024, the direct premium volume of these 27 reciprocals increased by 184%, and of the 14 companies mainly writing Florida business, the lead line of business for 11 of them is homeowners multi-peril.

Just how these new reciprocals may fare under a more volatile hurricane season remains to be seen, especially given the lack of a landfall event in Florida last year. It was just in 2024 when Florida insurers experienced a considerable impact from events that included Hurricanes Milton, which

[F]lorida may well be viewed as something of an early adopter when it comes to leveraging legislative initiatives in response to what some had once viewed as a broken insurance market.



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is estimated at \$17.2 billion of insurable loss; Helene, under \$2 billion; and Debbie, at \$121 million.

Despite these fairly recent events, the Florida personal property composite companies, as defined by AM Best, turned an underwriting profit in 2024, the first time since 2015, demonstrating the resilience of the marketplace, which benefited from underwriting diligence, rate initiatives, tightened terms and conditions, exposure management, and legislative reforms.

Tailwinds continued in 2025 with relatively benign weather and reinsurance costs flattening if not slightly declining. The potential for modest softening of reinsurance rates in 2026, along with improved underwriting performance post reform, may lead to prospectively lower rates charged by primary insurers, including reciprocal exchanges.

The shift in the reinsurance market, via lower costs and improved appetite, particularly in the Florida market, is a much-needed reprieve after a few years of a hardened price environment. Not only does it provide margin relief, but also the opportunity to reduce net exposure should a company opt for more coverage. While not guaranteed, as insurers are obligated to ensure rate reductions are actuarially sound and economics have only just started to improve, it may translate to some premium relief for policyholders. ■

The author

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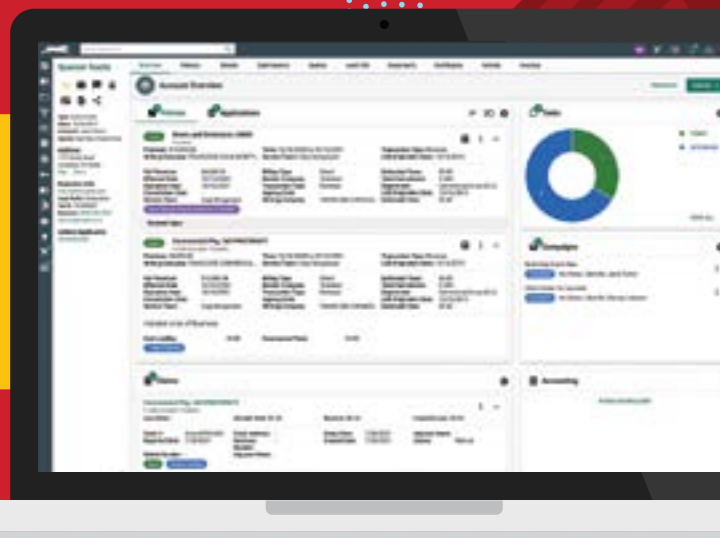
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