Rough Notes®

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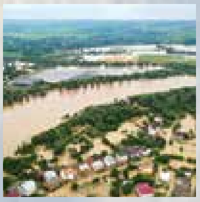

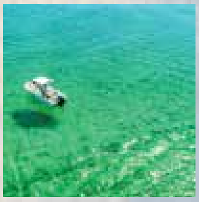


FLORIDA SPECIAL REPORT 2023

THE STATE OF THE FLORIDA PROPERTY MARKET

After navigating through the coronavirus, agents have been working through an ever-hardening market

By T. Hamilton Jones

Embracing change is very challenging in any aspect of life. Whether that change affects your personal life or business, it forces you to make tough decisions about how to manage the factors that drive change. The old saying "Get comfortable being uncomfortable" has never been more true. As the Florida property insurance market continues to harden, independent agents like us are forced to adapt and sometimes make uncomfortable changes in order to retain business and keep customers satisfied.

After successfully navigating the coronavirus period full of lockdowns and uncertainty, independent agents in Florida (especially here in south Florida) have been working through an ever-hardening property market; dare we say the hardest market this state has ever seen? The hardening property market is full of carrier insolvencies, cancellations, non-renewals, rewrites, and surging premiums, along with many carriers pausing new business. We have found that the most challenging change is how to manage the workload increase, which is present for both new business and maintaining existing policies.

The challenge

Insurance companies are being very cautious during this time. The carriers that are writing new business have tightened up their underwriting guidelines with many carriers requiring four point inspections prior to binding. Not only does this add an additional expense for the client, but it also forces our staff to be far enough out in front of the expiration date. The client needs time to order the report and in many cases make repairs found in the reports. Not only do the reports need to be deficiency free, but the photos need to reflect the same and pass the "eye test." In many cases, underwriters have declined submissions due to their opinion of the roof condition or other items found on a picture for an otherwise deficiency-free inspection.

The fun doesn't end there. Once the policy is written, the property will be inspected and we have come to expect something to be flagged within the inspection. Corroded toilet lines, overhanging tree limbs, unacceptable roof condition; whatever the reason, it's merely an additional hoop for clients to jump through to keep their policy—a policy that may cost 30% more than last year but is considerably less than the renewal offer (if they have

In many cases, underwriters have declined submissions due to their opinion of the roof condition or other items found on a picture for an otherwise deficiency-free inspection.

one). To keep things interesting, the insurance company will give a time frame for these repairs to be made or a cancellation/non-renewal will be issued.

And that brings us to the biggest challenge, which is how to manage the cancellations, non-renewals and in some cases absurd renewal rate increases. The constant churn of the book is time consuming and requires a strategic approach with a calming personality to relieve client's concerns.

The points above are just a few of the many new hurdles our staff must overcome during a single policy term.

The solution

Increased support staff, increased investment in technology, and a reliance on partners that deliver solutions for us—and more importantly our clients—is the solution.

Because we have a higher service demand, we had to commit to increasing staff (much needed but not planned). To offset this additional cost, we changed a number of internal procedures to focus on driving hidden revenue within our existing book. We are rounding out accounts at a much higher rate by leading with an auto cross-sale.

When we provide great service (a rarity in today's market), it makes asking for the opportunity for a cross-sale easier. In the wake of Hurricane Ian, we have doubled down on our effort to offer and/or have the client decline flood insurance. These small changes have made a big difference in driving revenue.

Technology has always been an important part of Hamilton Fox & Company. Our agency management system includes a lot of cool features and tools that our staff and clients have grown to love. Adding a CRM feature to our agency management system has been a game changer. We now target lost policies and unsuccessful sales leads. It helps us identify accounts that are primed for a cross-sale on an ancillary policy (home, auto, umbrella, jewelry, etc.). Having this tool and actually utilizing it allows us to spend less on marketing while delivering higher quality leads.

The final area where we drive change is by focusing on the partners that support us. A leader in this area is Halcyon Underwriters. They give us access to standard carrier options that we otherwise wouldn't be able to secure. Their underwriting team works with our sales agents to find solutions for our clients that have stability in today's market. Finding a partner like them has been instrumental in driving our agency forward through this difficult time.

The bottom line

While I can easily say that this is the hardest market I've seen in my 20 years, the change that has resulted from this market isn't all bad. Yes, the growing pains of implementing these changes have been more challenging than anticipated, but we are by far a better agency now than we were before.

How do I know this? All I have to do is listen to our new clients and existing prospects. Their message is consistent: They want out from the agency that provided them little to no customer service or solutions to their insurance woes. ■

The author

T. Hamilton Jones, president, is responsible for production and oversees the operations of Hamilton Fox & Company. Hamilton graduated from Florida State University, majoring in insurance and risk management. He officially joined his family's agency, T.R. Jones & Company, in 2006 where he spent his time learning the various departments of a full-service agency. Hamilton spent three years at Beecher Carlson, a highly specialized boutique national brokerage where he targeted complex commercial property risks. Later, Hamilton joined publicly traded national insurance brokerage Brown & Brown as a middle market commercial producer. In 2015, Hamilton joined Florida Insurance Specialists, a large personal lines agency, as regional vice president where he launched the Commercial Division.

NAVIGATING THE FLOOD INSURANCE MARKET IN FLORIDA

Three topics insurance agents must understand

By Trevor Burgess

Florida, a state renowned for its beautiful beaches and vibrant tourist industry, is no stranger to the wrath of Mother Nature. As climate change continues to impact weather patterns and exacerbate natural disasters, insurance agents must be equipped with all the information necessary to expertly guide homeowners through the complex world of flood insurance, especially in the face of ever-increasing risks, in spite of the surprisingly low penetration of flood insurance sales in the Sunshine State.

Climate change and flood insurance

Climate change is causing hurricanes' frequency and intensity to increase, with Florida being particularly susceptible. The state's extensive coastline and low-lying topography make it especially vulnerable to storm surges, heavy rainfall, and flooding. These factors have contributed to a rise in flood-related property damage and losses in recent years. Experts predict that the situation will only worsen over time, as sea temperature rise leads to more frequent and intense storms.

Despite the clear and growing risks, many homeowners remain underinsured or entirely uninsured against flood damage. *The Wall Street Journal* recently noted that only 15% of houses in Florida have flood insurance. This low penetration rate is alarming, given the potential for catastrophic financial consequences for homeowners and the broader insurance industry.

Guiding homeowners through flood decisions

Insurance agents play a crucial role in addressing this gap in coverage by educating homeowners about the importance of flood insurance and helping them find appropriate coverage. As an insurance agent in Florida, your responsibility goes beyond merely selling policies; it's about helping clients protect their most valuable assets and providing peace of mind. To achieve this, consider the following strategies:

- Educate homeowners about the difference between flood insurance and homeowners insurance. Many homeowners mistakenly believe that their standard


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The name you trust.
OUR PRODUCTS
Businessowner's
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Commercial Umbrella
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As an insurance agent in Florida, your responsibility goes beyond merely selling policies; it's about helping clients protect their most valuable assets and providing peace of mind.

homeowners insurance policy covers flood damage, which it does not, so it is crucial to clarify the distinction between them and explain the need for a separate flood insurance policy.

- Highlight the affordability of flood insurance: Homeowners often overestimate the cost of flood insurance, making it seem like an unnecessary expense. By providing accurate information on the relatively low cost of flood insurance, agents can encourage more clients to protect their properties. Be sure to inform clients about the National Flood Insurance Program (NFIP) and private alternatives.
- Offer personalized solutions. Every homeowner's situation is unique, so tailor your recommendations to their specific needs and circumstances. For example, consider if your client needs more than the NFIP's building coverage limit of $250,000 and, if so, if a private alternative might make more sense. Many private carriers go up to $4 million of building coverage. The NFIP form does not cover such things as temporary living expense, replacement cost of contents, pool repair and refill, among other optional coverages available through the private marketplace.
- Emphasize the importance of timely action. Encourage home owners to act swiftly in obtaining flood insurance, as there is typically a 30-day waiting period before coverage goes into effect. Some private carriers reduce that waiting period to as little as 10 days and will waive the waiting period for a new home closing.

The Florida Citizens revolution

In an effort to help stabilize Florida, the legislature passed a law requiring all homeowners insurance policyholders with Citizens Property Insurance Corporation, the state-run insurer of last resort, to buy flood insurance. The law kicked in on April 1, 2023, for all *new* Citizens policies in FEMA-designated Special Flood Hazard Areas (think any flood zone that begins with an A or a V). This was a smart move to improve the underwriting quality of the Citizens book by ensuring that there is always a flood policy to cover damage from flooding so those losses do not leak into their homeowners' losses.

Private carriers in Florida may follow suit, given the risk of flooding to nearly all homes in the state and the low flood insurance penetration rates. Some estimates suggest this could add nearly one million new flood policies over the next four years.

The law is being rolled out as follows:

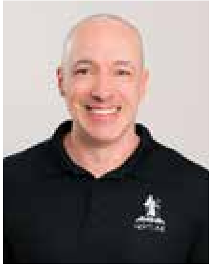
- **April 1, 2023—**All new Citizens policies in a FEMA Special Flood Hazard Area with an effective date on or after April 1, 2023
- **July 1, 2023—**All Citizens renewal policies in a FEMA Special Flood Hazard Area that renew on or after July 1, 2023
- **March 1, 2024—**Citizens policies insuring property to a limit of $600,000 or more
- **March 1, 2025—**Citizens policies insuring property to a limit of $500,000 or more
- **March 1, 2026—**Citizens policies insuring property to a limit of $400,000 or more
- **March 1, 2027—**Citizens policies by this date require flood coverage

Customers like yours come to you for guidance on their insurance choices. While laws can help encourage or require flood coverage, they will look to you for the details. Therefore, agents must be prepared to explain this new legislation along with the increased risks of climate change and property location.

This is particularly true for insurance agents in Florida, who have a critical role to play in guiding homeowners through the growing complexities of flood insurance and risks specific to the state.

By staying up to date on all the issues and being a reliable source of truths, agents can proactively address their clients' needs, help them protect their most valuable assets and ultimately contribute to building a more resilient and financially secure future for the Sunshine State. ■

The author



Trevor Burgess is Neptune's president and CEO. Trevor assumed those roles in December 2019 after purchasing a controlling stake in Neptune in January 2018. Trevor also is the Chairman of TRB Development, a diversified residential real estate development and consulting company. Burgess is a financial-technology inventor, with four patents awarded and eight more under application. After graduating from Dartmouth College in 1994, Burgess was a consultant at Michael Porter's Monitor Company in Cambridge, Massachusetts.

FIVE MUST-HAVE TOOLS FOR THE FLORIDA-BASED AGENT

Having the right technology can help navigate through demanding times

By Brenna Johnson

Florida is in a property insurance crisis and continues to experience turmoil. With rates increasing 50% over the last four years and increases in claims and lawsuits, it's a challenging time to be a Florida insurance agent. But crisis is often a catalyst for innovation and a driving force behind rapid digitization of the insurance ecosystem, and this is especially true for Florida agents. It's no coincidence that, according to reports within the last few years, 82% of insurance executives say they have or have developed a transformation strategy and 87% of insurers say they will invest in digital enhancements.

Having the right technology can help agents in Florida navigate through these demanding times. In fact, there are five essential tools to make doing business simpler that all Florida agents should have in their digital toolbox to be successful in this challenging market:

1. **Comparative rating technology.** Florida agents are in the middle of a turbulent market, and having the right comparative rating technology foundation is essential for quickly getting quotes. Whether it is a beautiful, sunny day or mid-hurricane, comparative rating technology makes it quick and easy for Florida agents to enter their data once and receive home and auto quotes from all their carriers.

   Having the ability to compare the rates for each carrier side by side helps the Florida agent determine which carrier to best propose to the customer, in any situation. Additionally, implementing a comparative rating technology that offers mobile quoting can be a game changer that allows Florida agents to be fully mobile and responsive to get quotes on the go from the agent's phone or in the middle of a disaster.
2. **Agency management system.** Having an agency management system where all products work together in one place makes it so that Florida agents rarely leave the system to do their everyday tasks. In fact, Applied Sytems research shows that 99% of organizations use a management system.

While it can be difficult to see the silver lining in any crisis, the adoption of technology will have a lasting impact on the business of insurance in Florida … .

Having the right agency management system allows Florida agents to manage and run their agency from anywhere at any time, which is crucial when navigating the tight Florida market. Not only does it improve productivity, simplify management and increase profitability, but leveraging built-in documentation and collaboration tools protects Florida agents in case they do face a lawsuit.

3. **Customer service software.** This is another "must-have" when it comes to Florida agents, especially during hurricane season. When a hurricane or a tropical storm hits, having the right customer service technology will allow Florida agents to always keep their online shop open to customers and give them full access to their policy documents and ID cards as needed.

   Florida weather can be extremely stressful, so using customer service software can give customers the freedom, reassurance and power of accessibility to their confidential documents, while reducing general service requests so that Florida agents can focus their attention on where it is most important.
4. **Communication hub.** In Florida, communication is imperative. In a rapidly changing industry landscape and equally fast changing weather conditions, Florida agents have a lot to keep tabs on. Especially following a string of back-to-back overactive seasons.

   Florida agents need a communication hub that can most effectively stay in touch and up to date through communications that are both mobile and email friendly. Especially important during a disaster, the right communication hub will be able to support and provide automated personalized communication that makes the customer feel like a priority while freeing agents to best navigate during a crisis.
5. **Customer retention software.** Florida agents are working tirelessly to remarket their renewal policies during this tight market, and retaining customers should be a core part of their strategy. Adding customer retention software to their toolbox can help by determining when policies are at risk of defection from an agency at renewal, and boost revenue—in fact, increasing customer retention 5% can reportedly boost profitability by 75%.

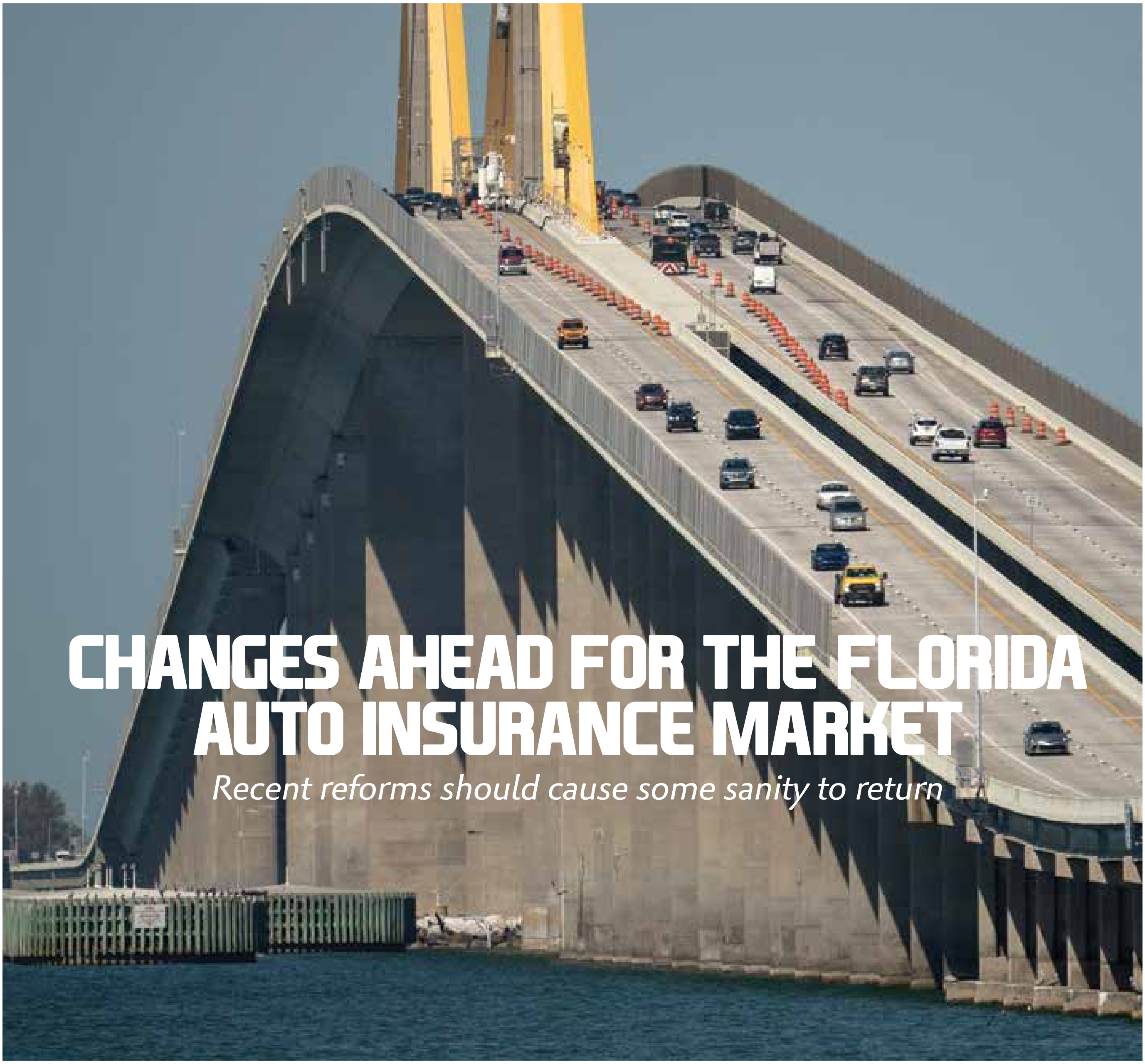
   Most important, using customer retention software helps Florida agents communicate with every customer prior to renewal, improving customer relationships and loyalty while reinforcing the agency's value. Having a tool that strengthens customer loyalty is critical during a time of crisis and insurance market turmoil.

Florida agents need every tool available to navigate the current tight market, especially with more and more insurers pulling out of Florida and the high risks associated with the state. Using these five tools can help Florida agents save time, operate more efficiently and better meet customer needs.

While it can be difficult to see the silver lining in any crisis, the adoption of technology will have a lasting impact on the business of insurance in Florida, and agents who invest now in the best tools for their agency will benefit from new levels of productivity, simplicity, intelligence and value to drive success today and tomorrow. ■

The author

A driving force behind several of EZLynx's newest products, Brenna Johnson is passionate about leveraging technology to solve problems for independent insurance agents. As vice president of product management, Johnson is actively involved in all phases of the development life cycle, and she hopes to help transform the insurance industry by leveraging technology to improve agency profitability, productivity and serviceability.



CHANGES AHEAD FOR THE FLORIDA AUTO INSURANCE MARKET

Recent reforms should cause some sanity to return

By Don Moser

To say the Florida auto insurance market is distressed is an understatement. The state's well-earned reputation as a "judicial hellhole" has pushed carriers to the limit, with skyrocketing rates, underwriting restrictions, and reduced capacity as predictable results.

However, recent reforms enacted by the state's legislature and signed by the governor should cause some sanity to return to the Florida legal system, providing relief for insurers and the retail agents who depend on them. The only questions are how fast will relief be seen, and to what extent?

How Florida became a hellhole

Florida, and particularly south Florida, is home to an aggressive personal injury bar, drawn to the historically plaintiff-friendly legal climate. Travel the state's highways and you will find billboard after billboard advertising legal services for personal injury cases. In fact, it has been stated that Florida has more trial lawyer advertisements than any country on the planet.

Bad faith lawsuits are the favorite tactic used by plaintiff's attorneys, and it is not enough for insurers to simply tender policy limits to avoid them. For instance, in the notable *Harvey v. GEICO* case, the insurer was ultimately held responsible for a $8.5 million bad faith judgment despite offering its full $100,000 auto liability limit early in the life of the claim.

Personal Injury Protection (PIP) has also been an area of law open to abuse. Under Florida's PIP system, insurers are obligated to pay up to $10,000 for medical expenses stemming from auto accidents, no matter who is at fault. This has led to the development of coordinated fraud rings involving "injured" motorists, physicians, and lawyers working together to game the system.

Additionally, Florida's approach to attorney fees encouraged lawsuits. This included one-way fees, where the legal expenses of successful plaintiffs are paid by the insurer, but not the other way around if the insurer prevails. Additionally, attorneys are often successful in obtaining a fee multiplier by convincing the court that a particular case was exceptionally difficult and warrants payment beyond the actual number of hours billed in the case.

Where we are today

The impacts of lawsuit abuse in Florida have had a trickle-down effect beyond insurance and into the state's economy. In fact, the U.S. Chamber of Commerce Institute for Legal Reform reports that Florida has the second-highest tort costs per household at $5,065, nearly three times more than in the least expensive states.

Over time, this abuse led to calls for legislative reform. In March of this year, Governor Ron DeSantis signed House Bill (HB) 837, which modifies the bad faith framework and eliminates one-way attorney's fees and fee multipliers, except in "total coverage denial" situations. The bill also makes changes to Florida's comparative negligence system so that a plaintiff who is more at fault for their injuries than the defendant may not generally recover damages from the defendant. It also reduces the statute of limitations for general negligence cases from four years to two years.

In explaining the governor's approval of the bill, his office stated that "the bill disincentivizes frivolous lawsuits and prolonged litigation to increase the profit margins of activist attorneys abusing the system. This new legislation also provides uniform standards to assist juries in calculating the accurate value of medical damages in wrongful death or personal injury actions."

Although this is a welcomed development, it's too soon for insurers to breathe a complete sigh of relief. The personal injury lawsuit industry in Florida is a multibillion-dollar business, and the plaintiff's bar will not give up their cash cow easily. In the weeks and months ahead, there will undoubtedly be challenges raised to the bill's constitutionality.

Attorneys will also undoubtedly pursue new strategies in court to find and exploit loopholes in the law. For instance, if an insurer pays under one coverage but not another on a particular claim, plaintiff's attorneys may attempt to argue that a "total coverage denial" situation applies, triggering one-way fees and fee multipliers. Because "total coverage denial" is not defined in the statute, the courts will be clogged with cases where plaintiff attorneys sue for the most liberal interpretation. Those and other scenarios will play out as we go forward.

Nevertheless, the positive takeaway is that there is a recognition among legislators in the state that the pendulum has swung too far away from justly compensating injured drivers for legitimate damages and toward jackpot justice for personal injury lawyers. This recognition puts insurers in a much better place than they were just a few years ago.

Therefore, expect auto insurance rates to slow their rapid rate of increase, then gradually decline. How much that decline is and how fast it happens depends on further developments going forward, but the good news for retail agents is that the customer service nightmare of the past few years caused by having to explain drastic rate increases to customers or remarket accounts should improve substantially.

The other good news for agents is that, as insurers begin to see a more favorable legal climate, coverage availability will improve, with more favorable underwriting. We expect to see more interest from our fronting carrier partners to offer more products and expand their geographic reach. ■

The author

Don Moser is president of Amwins Specialty Auto of Florida. Amwins Specialty Auto provides personal lines auto insurance to Texas and Florida residents through select, local independent agents.

HOW DO YOU GROW AN AGENCY'S VALUE?

Let's count the ways

By Scott Freiday

Florida's insurance market, one of the largest in the world, has been called dynamic and complicated.

But the very factors that make it so—premium rate increases, litigation reform, the booming population, companies leaving the Florida market, catastrophic storms, and changing insurance requirements for homeowners in Citizens Property Insurance Corp.—give independent insurance agencies an opportunity to show their value in providing customer service, risk management and the right products for residents and businesses.

By running customer-focused firms, agency leaders are positioning themselves well. They are creating value with their close attention to the needs of markets and customers. Yes, the work of independent agencies is inherently valuable to society.

Value, from a financial perspective, is a watchword for anyone in the business of lending to and providing banking products and services to independent agencies. And every agency owner wants to know what their agency is worth. That value comes from the products and services agents provide.

Industry lenders must calculate an enterprise value for independent agencies based on key metrics. Revenue and profitability are highly important, but cash flow (EBITDA) is the most telling indicator of independent agency value.

The value a lender calculates for an independent agency should be based on the book of business. A lender familiar with the Florida independent agency channel will recognize that an agency's book of business can generate significant cash flow on a recurring basis.

Unfortunately, there are still many lenders in the Florida marketplace that don't seem to take into account the inherent value of an independent agency. Banks accustomed to lending based on accounts receivable, hard assets and inventory often don't readily recognize the intangible value of renewal rights to a book of business.

The reliable and predictable cash flow generated by an agency creates "off balance sheet" value to lend against. Agency owners who want to build value in their business should develop and follow strategic plans to grow cash flow.

I'd like to discuss three key ways to build cash flow and thus build value.

1. Enhance revenue and profitability. Selling additional products to customers (cross-selling) and selling additional amounts of coverage (upselling) are, of course, two ways to grow revenue.

Growth also can be bolstered by adding or expanding a specialty insurance practice to a broad range of customers or to a specific industry vertical. In Florida, for example, there might be a niche opportunity in private flood insurance to meet new requirements of Citizens, the state's homeowners insurer of last resort.

Having a specialty niche demonstrates an agency's expertise and carrier relationships that differentiate it among competitors, further increasing value. And an agency with a specialty is often viewed as being more opportunistic and creative in generating revenue.

But just selling more—whether specialty or traditional insurance products—doesn't necessarily lead to quality growth. Profitable growth is the goal. Business decisions must be made with maximizing cash flow at the top of an agency owner's mind. Adding a niche can provide profitable growth if it comes with desirable expense levels.

Another route to profitable growth is improving retention, since keeping customers typically is cheaper and more effective than acquiring new ones.

Finally, while organic growth is highly valuable, inorganic growth (via buying a book of business or purchasing another agency, for example) also can tilt the revenue line upward.

2. Invest internally in producers. An independent agency typically relies on producers to generate business. Therefore, adding and developing producers is a time-honored way to create agency revenue.

However, the agency system seems to be aging faster than it is adding young producers. Agency leaders might consider recommitting to communicating the fundamentals of agency business in recruiting. Those are: The income is recurring, the product being sold is a necessity (some would say it's recession-proof) and agents deliver benefits when customers need help the most.

Other agency investments—such as technology enhancements, new products and training—also add to an agency's ability to grow profitably.

3. Create a succession plan. It's often difficult for agency leaders to consider when they will no longer be working in or owning the business. But they must.

Many agency principals try to strike a balance between leaving too early and too late. Whenever they leave, however, they must prepare for that moment. And preparation, via creating a succession plan, is in itself valuable even though it is not booked in the agency's ledger.

Here's why: By preparing a succession plan (whether through an agency perpetuation, the sale of a book of business or agency office, a merger, or a sale to a financial buyer) an agency leader is creating certainty. With certainty comes the expectation that the agency's cash flow will continue unabated. And, since agency valuations are primarily driven by the expectation of continued, growing cash flow, having a plan in place can be particularly important.

Every Florida agency leader should scan their operation for producers and employees, including family members, who might be willing and able to take on leadership and ownership roles in the future. It's never too early to start having conversations with those people. These exploratory discussions, held over time, can develop into succession plans that create additional value for the agency owner.

When value created becomes value realized, the agency owner wins. ■

It's often difficult for agency leaders to consider when they will no longer be working in or owning the business. But they must.

The author

Scott Freiday is senior vice president and division director of InsurBanc, a division of Connecticut Community Bank, N.A. He oversees the bank's commercial lending and cash management operations. InsurBanc specializes in financial products and services nationally for the independent insurance distribution community.

CERTS, SUBS, AND COVERAGE SNUBS

For clients, keeping tabs on their contractors' certificates of insurance can protect them against denied claims and other financial losses

By Wayne White

Making sure a client is covered for all possible risk exposure is essential to your role as an agent. This task becomes more difficult when your contractor client subcontracts work to other contractors, an occurrence that is becoming more and more common in the industry.

Your client is responsible for tracking what can be dozens or even hundreds of certificates of insurance for their subcontractors, which can be a major undertaking—one that the agent cannot be expected to manage for them. But agents should try to educate their clients on best practices and potential pitfalls of utilizing subcontractors, in order to help them avoid extra expenses at the time of a claim or audit.

First and foremost, it is vital for the agent to review the contractor's policy with their client, making sure their clients are insured with the correct coverage class codes and confirming that any work performed by subcontractors is disclosed and properly classified, as well. Many contractor policies contain classification limitation wording, meaning that the client will not be covered for work they perform outside of what is listed on the policy.

Often, the client will subcontract work for which they are not covered; for example, a kitchen remodeler might subcontract plumbing. If the plumbing subcontractor does not have valid and collectable coverage in force, in the event of a claim neither the client nor the subcontractor will be covered for the loss.

It is absolutely critical that you advise your client to make sure the subcontractors they use maintain insurance coverage and provide them with updated certificates of insurance. Ideally, they should ask for updated certificates before allowing the subcontractor to do any work for them. At the very least, they should review the coverage effective dates and request an updated certificate when the subcontractor's coverage expires, as those coverage dates are unlikely to coincide with those on the contractor's policy.

It also is important for your client to realize that if the policy of a subcontractor they use is cancelled for nonpayment or some other reason, they likely will not be notified. Only the individual subcontractor will be notified of the lapse in coverage, and the odds of their calling up the hiring contractor and saying "Hey, I can't work anymore because I didn't pay for my insurance" are not good. A lapsed policy for the subcontractor can leave your client vulnerable to a financial loss.

Another important way for agents to protect their clients is to counsel them on the proper use of additional insureds. Make sure your insureds are being named as additional insureds on the policies of their subcontractors, so that the subcontractor's policy will be able to provide coverage for your client in the event of a claim.

The practice of listing contractors as an additional insured is a common "ask" in the industry and, more important, the language in your client's policy may specifically require that this be done when the client makes use of subcontractors.

Explain to your client that another financial pitfall occurs when their policy is audited. The client receives a significant premium reduction when using subcontractors—the thinking being that the sub has coverage in place that would respond in the event of a claim.

If, at the time of the audit, it is found that the subcontractors failed to provide evidence of coverage, the labor costs for those subcontractors could be added to your client's policy as employee payroll using the normally much higher standard rate, rather than the greatly reduced subcontractor rate. As a result, your client may find themselves with a very large additional premium due.

The methods used by insureds to manage subcontractor certificates vary quite a bit, but the simple fact is this: Unless the certificate from the subcontractor reflects a current date, there is no way to know if the policy listed is still in force.

Here are seven best practice tips for agents who want to ensure that their clients are properly covered:

1. Have the client get refreshed certificates of insurance from their subcontractors as often as is practical for your client—monthly, quarterly, every six months; the more often the better.
2. Get certificates of insurance for any and all lines of coverage your client has, including workers comp, general liability, etc.
3. Verify that the description of operations on the certificate of insurance matches the work the client and the client's subcontractors are doing. Discrepancies can lead to premium increases at audit or the non-coverage of claims.
4. Know the limits: Encourage your client to make the subcontractors carry limits equal to or greater than their client's; this is often required by the insurance carrier.
5. Record keeping is key. Keep certificates of insurance on file. Encourage your clients to use a certificate tracking program, which is a software solution that helps them keep track of all their certificates of insurance. Certificate tracking programs can be lifesavers in the case of an audit or claim situation.
6. Review the policy terms and conditions of the policy with your client, especially regarding class code limitations and the use of subcontractors. Policy terms and conditions vary widely by carrier.
7. Ask your client about changes in their exposures or operations each time you speak with them. If the client has had any changes, address them accordingly. ■

The author

During his thirty-year career, Frank Winston Crum Insurance Product Manager Wayne White has worked in nearly all avenues of property and casualty insurance, gaining perspectives from the retail agency, wholesale brokerage, and company sides of the industry along the way. Wayne has a strong technical background, coupled with an in-depth understanding of the insurance industry. His focus is on small to medium-sized accounts—mostly artisan contractor, mercantile, and BOP varieties.

FLOOD RISKS, TRENDS AND COVERAGE OPTIONS

As floods become more frequent and intense, are your clients properly protected?

By Christopher Reid

When Hurricane Ian made landfall on Florida's West Coast in September 2022, its wind gusts hit 160 miles per hour. According to recent data, the Category 4 storm damaged 97% of all structures in Ft. Myers Beach, killed at least 92 people, destroyed more than 5,000 homes in Lee County, and damaged another 30,000.

Most of the storm's damage was water-related, with the coastal surge devastating homes and businesses near the coastline and inland flooding damaging buildings across central Florida. Ian dumped 20 inches of rain on the state. Between that and the 18-foot storm surges, it left much of the area under water.

When surveying the destruction from this weather event, it's not surprising to learn that Hurricane Ian caused the second-largest insured loss on record (after 2005's Hurricane Katrina), with \$53 billion to \$74 billion in insured damages.

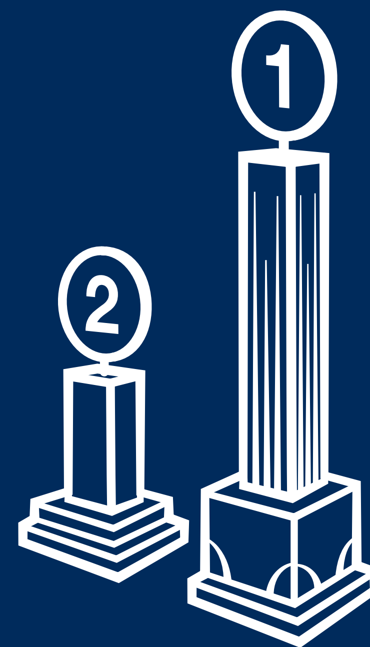
When a catastrophic event like Hurricane Ian occurs, it reinforces the importance of having proper insurance coverage in place, including flood insurance. While flood risk may be higher in coastal regions like Florida, floods can happen anywhere at any time. Therefore, agents should know about flood risks, trends, and coverage options so they can expertly help their clients protect their assets.

It's wise for agents to:

- **Talk to your clients about flood risks.** While Hurricane Ian dominated the headlines last fall, flood risk goes beyond coastal communities like West Florida and can happen in all 50 states. Recent storms have caused damage that extended beyond the coastline, hitting inland communities hard.

  For instance, when Hurricane Harvey hit Texas in 2017, certain areas saw 51 inches of rain. Harvey dumped a whopping 20 trillion gallons of rainfall and flooded more than 80,000 homes with at least 18 inches of water. Losses from Harvey reached \$75 billion.

  Keep in mind that flooding (including inland flooding) can occur for reasons other than hurricanes, such as prolonged (or intense) precipitation, snow melting quickly, and dam breakage. While Florida is well-known for its storms, hurricane damage is expected to rise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dramatically in places like the Mid-Atlantic and Northeast in the coming years.

- **Understand how climate change is impacting weather events.** Regardless of your stance on climate change, one thing is certain: There is an increasing amount of more severe weather events—including more frequent, intense hurricanes and floods—that are causing sea levels to rise. It's also intensifying hurricanes. As we've seen with recent storms, these weather events are getting stronger and faster, bringing more flooding rain, traveling further inland, and moving further north. Therefore, agents should talk about flood coverage to home owners who may not have previously considered flood risks.
- **Know how common floods are.** Floods are actually the most common natural disaster in the United States, and 90% of natural disasters nationwide involve flooding. Be certain that your clients' properties are properly protected. And since floods could happen at any time, ensure that your clients' homes are insured year-round, not just in typical storm seasons.
- **Understand what constitutes a flood.** You will want to explain to your clients that for an event to be classified as a flood, two or more acres or two or more properties must be inundated with water and/or mud flow.
- **Inform your clients about the possible financial ramifications of a flood.** Flood events cause an average of $4.8 billion in damages. Just one inch of water can cause $30,000 or more in damage, and the average flood loss for an individual home is $50,000.
- **Let clients know that FEMA and NFIP coverage might not be enough.** Home owners can buy a flood insurance policy from FEMA or NFIP if they're in a high-risk area, but understand that NFIP is out of date and its pricing is not accurate or sustainable. As a result, private flood markets are much more prevalent.

> Over the next 30 years, the cost of flood damage is expected to increase 26% due to climate change.

Understand private flood options

Writing in areas of Florida and countrywide, private flood markets are becoming more creative and more competitive with premiums, offering additional enhancements and coverage options. For example, a typical primary flood insurance policy covers up to $250,000 on the dwelling and $100,000 on the contents coverage. Private flood markets—like Neptune—can offer higher limits for the dwelling, in some cases up to $4 million.

For higher value homes, there are players in the excess flood market, like TM Highland, that can offer coverage up to the full replacement value of a multi-million-dollar home. This is especially important because, in today's marketplace, many lending institutions are requiring flood insurance up to the value of the loan. So, if your client has a $15 million home with an $8 million mortgage, the client may be required to be covered for the full value of that loan.

For those without a mortgage on a high value home, the question becomes: Are the home owners aware of their risk of self-insurance in the event of a flood? Suppose your client has a high value property and has only $250,000 in flood coverage. Since most homeowners coverage doesn't cover flood, the policy wouldn't cover the house in the event of a major flood. This is a very real possibility, so make sure this doesn't happen to your clients.

Additional content coverage can be purchased with an excess flood policy. On a multi-million-dollar home, this coverage is essential to protect your customers' assets.

Another common scenario involves refinancing a high-value home. Again, many lenders will require that the mortgage amount is properly covered with flood insurance. Since a typical homeowners policy doesn't cover flood, there's a need for private flood insurance to cover the lending requirement.

If your clients own a high-value home, given the loss history and damage we've seen from recent weather events, talk to them (and their financial advisors) about why flood insurance is essential to protect their homes.

Many agents shy away from this topic because they don't fully understand it, which is why it's important to work with brokers who are familiar with the ins and outs of flood insurance.

Protect homes under construction

If your client is building a new home, it's also critical to make sure the property is properly insured. If your client has a loan for the project, flood insurance is a requirement for the same reasons outlined above. If a house is even partially built and it's damaged by a flood, the claim likely won't be covered by the client's homeowners policy, so flood insurance is vital.

Agents should make it a point to discuss flood insurance as part of their financial or annual reviews with existing and new clients. Additionally, talking about flood insurance should be part of agents' best practices when they work with new clients, regardless of where the clients' residences are located.

So, what happens if—despite all your recommendations—your client declines flood insurance? It's a best industry practice to have those clients sign a document that says you've recommended flood insurance but that they've refused this option. This could help protect you from legal action if there's a future flood event that impacts this client.

Over the next 30 years, the cost of flood damage is expected to increase 26% due to climate change. And the probability of a major storm (Category 3 or higher) in the North Atlantic has risen significantly from 10% in the 1980s to 40% today.

It's clear that storms are becoming more frequent, intense, and damaging, and it's our responsibility to ensure that our clients' assets are properly protected. Agents should educate themselves and their clients about flood risks and insurance options, work with brokers who are experts in this area, know the benefits of private flood options, and understand that the risks extend beyond just the coastline. ■

The author

Christopher Reid is the director of marketing at Quaker Special Risk, a Jencap company in Eatontown, New Jersey. Reid is a 30-plus year sales and marketing executive with industry experience in financial services, insurance, and technology. Reid has been with Quaker for over 10 years, focused on helping provide solutions for top industry partners with their complex high-valued exposures.

THE DOMINO EFFECT

Have insurance agents in Florida reached the tipping point?

By Christopher Graham

For many years, lawyers, contractors and mediators have sat on one side of the property insurance market crisis in Florida; and whether it was attorney fee multipliers, sinkhole claims or out-of-control roofing scams, any incentive for third parties to become involved in the claims process has been seized upon. The resulting litigation costs have made for an untenable insurance environment in the Sunshine State.

On the other side of the crisis are lawmakers and insurance companies, which have seen their litigation-related defense costs spiral. However, in 2022, measures designed to crack down on rampant litigation by reining in attorney fees and assignment of benefit abuses are seen as a step in the right direction for property insurers and policyholders in the state.

In between these two sides, however, sit insurance agents and brokers, who likely are working harder than ever as insurers drop policyholders due to insolvencies or more-limited risk appetites, all while rates across the state skyrocket.

The numbers speak for themselves. According to the state's Office of Insurance Regulation, Florida accounts for about 9% of homeowners insurance claims in the nation, but 79% of homeowners insurance-related lawsuits. It is the defining distinction between Florida and other coastal states' insurance markets.

As these troubles plaguing Florida's property insurance market have persisted, the capital positions of insurers have also been impacted due to elevated losses due to litigation, convective storms, and recent hurricanes Ian and Nicole.

Social inflation, defined as rising insurance costs due to increasing litigation, has not only hindered performance but also has spurred challenges regarding the balance sheet strength of insurers as it pertains to lost reserves and maintaining certain surplus levels. Major weather events such as hurricanes, or losses from secondary perils that have risen in prominence, have served as mech-anisms that have amplified the potential loss impacts as it provides more claim opportunities in which third parties can take advantage.

Social inflation also is affecting reinsurance pricing and availability. A number of insurers took on Florida exposure when reinsurance costs were low and they could pass along the risks to reinsurers at relatively cheap prices but, today, we're seeing a retrenchment of capacity and escalating costs. Primary insurers overly dependent on reinsurance are retaining more risk on their books and exposing themselves to more potential losses. It's this type of environment that led to the six insolvencies affecting Florida policyholders last year.

In turn, these insolvencies will lead to the Florida Insurance Guaranty Association levying assessments on insurers, which likely then will get passed through to policyholders. At the same time, average year-over-year

Addressing the legal environment and reinsurance market... may ultimately make conducting business across the state's insurance ecosystem more attractive, but the effectiveness ... will require time, and with hurricane season getting under way, time is short.

rate increases in Florida have been approximately three times the national average. Average rate hikes being requested by companies have been even higher in many cases.

However, this doesn't tell the entire story. The statewide average rate increase doesn't account for different territorial pricing, where some within the state may be seeing full-on 100% rate increases—the average rate, albeit still high, sees a leveling out when looking across the entire state. These increases also are occurring annually, so there is also a compounding effect on policyholders.

In this landscape, agents are tasked with the unenviable job of placing coverage for home owners. With each insolvency, the state-run Citizens Property Insurance Corporation swells with new policyholders and, ultimately, places significant risk on all Florida residents. At the beginning of April, the number of policies at Citizens topped 1.2 million—a count not seen in a decade and double the number of policies in just two years.

A major loss event that depletes Citizens' reserves could open a conversation about surcharges, whereby not only would every home owner in the state have to pay to replenish those reserves, but basically every adult in the state would have to pay, as auto drivers also would be assessed in that event.

These trends may be weighing on agencies. Insurance agency-supporting trade groups such as the Florida Association of Insurance Agents have told us that agents are handling coverage requests from a ballooning number of Floridians. Agents have fewer options in placing coverage, and then may need to divvy the risk among a greater panel of carriers, creating more legwork.

In the end, what they come back with likely is a substantially higher rate, leaving consumers confused and angry. Furthermore, agents faced with replacing coverage on high-value homes previously could turn to the excess and surplus market as a remaining option, given coverage caps at Citizens. However, the E&S market has tightened as well.

The incentive to write business with Citizens isn't necessarily favorable either. The private market consistently pays a higher commission percentage than Citizens, and on premiums that typically are much higher. Agents across Florida were even forced to return $4 million in unearned commissions stemming from Gulfstream Property & Casualty Insurance Co., which was liquidated in mid-2021.

Without homeowners coverage, and with a mortgage, some Florida citizens may find themselves between a rock and a hard place as well.

AM Best is of the view that public policy initiatives need to consider how to make Florida attractive to national insurers and reinsurers, to incentivize them to expand their appetite for Florida risks. Absent that, a lack of competition may continue to fuel affordability issues for primary insurers with respect to reinsurance and consumers in need of basic homeowners coverage.

The measures passed in 2022 to eliminate assignment of benefits and one-way attorneys' fees for property claims may prove effective and materially lower insurers' defense and cost containment expenses. Additionally, the reduction in the amount of time to file a supplement claim could alleviate concerns in the insurance-liked securities market about capital becoming trapped for long periods.

However, many local insurers are still heavily dependent on reinsurance, and any losses that exceed reinsurance coverage could lead to more insolvencies. Increases in reinsurance costs could lead to further increases in the primary market premiums charged to policyholders.

Addressing the legal environment and reinsurance market are two market positives that may ultimately make conducting business across the state's insurance ecosystem more attractive, but the effectiveness of reform will require time; and with hurricane season getting under way, time is short. ■

The author

Christopher Graham is a senior industry analyst in AM Best's industry research and analytics team, focusing mainly on cyber, flood and Florida property insurance as he assists or develops Best's Special Reports, Best's Market Segment Reports *and* Best's Commentaries, *which provide valuable information and insights on current trends and issues within the property/casualty insurance industry.*
Prior to joining AM Best in 2020, Christopher worked in the actuarial unit for XL Reinsurance, mainly pricing excess workers compensation. Before his stint at XL, Christopher spent 18 years at Everest Reinsurance. Christopher graduated from Rutgers University with a master's degree in statistics and from the University of Scranton with a bachelor's degree in mathematics.

FLOOD INSURANCE CHALLENGES ARE HERE TO STAY

How to keep clients above water

By Brad Turner and Jacob Martin

Many homeowners throughout Florida—especially in Fort Myers Beach—are expressing frustration over the status of their insurance claims related to damage from Hurricane Ian. This serves as a clear reminder for home and business owners to review their flood insurance coverage.

According to a recent *New York Post* article, more than 25% of closed homeowners insurance claims in Lee County have been denied, over 30,000 claims are still pending, and some of the 135,000-plus claims that were paid involved what the homeowners called "lowball" payouts. While residents described a variety of setbacks from the September 2022 hurricane, the bulk of the insurance denials were due to flooding damage that is not covered by homeowners insurance.

In the days after Hurricane Ian, the second-deadliest storm to hit the continental U.S. this century, news reports painted a bleak picture of the potential impact on homeowners who did not have flood insurance. Additional data estimated uninsured flood losses at between $10 billion and $17 billion.

Unaware and underinsured

Many individuals—especially Florida residents—are not aware that a standard homeowners insurance policy does not cover damage from flood events. They often try to get their homeowners insurance to pay for that claim, arguing that it was caused by wind, which has led to rampant litigation.

It is estimated that only 15% of affected property owners in Florida were carrying flood coverage during Hurricane Ian. In contrast, Florida remains one of the highest exposed states in the country to flood risk and tropical frequency.

The largest driver of flood insurance purchasing in the United States is lender requirements for mortgages, but an escalated number of properties are now experiencing loss in these areas where it is not mandatory. Property owners will typically have wind coverage under their homeowners insurance/wind policy, but if there is any kind of flood damage, a large portion of the loss could be uninsured. If homeowners have both policies, they have a good foundation to cover what is insurable.


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Inflation exacerbates issues

While lack of flood insurance seems to be a primary factor in many of the insurance challenges homeowners have reported in the wake of Hurricane Ian, even those who do have both wind and flood policies could face issues based on the amount and type of coverage they purchased. There is also sometimes the expectation of getting more money than what their policy was designed to cover. Due to inflation, many individuals are expecting larger payouts, but their agreed coverage limits do not align with what it costs to reconstruct the home.

A number of carriers have pulled out of the Florida insurance market because of litigation or insolvency. Florida is a very tough state and market right now.

Inflation is a big hot topic not only in Florida but elsewhere, too. In the system we have right now, too many individuals are uninsured or underinsured, and inflation is exacerbating the problems.

Commercial property owners may be more likely to consider flood insurance but could still find themselves without enough coverage in the event of a loss. Coverage for loss of business income is available with private policies but not through the National Flood Insurance Program (NFIP). Managing general agents like Burns & Wilcox can also offer coverage for replacement cost value, whereas a typical NFIP policy would cover only actual cash value, accounting for depreciation in the event of a loss.

Flood insurance is available through the NFIP or through the private insurance market, which can generally provide higher limits and additional coverages not available

Home and business owners should have a good understanding of what type of exclusions exist in their policy and understand what their policy does and does not cover.

through NFIP policies. For example, private flood insurance policies can offer supplemental coverage limits for other detached structures, swimming pools, landscaping and loss of use.

New laws and technologies

Newly established laws will require some Florida residents to purchase flood insurance. For many property owners in Florida, opting out of flood insurance may not be a choice in the future. Late last year, state lawmakers passed legislation that requires all policyholders with Citizens to eventually carry insurance coverage for flood. The changes began to go into effect April 1, 2023, though some homeowners will have until 2027 before they are required to buy the coverage.

Flood zones have become an antiquated way to review exposure and better tools are available to help homeowners understand their risk. A newer flood-related option available for commercial properties is parametric coverage, in which an insurance carrier physically installs sensors on a commercial property and will monitor for flood waters that trigger the sensor at prior-agreed depths. This option allows a payout to the insured within a week of the triggered sensor event, as well as reduced scrutiny for how the money is utilized. For example, the insured can utilize the funds to pay for lost income, to supplement another flood policy's exclusion, or to lower limits. This provides a better total solution.

Understanding exclusions—what is and isn't covered

Home and business owners should have a good understanding of what type of exclusions exist in their policy and understand what their policy does and does not cover.

One of the benefits of the private flood insurance market is the ability to enhance and increase coverage beyond what a typical NFIP policy would cover. Property owners should read their policy and its exclusions, and understand what the policy does and does not cover.

Insurance professionals should help set expectations, which is why it is always important to partner with knowledgeable brokers. By working with a specialized expert, property owners can ensure they understand what is in their policy language so there are no surprises at the time of a claim. ■

Brad Turner

Jacob Martin

The authors

With eight years industry experience, Brad Turner has spent his insurance career exclusively with Burns & Wilcox, starting as a personal lines underwriter, specializing in coastal property. Brad currently serves as associate vice president, National Product Manager, Flood in Morehead City, North Carolina.

Brad's responsibilities include managing and facilitating the Burns & Wilcox flood practice for residential and commercial property. Brad graduatSed from DeVry University-Illinois with a Bachelor of Technology, focusing on Computer/Information Technology Administration and Management.

Jacob Martin has eight years of experience in the underwriting field. He started his career in 2014 with Burns & Wilcox in commercial underwriting for general liability and property insurance. He currently serves as underwriting manager, Flood in Charlotte, North Carolina, for the Burns & Wilcox (B&W) Flood Practice.

Jacob's responsibilities include flood risk modeling, technology development, and aggregate management.

Jacob graduated from the University of North Carolina-Charlotte with a M.S. in Data Science and Business Analytics, B.S. in Risk Management and Insurance, and B.S in Mathematics.

FINDING AND KEEPING TALENT

Two things Florida agencies can do right now to improve staffing success

By Alison Betts

If staffing and employment concerns top your agency's list of challenges right now, you aren't alone.

Each year, Vertafore surveys independent agencies and MGAs across the country about the state of the insurance workforce. This year, more than 2,500 insurance professionals responded, providing a wealth of insights on work experience and what makes them stay in seat—or look for greener pastures. For example, 14% of our survey takers said they changed jobs in the past year, and a whopping 25% said they didn't know how long they planned to stay at their current company. Finally, more than one-third said their agency had had trouble hiring in the past year.

Agency owners were even more pointed, with 55% reporting they've faced recruiting challenges during the past 12 months. In response, during the same period, more than half of owners tried new tactics—like allowing flexible work and boosting pay—to try to attract new employees.

For Florida agencies, there's good news: There's more talent than ever to tap into. The latest data from the U.S. Census Bureau put Florida at the top of the list of states with the most population growth by percentage in 2022. And according to a 2019 report by Florida Trend, more than a third of people moving to Florida are young professionals.

So how can agencies find, hire, and keep great talent in a tight employment market? Perhaps, unsurprisingly, insurance professionals said compensation was the number one factor that would keep them at their current agency. But after pay, Vertafore's survey found that there are other, less obvious things that can turn the staffing tides in an agency's favor: Provide flexibility with where and how employees work and be transparent and deliberate with career pathing.

What agency professionals want: flexibility

For many professionals across the broader workforce, flexibility is no longer seen as a "nice-to-have" when choosing where to work. Offering more schedule flexibility, as well as allowing for remote and hybrid options, can help agencies stand out as an employer of choice.

Consider the data. In Vertafore's survey, nearly a quarter of respondents who changed jobs in 2022 listed "a more flexible schedule" as a factor in their decision, while one in five left for a remote work opportunity. Across *all* respondents, more remote work options and schedule flexibility ranked as top reasons people would stay with their current agency—bested only by higher compensation. And many agencies are responding. Last year, 36%

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Great Client Experiences

An intuitive, straightforward, digital user experience – leverages digital signatures, down payment collection and automated submission for processing

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of agency owners added flexible and remote work policies to their organizations.

So where to start? A flexible workplace can't be a free-for-all. Agencies have to balance the needs of their business and clients with employees' wants. And realistically, there is no one-size-fits-all solution for any office.

Agencies can begin by listening to their people and keeping an open mind about what "flexible" looks like for their people. At the same time, agency leaders have to be open to shaking up the status quo and taking a solid look at what processes and functions truly need to be handled in a traditional workplace.

Agencies also need to look at their technology to identify any barriers to support productivity and teamwork. A flexible environment still needs to operate well, and employees need to feel connected to each other. Cloud-based agency management solutions and tools like Teams and Zoom are table stakes to make flexible work practical.

"Where do you see yourself in five years?"

We've all answered this question in a job interview at some point. The irony is that, too often, once someone lands a job, conversations about career goals and career pathing only come up during annual reviews—if at all.

Vertafore's survey results show that insurance professionals are eager to have those conversations. In fact, more than half of respondents said they had talked about their career progression with their manager in the past six months, and three out of four said they were comfortable talking to agency leaders about their career path.

Yet, when it comes to tangible outcomes, our respondents painted a bleaker picture. Just a third said they were optimistic about career possibilities at their current company. Only 14% had discussed the possibility of a promotion with their manager, and a scanty 6% said their agency provided documentation about career progression within their organization.

[T]oo often, once someone lands a job, conversations about career goals and career pathing only come up during annual reviews—if at all.

Among survey takers who changed jobs in 2022, nearly half listed "career growth" as a reason. And while career transparency ranked highly across the board, it matters especially to insurance professionals under 40. More than 40% of that group said having a clear career path or professional development would make them more likely to stay at a job.

The takeaway? Agencies can win in the talent war with thoughtful career planning and conversations. Documenting what career progression looks like within your agency and sharing it with current and potential employees is a step in the right direction. And clear, consistent communication about an employee's current and future success can keep them engaged while providing a plan for what's next.

Focusing on employee career growth and progression comes with a bonus for agencies: A framework for employee career progression is also essential for succession planning as more insurance professionals eye retirement.

Ultimately, employees are most engaged and happy when they're empowered to decide how and where they work and have meaningful conversations about their future with a company. And there's a significant business case for it, too: High employee engagement is closely tied to tangible metrics like retention, turnover, profit, and productivity. ■

The author

Alison Betts has more than two decades of experience as a researcher and communications professional in corporate, nonprofit and higher education settings. She's held research and teaching positions in Arizona and Colorado, and has worked on a variety of issues, including education policy, poverty, criminal justice, technology and insurance. She is currently Senior Director of Marketing Communications at Vertafore.

OPTIONS FOR COVERING FLOOD RISK

Agents now have a multitude of choices when it comes to providing protection that customers need

By G. Michael Sloane

The more you as an agent or broker know about the ever-increasing risk of flood, the better equipped you'll be to offer options with both the National Flood Insurance Program (NFIP) and private insurance policies.

For decades, we have all heard similar—and all too common—statements from customers when it comes to flood insurance. They range from, "I thought my homeowners insurance would have covered that" to "We didn't have flood insurance because we didn't think we needed it where we live."

Now, we're seeing a heightened awareness and an increased demand for flood insurance, but it's a gradual and incremental process. For every unprecedented flooding event that receives national attention, we see increased interest from people in finding out whether or not flood insurance is available to them and what the price is.

As professionals, we need to understand the person's flood risk, the related laws that impact the consumer, flood insurance coverage forms, and the flood insurance markets that are available to our clients. Our job, as we all know, is to educate customers on the benefits they deserve, inform them of their flood risk, and help them purchase a flood policy that they understand and that meets their needs.

For the longest time, the NFIP was the mainstay and only provider of flood insurance to property owners. The standard policy offered by the NFIP in the past clearly left clients who

There shouldn't be a question whether to offer every property owner the opportunity to at least explore all their flood insurance options. … [W]ith so much on the line, your clients deserve the chance to make informed selections.

needed higher limits with few options, if any. NFIP coverage that can be purchased on a residential building is capped at $250,000, with $100,000 of residential contents coverage available as an add-on.

In recent years, we have seen flood insurance from private insurers emerge, primarily in the excess and surplus lines markets. They offer more choices in flood coverage and amounts available, and they provide some stability in the marketplace. Private insurers now offer everything from coverage that mirrors—sometimes for a lower premium—the NFIP policy, up to a quasi-special form (HO3), for only the peril of flood with similar or higher limits available. That special form flood policy was designed with expanded coverage to put insureds back where they were prior to the loss. In other words, it covers the structure for all perils except those specifically excluded in the policy.

Private flood insurance now provides consumers with options when they previously didn't always have any. Now they can select the customary NFIP flood insurance policy or pick a private flood alternative.

There shouldn't be a question whether to offer every property owner the opportunity to at least explore all their flood insurance options. Providing your clients with choices to meet their needs is the right course to follow.

If they don't elect to purchase a flood policy, protect yourself and your agency with a signed waiver from the client. Post event, you will be glad that you did. And with so much on the line, your clients deserve the chance to make informed selections.

With Risk Rating 2.0 and rates changing on the NFIP side, it creates awareness and interest from the general public in alternatives. We're seeing more property owners and consumers ask questions such as whether private flood insurance is available to them and its cost, which provides consumers with the understanding of what protection is available and how they can access it.

Wright Flood and our partners offer admitted primary and excess flood markets for our agents. That's different from many companies. Most flood products outside the NFIP are offered via excess and surplus lines, written on a non-admitted basis, which adds steps in terms of disclosure, diligent efforts, signatures and risk. Admitted flood products are approved and regulated by each state insurance regulator, which brings consistency, financial scrutiny and stability to the program.

Are you currently offering flood insurance to all of your clients? Now with the option of the NFIP and private, you can provide your customers with coverage and price based on their individual needs. The way you address these items could have a tremendous impact on your client, your agency and the resilience of your community post event.

Private flood insurance certainly has a purpose and a mission to enhance and improve consumer awareness and understanding, as does our entire insurance industry. By creating that awareness, consumers will be knowledgeable about their exposure to flood while increasing the number of insureds.

We see private flood as a way to augment the NFIP. Private insurance can attract new clients and new business. It can provide unique coverages and capacity, while also delivering solutions to standard and complex risks.

Its ultimate goal is growing the number of potential insureds, working in unison to assure sustainable communities. Together, public and private flood insurances are a partnership with a common goal and mission. ■

The author

G. Michael Sloane is the executive vice president and chief marketing officer for Wright Flood, the largest flood provider in Florida and in the United States. For more information, visit www.wrightflood.com

WORKERS COMP FOR SMALL BUSINESSES

Five strategies for protecting clients and mitigating risk

By Dax Craig

Almost every type of business in Florida benefits from the financial protection that workers compensation insurance offers. Not only is it mandatory for most businesses with four or more employees, it offers the financial stability to help pay for expenses related to injuries on the job.

However, workers comp is a highly complex type of insurance and is challenging to navigate, especially for small business clients. As a trusted agent, the more you know about the product, the better you can inform and serve your clients.

Whether you currently offer workers comp insurance to your small business customers or are interested in discovering more, there are some key factors unique to the Florida market that you should keep in mind when advising small business clients on how to protect themselves.

An ideal state

Small businesses represent 99.8% of all businesses in Florida, and 41% of Florida employees work for small businesses. A new report by “Capital on Tap” ranks Florida as the number one state in the nation to start a small business. However, there is a significant gap in small business owners’ understanding of insurance options and benefits for their businesses.

Historically, small businesses have been neglected by traditional insurance companies—making it difficult to get covered. As Florida laws frequently change and workers compensation requirements vary depending on the type of business, many owners find themselves too busy to understand if their business is meeting the insurance requirements.

There is an opportunity to be a trusted partner who can consult small business owners on their coverage needs, identify gaps in their current coverage and provide educational tools for solving issues. You can easily find coverage that meets your clients’ needs by offering simplicity.

What clients need

More than three-quarters of small businesses overpay for workers comp coverage. Understanding your clients’ insurance needs, knowing what types of policies Florida-based small business owners require, and approaching them at the right time to discuss options can be an excellent strategy for success as an independent agent.

Here are five strategies to help you advise your small business clients on how to adequately protect their business, manage workers comp costs and mitigate risk:

1. **Help employers understand that immediate reporting benefits their business and injured workers.** Even though many organizations see reporting claims as a way to protect the company, the truth is that there are several benefits to prompt reporting. By reporting workplace injuries quickly, your clients can reduce workers comp claim costs and avoid penalties and fees for late filing.

   In Florida, the employer should report the injury no later than seven days after their knowledge. A quick report will also ensure that an in-depth accident investigation can occur immediately.

   Early reporting isn't just about the investigation; it can also reduce the workers compensation claim cost. If an employee is genuinely injured, allowing them to continue to work without the proper medical treatment can result in the injury worsening or another injury occurring due to the first.
2. **Ensure the employee class codes are correct.** Every insurance agent needs to know their clients' employee class codes to get workers comp insurance. Class codes are three- or four-digit codes insurance companies use to estimate rates based on the level of risk involved with the work employees are performing.

   Workers compensation codes are maintained by the National Council on Compensation Insurance (NCCI), an independent organization that gathers and analyzes workers compensation insurance data. The NCCI establishes and maintains workers comp class codes for hundreds of thousands of businesses across the United States. Some states have their own rating bureaus with a separate set of workers compensation class codes.
3. **Help employers understand technical insurance language.** Florida's workers compensation laws may seem like they are written in another language! Defining the most used workers comp and insurance terms will go far in helping your client to navigate the insurance industry's lingo.

   It's recommended to provide a workers comp glossary (agencies.pieinsurance.com/blog/client-resources/workers-comp-glossary) on your agency's website for your client's quick reference to familiarize themselves with new concepts and jargon. If your client has a better understanding of the terminology used, they will feel more confident and better prepared in challenging times.

There is an opportunity to be a trusted partner who can consult small business owners on their coverage needs, identify gaps in their current coverage and provide educational tools for solving issues.

4. **Analyze data to understand and foresee injuries.** When in doubt, the numbers will tell you the story. Data is an integral part of your insurance agency and you can use it to inform business decisions.

   Predictive data analytics holds the key to determining the likelihood of injury in your workplace by weighing measurable factors, such as employee engagement in safety procedures and when and where injuries could occur. Equipped with data, insurance agents can go above and beyond by using unique experience, empathy and expertise to improve the lives of injured workers or, better yet, prevent injury altogether.
5. **Help small businesses prepare for accidents before they happen.** Accidents can and do happen, even in the safest work environments. It's always better for small business owners to be prepared for any accident, even if the company has a long history of providing a safe work environment and mitigating risk.

   To best prepare, small businesses should prepare a formal safety plan and keep it updated with a variety of modules that address specific hazards, as required by OSHA in the state of Florida. Florida's Department of Labor also has sample safety and health programs that are intended to provide examples of various workplace and safety topics that can be downloaded and adapted for business use.

As a Florida independent agent, small business workers comp insurance is an exciting market to help grow your business. While it may have its complexities, keeping employees and employers safe, healthy, and profitable is essential. ■

The author

Dax Craig, co-founder and president of Pie Insurance, is responsible for overseeing Pie's sales, business development, engineering, underwriting, product, and analytics functions. Prior to Pie, Dax was co-founder and CEO of Valen Analytics, where he oversaw the company's growth and 2017 sale to Insurity. Dax holds an M.B.A. from the University of Colorado Boulder and a B.S. from the University of Tulsa Collins' College of Business, where he serves as a member on the Advisory Board. During his time as a graduate student, Dax founded Xertex Technologies, ultimately selling to Centurion Wireless. He is a proud and long-term member of the Young Presidents' Organization.

FLORIDA MARKET FACES NEW FLOOD INSURANCE REQUIREMENTS

What should agents look for when comparing options?

By Caitlin Connor

The state of Florida is implementing new flood insurance requirements, which creates challenges and opportunities for insurance agents. With a clear understanding of the new requirements for flood insurance, agents can take proactive measures to help clients by leveraging private market flood.

One significant adjustment made to the Citizens homeowners insurance program in Florida is a mandatory flood insurance requirement. This adjustment applies if the home is in a special flood hazard area (SFHA) and a Citizens policy with wind coverage is purchased. This aims to help offset the hidden costs of insurance and reduce the number of litigation expenses from clients who did not have flood insurance at the time of loss.

Beginning April 1, 2023, for new business and July 1, 2023, for renewal business, homeowners who live in a SFHA flood zone and have wind coverage with Citizens are required to carry flood insurance. To be compliant with the new flood insurance requirement, the insured must purchase a flood policy that matches the dwelling and contents limits on the Citizens policy, up to the NFIP max of $250,000 for dwelling and $100,000 for contents.

Current Citizens customers with wind policies expiring on or after July 1, 2023, will be sent non-renewal notices. Policyholders must return a flood affirmation form along with proof of appropriate flood insurance to have the non-renewal rescinded. In 2024, Citizens will expand the flood insurance requirement for all insureds regardless of flood zone if purchasing wind coverage. This new requirement is projected to double the policies in force for flood.

Agents are looking to new private flood markets as an option to help insureds offset expenses while utilizing the advancements of technology to help compare markets. The flood requirement for homes with Citizens wind coverage will provide more opportunity for agents strategically partnered with private flood markets.

The burden of finding rate relief can be simplified when looking at an all-in cost-benefit analysis. Insureds currently with the NFIP may find better alternate solutions at a lower price with more robust coverages.

The private market can help fill the gap caused by inflation and a hard insurance market. Multiple markets now offer coverage for the flood peril, and shifting to the private market from the NFIP can offer rate relief to an underwater consumer in this hard market.

What should agents look for when comparing options?

Multi-raters for flood pricing. Agents should discuss their clients' needs and compare options to help them find the best flood insurance coverage. By getting to know specific needs, agents can better determine which private market flood insurance provider can best meet them. Time is money to an agency, so providing multiple market options with one quote is key. Agents are already burdened with navigating the volatile homeowners market in Florida, so partnering with a multi-rater flood solution should help the agent when compiling market options for their clients.

Private options with more coverage. Private market flood insurance offers more comprehensive coverage than the NFIP. This coverage includes higher policy limits, lower deductibles, and broader coverage. For clients already insured with the NFIP, agents should verify if their client is locked into a subsidized rate before transitioning to the private market. For clients without flood insurance, be sure to compare a full coverage private flood policy to the NFIP limit options. Always have a waiver signed if not insuring to value.

Shorter waiting periods. As mentioned earlier, private market flood insurance has shorter waiting periods than the NFIP. Leveraging these may be crucial for policyholders who need to comply with the new Citizens flood requirements quickly. Many clients faced with a non-renewal notice from Citizens may be unaware of the 30-day wait when insured with the NFIP and can face a gap in coverage if they do not get their flood affirmation form completed prior to the expiration date. Presenting a private market option may help them stay insured with less stress.

Premium financing. Payment plans are another factor to consider when comparing flood insurance options. Unprecedented rate increases have impacted insureds in Florida. The additional burden of a flood policy premium on top of higher homeowners insurance costs has increased the demand for private flood premium financing.

The new requirement for flood insurance for insureds with wind coverage under the state-run Citizens Property Insurance Corporation presents both challenges and opportunities for insurance agents in Florida. As the state's insurance industry continues to grapple with rising costs and litigation expenses, agents will need to be well-versed in private market flood solutions to help their clients navigate this new requirement.

By comparing different options and leveraging the benefits of private flood insurance, agents can help their clients find affordable and comprehensive coverage that meets their clients' needs. Overall, this is a time of change and uncertainty for insurance in Florida, but agents who are proactive and knowledgeable about the options available to them will be best positioned to help their clients weather the storm. ■

The author

Caitlin Connor is the St. Petersburg, Florida-based flood strategy coordinator for Johnson & Johnson Insurance, a personal and commercial lines wholesale broker and MGA founded in Charleston, South Carolina, in 1930.

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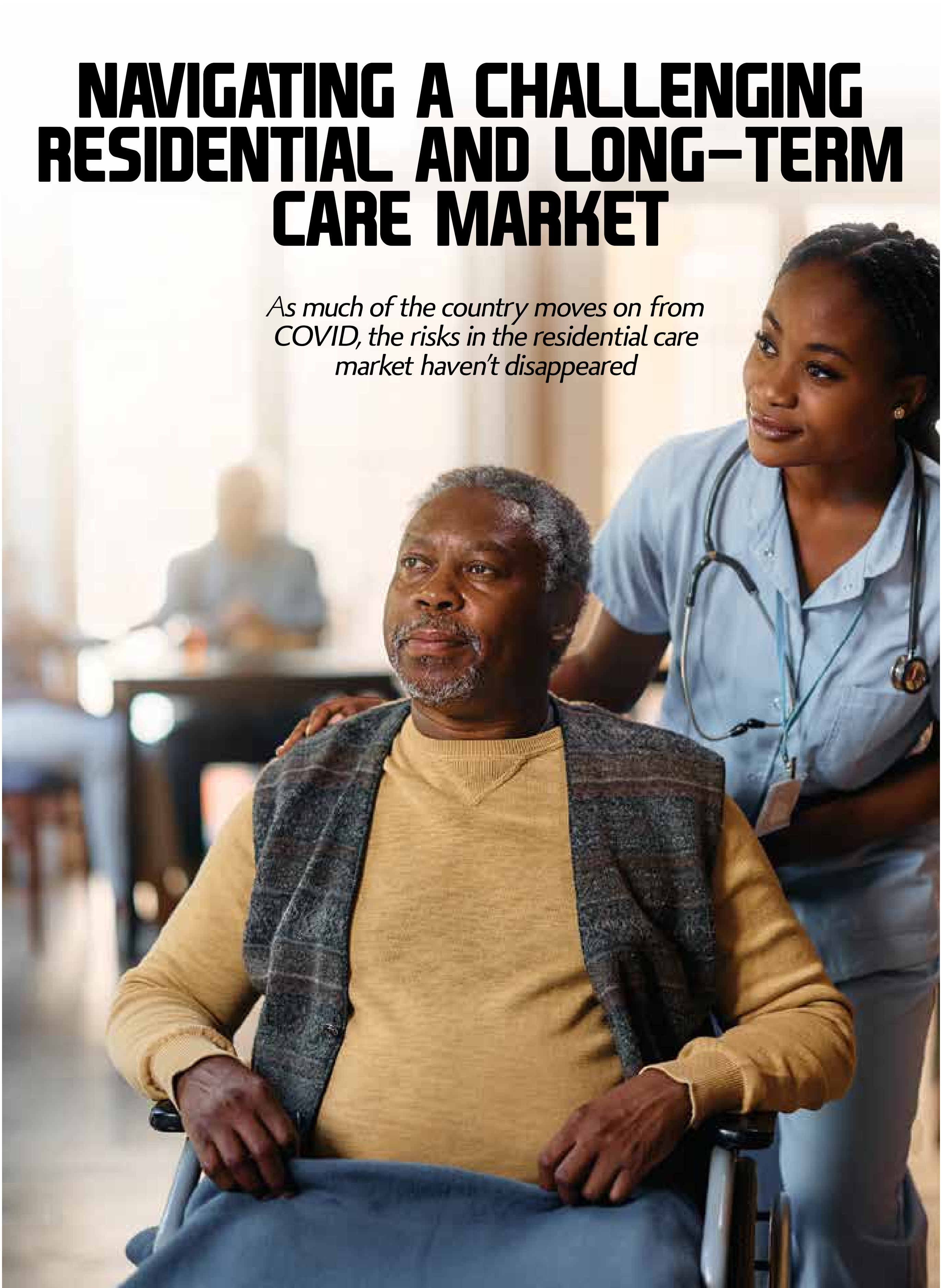
NAVIGATING A CHALLENGING RESIDENTIAL AND LONG-TERM CARE MARKET

As much of the country moves on from COVID, the risks in the residential care market haven't disappeared



By Kyle Flynn

The residential and long-term care (LTC) market was hardening leading into the new decade, even before the coronavirus outbreak in early 2020 caught the world completely unprepared. As COVID-19 disrupted the world, some of the hardest-hit populations lived in residential and LTC facilities, catching those facilities, their residents, and their insurance companies by surprise.

The losses this industry experienced scared away many insurance professionals, and allied health risks became much harder to insure. As much of the country moves on, moving on doesn't mean the risks in the residential care market have disappeared.

The insurance companies that left the market are either staying out or are just starting to tiptoe back in, asking, "Is it safe?" Honestly, the answer is still unclear, but there are ways to move forward and seize opportunities without fully answering the question.

The challenges

Since March 2020, most residential care facilities have faced staffing shortages, which often limits admissions. Inflation and The Great Resignation have also made it hard for these facilities to find caregiving staff.

Nursing turnover is rising across the nation, with the national average by the end of 2022 at a whopping 52.51% for RNs. In Florida, things look even more grim, with an average of 58.3% RN turnover across the state.

Companies typically deal with these staffing shortages by either making do with lower staffing levels or hiring less qualified staff. Both can spell disaster for patients, their families, insureds, and insurers.

All these conditions can lead to a higher likelihood of errors, potentially resulting in lower quality care that compounds on itself. This opens LTC businesses up to costly lawsuits and insurance claims that can bring financial hardship, making it even more difficult to find insurance.

The demand

The future of residential care looks crowded, as the baby boomer generation—the largest generation in history—begins to need LTC. Many boomers remain active, delaying their entry into care facilities; but as they age, they will drastically increase the need for care. In Florida, this demand will be especially drastic: The state is projected to add 250,000 new residents every year until 2030, and over half of them will be 60 or older.

Insurance solutions are never quick or easy in a market like allied health, but with patience and some out-of-the-box thinking, they can be found.

In 2018, the State Director of AARP predicted that soon "we will wake up to a Sunshine State that is grayer than almost anyplace on Earth has ever been—a place where one person in four is 65 or older." Current trends expect this to occur before 2030.

Despite potential demand increases, many facilities are limiting admissions as a way of dealing with staffing shortages, which may mean that many who need care will have difficulty finding suitable accommodations. Florida is already at 87% occupancy of the current facilities available, and with the number of residents needing care rising so quickly, it's possible that demand could outpace supply. This would strain existing facilities and push new ones to open too quickly, without enough properly trained staff, adequate insurance, or all the above.

The opportunity

While it feels like a lose-lose situation for all parties involved, creative insurance professionals know solutions exist. Some field experts have recommended the more patient route, encouraging agents to submit accounts three months prior to renewal, or four to six months ahead of a new coverage period in order to find the best coverage. Frankly, this feels like an impossible request! Many insureds' business plans don't allow for that much time ahead of beginning operations before seeking insurance in the first place.

There are no concrete cures for the issues facing the LTC industry—insurers must take these new challenges into consideration, and the E&S market is uniquely positioned to do so.

At Aspera, we're tackling the problem with creativity and consistency. For instance, we see that approximately a third of allied health submissions have claims to report on their loss runs, so we know we need a few different approaches to coverage while still addressing the risks. Additionally, our team has past underwriting experience, so we know exactly what questions to ask to ensure that a submission is ready to quote before it ever reaches an underwriter's inbox. Finally, we aim to return quotes within 48 hours, ensuring that retail agents and their clients can have insurance solutions in place in a timely, realistic way.

Insurance solutions are never quick or easy in a market like allied health, but with patience and some out-of-the-box thinking, they can be found. ■

The author

Kyle Flynn is the Commercial Lines Division manager at Aspera Insurance Services, a wholesale brokerage specializing in hard-to-place property, casualty, and specialty risks. He has led the Commercial team at Aspera since early 2022 and has ten years of prior underwriting experience and five years on the agency side. For more information on working with Aspera, email marketing@asperains.com or visit asperains.com.

STAYING ON THE SUNNY SIDE OF COSMETICS

Florida poses unique risks to cosmetics manufacturers that require thoughtful, preventative strategies for success

By Sean Brownyard

From extreme temperatures to frequent legislative changes, there is plenty of risk in the state of Florida challenging businesses, and cosmetics manufacturers are no exception.

Some of the top risks cosmetics manufacturers face in the sunshine state are mirrored nationally, though some have their own unique Florida-related considerations.

Legislatively, in 2021, Florida Governor Ron DeSantis signed SB 1966 into law, which, among other things, updated Florida cosmetic regulations. Specifically, it exempted certain individuals from the requirement of possessing a cosmetic manufacturer's permit.

While these individuals must follow certain requirements such as having less than $25,000 in annual gross sales, having labels that meet U.S. Food and Drug Administration (FDA) requirements and only manufacturing innocuous products such as soaps and lotions, this legislation does open manufacturers to additional risk.

Without the need for a permit, individuals may become lax on certain protective or preventative processes, leading to potentially unsafe or mislabeled products. For those manufacturers operating under this law, it is important to ensure that they are not producing hazardous chemicals or unsafe products. While it may be an extra step, going through the process to obtain a manufacturer's permit can help ensure the firm is following all the right safety protocols and requirements.

Environmentally, Florida presents a host of unique challenges whether related to its heat, humidity, sunshine or extreme storms. These challenges take typical risks that many manufacturers face nationwide and exacerbate them in ways unique to the climate of one of our southern-most states.

Packaging. While manufacturers are focused on producing safe, high-quality products, they also have an obligation to ensure that they are packed in materials that will maintain the integrity of the product. For instance, if a product is not sealed correctly or stored in the right container, it could degrade, limiting its effectiveness and

potentially exposing consumers to unintended side effects. Aside from the risk of injuring a consumer, poorly packaged products might spill in transit, damaging the manufacturer's reputation in addition to exposing them to liability.

Such packaging issues can be exacerbated by Florida's distinctive climate. For instance, products usually stored in clear plastic or glass may break down more quickly when exposed to direct sunlight or increased humidity. When developing products to be sold in Florida, manufacturers should consider how they will hold up against such factors.

In diligently packaging and labeling products, cosmetics manufacturers can protect themselves against costly legal situations and maintain a strong reputation among consumers.

Labeling. Packaging aside, manufacturers also have an obligation to clearly label products with accurate depictions of any risks or side effects that may occur along with clear instructions for use. For instance, products meant for salon use only should be clearly differentiated from products intended for home or personal use. If a consumer were to purchase a product meant only for use in a salon, such as salon-grade bleach, and attempt to use it without fully understanding its uses, ingredients or potential side effects, the consumer could become injured. This opens the manufacturer to liability.

In Florida specifically, products need to be labeled clearly for any changes or side effects that may occur in direct sunlight, heat or humidity. Certain products such as face lotions, perms or hair dye may react with the skin differently in such weather and cause adverse side effects and injury.

Florida poses unique risks to cosmetics manufacturers that require thoughtful, preventative strategies for success.

Similarly, sunscreen, an important product in the sunshine state, could be impacted by weather conditions. When developing sunscreen, it is important for manufacturers to ensure that the UV filters/absorbers are properly combined and stabilized, so that the SPF on the label of the bottle is correct.

Ensuring the stability of products and adding extra language to labeling may require extra time and steps within the product development process, but it will also help to protect manufacturers against additional risks they may face in states with sunny, warm climates.

National risks

There are some risks that cosmetics manufacturers will face regardless of the states in which they operate or ship their products. It is important for insurers to advise their cosmetics clients of these risks in addition to any geographically specific risks they may face to avoid costly claims and legal implications.

Record keeping. Manufacturers should be aware that consumers may open a case or a claim against them for a product that was purchased years ago in a number of states. For instance, in Florida, consumers have four years from the date of their injury to bring a legal case against a cosmetic manufacturer. Due to this possibility, it is important for manufacturers to keep an extensive library of records on all products sold. This library should include not only information on recalled products, but all products. Such extensive records can help cosmetics manufacturers build a stronger defense against potential lawsuits and in some instances prove that their product was not at fault for injury.

Communications. Accidents do happen, and despite manufacturers' best efforts, it is rare for an organization to completely avoid recalling a product. This is where proper communication comes into play. Manufacturers who have a crisis communications plan in place will rebound more quickly and may prevent larger or additional claims as a result.

If an issue of concern involving a product develops, the crisis communications plan should provide clear steps forward using sample crisis scenarios established with the manufacturer, their communication and legal teams, and other relevant parties.

These scenarios within the plan often provide resources and guides, such as when and how to create a statement, what should go in the statement and to whom messaging should be sent. With the right preparation and plan in place, manufacturers can avoid expensive lawsuits, reputational damage or other issues.

Understanding Florida's risks

While diving into the cosmetics space in Florida can seem daunting, no industry is without its own risks. Fortunately, understanding the risks, being prepared and having the right partners can help. Be sure to find an insurance partner who fits your needs and can both help to mitigate risks and move claims quickly when accidents happen. ■

The author

Sean Brownyard is senior vice president of operations for the Brownyard Group, an insurance program administrator with specialty programs for select industry groups. Sean has nearly three decades of experience in the insurance space and has contributed to leading insurance publications as a highly regarded subject matter expert in the field. He can be reached at sbrownyard@brownyard.com.