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SURPLUS LINES EXPANSION: WHAT IT MEANS FOR AGENTS

Navigating the evolving landscape

By Dawn Walker

Undoubtedly, Florida faces a rapidly shifting insurance landscape, one that is squarely focused on forward-thinking strategies that strengthen partnerships between insurance carriers and their distribution channels and also enhances their collective ability to close critical coverage gaps. As admitted carriers tighten their underwriting appetite, retail agents are turning to managing general agents (MGAs) and the surplus lines market to place hard-to-insure risks. Just how are agents navigating this evolving landscape that requires new strategies and building out new relationships?

The rise of surplus lines

Over the past several years, the U.S insurance industry has undergone a fundamental shift—driven by a surge in catastrophic weather events, a hardening reinsurance market, litigation severity, economic volatility, and risk complexity. As admitted carriers began to pull back capacity—particularly in high exposure states like Florida—retail agents found themselves facing a deepening canyon in terms of coverage gaps for their clients. That void was filled by the surplus lines market.

What once was considered a last resort for placements rapidly evolved into a critical and strategic engine for the insurance industry. From climate-related property risks and high-value homes to cyber liability, cannabis, and habitational exposures, the surplus lines market has stepped up with the flexibility and risk appetite needed to keep coverage flowing in and out of hard market cycles.

In fact, the surplus lines market premium has consistently grown on a year-over-year basis. Using data aggregated from the 15 surplus lines stamping and service offices located across the United States, surplus lines premiums have grown by an average of 28.8% over the past three-year period.

Surplus lines premium in the Sunshine State reached $17 billion in 2024, reflecting a year-over-year increase of 11%, according to the Florida Surplus Lines Service Office (FSLSO). The policy count increased by 6% to more than 1.5 million, with commercial coverage accounting for nine of the top 10 premium-generating lines of business, according to FSLSO data.

For retail agents, this expansion has created both opportunities and challenges. Carrier contraction, increased risk complexity and hard market conditions have driven reinsurance costs up, with inflation's knock-on effect pushing policy rates higher amid reduced coverage options. This has forced agents to seek out alternative strategic measures and adapt—fast. The surplus lines sector has long served as an alternative to the admitted market, catering to niche business approaches with hard-to-place coverages.

"The surplus lines market has been an essential component of the insurance framework for centuries, providing a vital outlet for unique and tailor-made coverages that address hard-to-place risks," states FSLSO Executive Director Mark Shealy. "It's a sophisticated mechanism with a long history of serving the public by filling gaps where the standard market cannot. While the market offers this crucial flexibility, the agent community plays a critical role in compliance through "diligent effort" searches, regulatory filings, premium tax remittance, use of eligible insurers, and clear consumer disclosures."

> *Retail agents who focus on agility, relationships and expertise may find themselves on the right side of the continual market evolution and will be best positioned to serve clients in an environment where risks are more complex, and solutions are less conventional.*

What this means for agents

Agents may find themselves spending a significant portion of their efforts navigating surplus lines options. That means negotiating terms, educating clients, and working with wholesalers or MGAs to find viable coverage for their clients. This means that they must learn to build strong partnerships with wholesale brokers, MGAs and other delegated underwriting authority enterprises (DUAEs).

Delegated authority has become essential for agents in the past decade. The niche expertise of these DUAEs have become a strategic market enabler for agents and carriers alike, evidenced by the $77 billion in DUAE-sourced premiums written in 2023 alone. Agents now rely on these intermediaries for market access, underwriting insight, and risk placement strategies more than ever.

These strategies also include understanding compliance and the complexity of regulatory requirements. Surplus lines isn't just about flexibility or placing hard or emerging risks—there is a lot of documentation involved in executing these coverage transactions. Agents now must contend with and be vigilant about filing search affidavits and proper disclosures, especially in states such as Florida where compliance scrutiny is high.

One of the biggest challenges for agents will be helping their clients understand the evolution of the insurance industry. Agents have become educators and advocates—explaining the difference between admitted and non-admitted coverages, what this means for claims handling and what the surplus lines market is and why this market may be a viable option for coverage.

For agents, now is the time for competitive differentiation through expertise. Agents that have cultivated strong relationships with wholesale brokers and have developed a solid understanding of the risks facing their clients for which they need to access the surplus lines market to find appropriate coverage will win in this environment. They will become risk advisors, not just quote providers.

The expansion of agents accessing the surplus lines market isn't just a trend, it represents a structural change in a world where the complexity of risks is increasing rapidly. Retail agents who focus on agility, relationships and expertise may find themselves on the right side of the continual market evolution and will be best positioned to serve clients in an environment where risks are more complex, and solutions are less conventional. ■

The author

Dawn Walker is an associate director at A.M. Best and has more than 15 years of insurance industry and risk management experience. She joined A.M. Best in 2022.

ASSESSING THE IMPACT OF INFLATION ON CONSTRUCTION DEFECT CLAIMS

Six changes to watch for that can affect key cost elements

By Martha Kersey and William Woods, Esq.

Over the past few years after COVID-19, as new construction activity has slowly ramped back up to 2019 levels, inflation has become a staple headline, often used to explain rising prices in everything from groceries to home improvement projects. For insurance professionals, especially those focused on general liability and workers comp in the construction space, inflation has raised concerns about ballooning claims costs, repair estimates, and even jury awards.

But there's a twist: Contrary to the prevailing narrative, inflation in the construction sector, particularly for repair costs related to construction defect (CD) claims, has largely flattened since 2022.

Steady ground: Inflation has stabilized

At first glance, it's easy to assume that inflation is still accelerating, especially with high-profile consumer price index (CPI) fluctuations still making news. But when we zero in on the construction sector, and more specifically repair costs tied to construction defect claims, the data reveals a different story.

The RS Means database—widely considered the gold standard for construction cost estimation—tells a compelling story. RS Means tracks more than 92,000 line items and updates them annually using over 30,000 hours of research. According to cost index data from RS Means:

- In July 2020, repair pricing stood at 79.8% of what it is today.
- By 2021, that rose to 87.6%—a notable jump.
- The biggest spike came in 2022, with prices climbing to 101.1%, reflecting post-COVID market disruptions, supply chain bottlenecks, and labor shortages.

However, suddenly a new view emerges:

- In 2023, costs dipped slightly to 99.9%.
- By 2024, they nudged up only slightly to 100.3%.
- As of January 1, 2025, the index still hovered around that mark.

This flattening trend is significant. While construction prices surged during the pandemic and its immediate aftermath, they've now stabilized. This is particularly relevant for agents selling GL policies tied to CD claims, because the exposure to soaring loss costs may already be baked in, not accelerating as is proclaimed.

Why has inflation cooled in this space? A few reasons:

- **Contractors have adapted.** Many general contractors are now opting for more durable materials and construction methods—like shifting from wood frame/stucco to all-block builds—that are less prone to defects and litigation. That change alone has had a quiet but powerful effect on reducing the severity of CD-related claims.
- **Plaintiff awards haven't risen.** Despite the inflation narrative, juries have not significantly increased their damage awards. Verdicts remain largely in line with pre-2022 figures.

- **Economic fundamentals have settled.** Interest rates have leveled off. Wage growth has slowed. Insurance premiums have increased slightly but remain within predictable bounds.

Taken together, these factors suggest that, at least for now, the inflationary tide has receded in the construction defect claims space.

> [C]ontrary to the prevailing narrative, inflation in the construction sector, particularly for repair costs related to construction defect claims, has largely flattened since 2022.

Looking forward

What should agents watch going forward? While the current outlook is calm, it's not without potential storm clouds. If you're advising construction-focused clients or evaluating risk in CD-prone sectors, watch for changes that affect key cost elements of construction claims. These include:

1. Labor market shifts. The availability and cost of construction labor can change fast, and public policy plays a big role. Factors to keep on your radar:

- **Immigration policy.** If restrictions tighten, with an already low unemployment rate, low-cost labor becomes scarcer, and hourly rates go up. Conversely, expanded immigration access could increase the supply of labor and could help stabilize or lower wages.
- **OSHA and labor laws.** A relaxation of safety regulations, overtime rules, or employment eligibility for younger workers can positively influence the labor supply which in turn impacts project timelines in the short-term. If insureds maintain good on-site safety records, along with their increased access to labor, this could keep labor costs under control.

If you see policy changes in these areas, it may be time to reassess projected claims severity and overall risk.

2. Material supply chain disruptions. While supply chains have mostly recovered from their pandemic-era chaos, they're still vulnerable. Supply chain disruptors, such as tariffs on building materials (like Canadian lumber, and heating components), unexpected shortages, or global trade disputes could all drive up prices again. Keep an eye on:

- **Global commodity trends**
- **Tariff announcements**
- **Natural disasters that spike** demand and interrupt transport of materials from supply hubs

Even modest shifts here can increase the cost of repairs and replacements, especially in states with high CD exposure like Florida.

3. Demand for new construction. Interestingly, the pace of new builds influences both long-term and short-term CD litigation trends. For example:

- **In a strong economy,** more new builds equal more potential for future CD claims, especially if corners are cut to keep up with demand.
- **In a recessionary climate,** there are fewer builds, but potentially *more* lawsuits, as HOAs and property owners look to litigation to fund necessary repairs when they can't raise assessments.

Currently, forecasts suggest strong construction demand through at least Q4 of 2025. But if a slowdown hits, expect more CD lawsuits in the short-run.

4. Interest rates and loan accessibility. The ability to finance construction, whether for new builds, remodels or repairs, impacts everything. If credit tightens and interest rates spike, property owners may delay repairs or cut corners, which could lead to more defects and more claims down the line. Conversely, stable lending environments tend to reduce that risk.

5. Litigation environment and expert testimony. In some jurisdictions (Florida, for example), the testimony of a single well-known plaintiff expert can have an outsized impact on damages awarded in CD cases. While this isn't a new trend, it's something to watch: If a major expert retires, predominant lawyers in the industry change, or if a predominate judge retires in your jurisdiction, it could reshape claim valuations.

At the same time, statutory changes or new case law (e.g., tort reform or changes to insurance policy coverage interpretations) could either limit or expand what's recoverable in a GL claim. Agents should stay in tune with legislative developments and court decisions in their markets.

6. Weather and natural disasters. While not directly inflationary, weather-driven events (wildfires, hurricanes, floods) often spike demand for construction materials and repairs, depleting supplies and resulting in upward pressure on repair costs. As we've seen in past disaster recoveries, these conditions can fuel price surges, price gouging and claims inflation very quickly.

The bottom line for agents

The prevailing assumption that "inflation is still running hot" doesn't fully apply to the construction defect space, at least not right now. Repair and rebuild costs have held remarkably steady since 2022, and while prices remain elevated from pre-pandemic levels, they're not climbing further at any significant rate.

For agents selling general liability and workers comp in the construction sector, this offers a rare moment of clarity. Now is the time to:

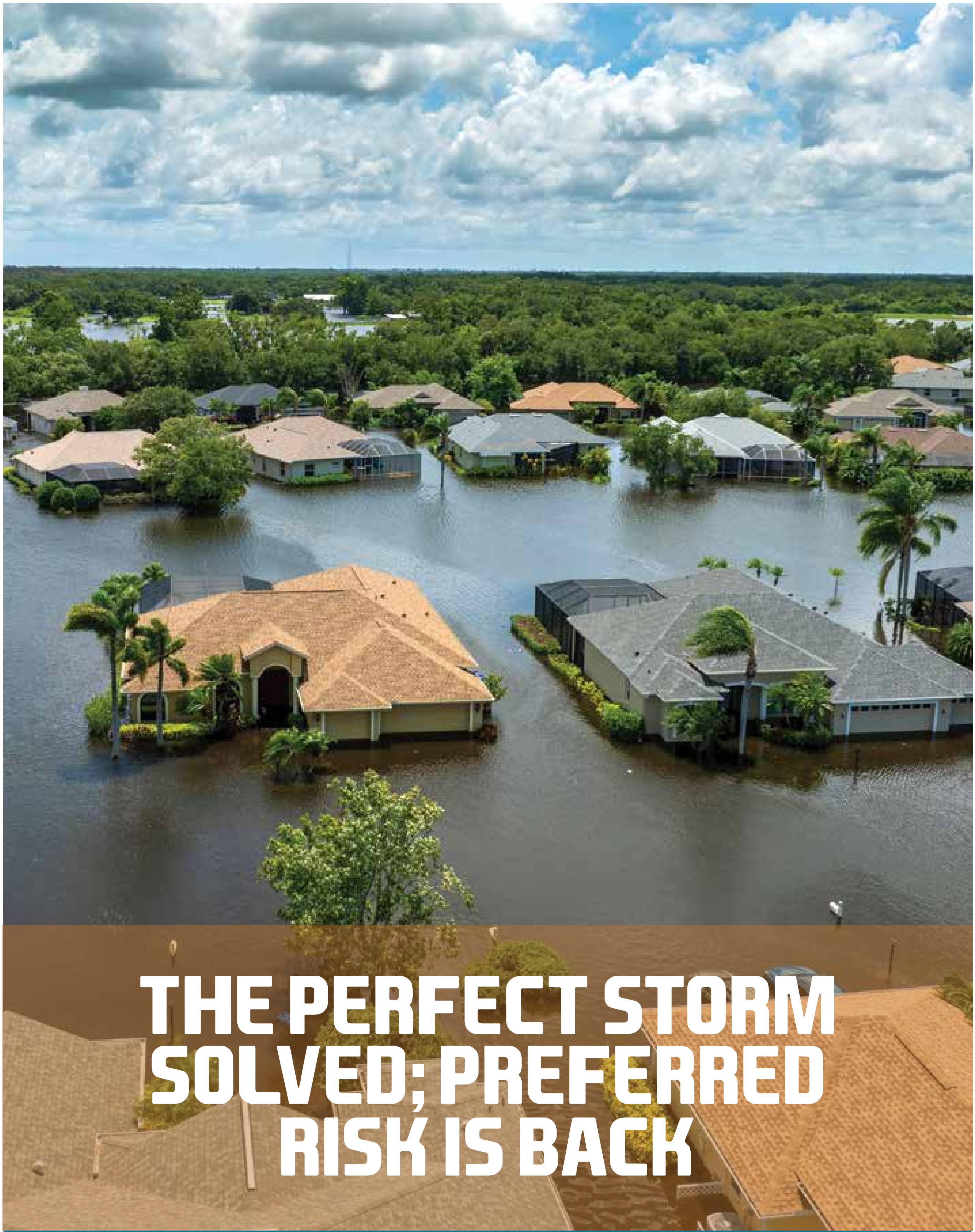
- **Update your exposure models** using stabilized repair cost data.
- **Communicate with your claims partners** to better understand the true exposure on open CD claims from 2022 to 2024.
- **Educate clients** on how changing practices and economic conditions affect litigation risk.

But don't get complacent. The construction industry is especially sensitive to macroeconomic and regulatory swings. Keep watching the key inputs to construction such as labor, material costs, litigation trends, construction demand and interest rates. One shift in any of these could send costs back up, and liability exposure with it and change the view.

For now, the outlook remains positive. But as always in insurance, clear skies today don't mean there's no storm tomorrow. ■

The author

Martha Kersey is the assistant vice president of Casualty Claims for FrankCrum General Agency Inc., which services general liability and construction defect claims. William Woods, Esq., is managing trial attorney of Woods Law Group, Frank Winston Crum's staff counsel office.



THE PERFECT STORM SOLVED; PREFERRED RISK IS BACK

Identifying the gap in flood coverage and finding a solution

By Brendan Moeller

> [M]any households in the United States—even in flood-prone areas—do not buy flood insurance because they share the common misconception that standard homeowners insurance policies cover flood damage.

As property insurance carriers and global reinsurers prepare for the start of the Atlantic hurricane season starting June 1, many within the flood industry continue to ponder what exactly drives the flood insurance gap that exists within the United States.

For instance, given an event such as Hurricane Helene, which resulted in $20 billion to $30 billion in uninsured losses, why do only 1% of residents purchase flood insurance in certain communities that were heavily impacted? It's an issue the flood industry has grappled with and debated for over a decade.

Some of the questions that are commonly raised include: Is flood insurance too costly? Is the product too hard to access? Is the right product unavailable? Is there lack of understanding from the consumer standpoint? Or is it a combination of all the above?

Over the last two years, my team has been working to identify and solve this age-old question. Why is there a gap? Our company, Flood Risk Solutions, provides both private flood and FEMA-backed flood insurance solutions to the marketplace. Founded in 2017, we're a subsidiary of XPT Specialty, a niche distributor and MGU.

Identifying the problem

Our experience providing flood insurance integrations has enabled us to recognize the factors that have led up to the problem.

To start, many households in the United States—even in flood-prone areas—do not buy flood insurance because they share the common misconception that standard homeowners insurance policies cover flood damage.

While many forgo separate flood coverage because of this, those who do seek out quotes on their homes discover the annual premium cost can be prohibitive, in many cases reaching into the thousands of dollars.

Beyond misconception and cost, other factors come into play. Many existing flood insurance products are designed to meet the requirements for mortgage compliance, which primarily focus on high-risk zones and overlook the needs of those in low-to-moderate-risk areas. This leaves a significant segment of the population not adequately protected. The fact that more than 40% of National Flood Insurance Program (NFIP) flood losses occur outside of high-risk zones highlights the problem.

Let's sum things up: Homeowners mistakenly assume flood is covered; the flood product in the marketplace is designed for mortgage compliance in high-risk zones; and the low-to-moderate-risk quotes are costly to purchase; however, the losses are occurring in low-to-moderate-risk zones.

Finding a fix

But what about the solution?

New products have been coming to the market to address the flood gap. Within the last month, Vertafore's PL Rater, EZLynx, and Flood Risk Solutions have all added a small sub-limit flood product to their rating platforms. The products are priced differently from traditional flood products and are based on smaller limits, but designed to provide coverage for insureds that would never buy a traditional flood policy.

Premiums start as low as $50 and can go up to $200, with payment plans available starting at only $5 per month. The coverage limits can range up to $100,000 with enhanced features such as basement contents. The products are delivered on A.M. Best A rated and S&P AA- rated paper.

The novelty is that the re-engineered product is offered at a price point finally affordable to those who may not require extensive protection, but who still wish to safeguard against potential flood-related damages, considering the average flood loss is under $50,000.

The sub-limit Preferred Risk Policy impact can be immense. Besides empowering individual policyholders, communities can become more resilient to flood events. The financial burden on government disaster relief programs and taxpayers can then also be reduced. In addition, the overall risk pool can diversify, as more home owners in low-to-moderate-risk areas obtain coverage. This could lead to more stable and reduced premiums. Essentially, sharing the risks across the board aligns with the foundational principles of insurance and nurtures a more prepared society when facing natural disasters. ■

The author

Brendan Moeller is a co-founder and managing director of Flood Risk Solutions, a division of XPT Specialty. He is responsible for the development of the MGA and wholesale technology platform, carrier partnerships, and product implementation. He started his career in 2003 at The Hartford in New York City in the middle market underwriting group and subsequently moved into the surplus lines segment, working for one of the largest wholesale excess and surplus lines distributors in the country. In 2017, he co-founded Flood Risk to help bring more flood capacity to the marketplace and help bridge the flood gap. Brendan holds a CPCU designation and earned a bachelor's degree in economics from St. Lawrence University. To learn more, visit www.floodsol.com or reach Brendan at BM@floodsol.com.

LIABILITY INSIGHTS: NAVIGATING TERMS, COVERAGE, AND EMERGING RISKS

It's critical to understand common industry "buzzwords," stay up to date on trends, and educate your clients about them

By Christopher Reid

Imagine a homeowner hosts a pool party where, despite the no diving signs they've posted by the shallow end, a visitor dives in head-first, breaking their neck and becoming critically injured. That's obviously an upsetting situation for everyone involved, but if the homeowner doesn't have proper insurance coverage, they could be financially destroyed by the ensuing claims. It's up to insurance professionals to help ensure that their clients are properly protected from any potential incidents and claims. To do that, agents and their clients must truly understand the terms—as well as the coverage afforded by the policy.

Common industry terms and "buzzwords"—including liability, excess, umbrella policies, social inflation, and nuclear verdicts—are critical to understand, as questions and misconceptions surround them. These terms frequently come up in insurance discussions, but not everyone is clear on their meaning or importance.

For instance, the term "excess liability" is used broadly to mean many things; therefore, agents, carriers, and clients must be aligned on what it means—and what it covers. When the liability limits of an insured's other policies—like auto or homeowners—have been exhausted, excess liability is designed to cover additional limits, as an extra layer of protection. If an individual was injured in a car accident and the other (at-fault) driver's liability limits didn't cover the full extent of the individual's medical bills, an excess liability policy may cover the overage.

Additionally, many individuals need Comprehensive Personal Liability (CPL) insurance, which is typically sold in conjunction with a comprehensive homeowners policy. CPL coverage provides the baseline liability for the named insureds and can provide the liability needed to protect the insureds in the event of a claim or lawsuit. In addition, CPL is necessary for obtaining additional limits of liability that are available via umbrella or excess umbrella policy.

People often get confused between the terms "excess liability" and "umbrella" policies, which is understandable, because there may be some overlap. Umbrella

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insurance typically offers broader coverage and can be used to fill in coverage gaps, serving as an additional layer of protection. Umbrella coverage kicks in after the insured's primary coverage reaches its maximum payout. Picture the insurance coverage in layers: An insured needs a "base layer" of coverage first, like a homeowners policy to protect their residence and a CPL to protect themselves. Umbrella policies are intended to sit on top of this other coverage, as an additional layer.

If a client's dog attacks a neighbor, the client would likely become liable for the neighbor's medical bills. Say the neighbor incurs $400,000 in medical expenses. If the client's homeowners policy has a $300,000 limit, their umbrella insurance would cover the remaining $100,000. An umbrella policy could also cover other assets, like rental properties, automobiles, ATVs, watercraft, and motor homes.

Depending on a client's specific circumstances, they may need to layer multiple umbrella policies on top of each other to ensure that they're properly protected. Many carriers will issue excess umbrella coverage, but it's important to read through each carrier's policies to determine the limits and what's covered.

Be forthcoming (and honest) with submission details

There's a common misperception that insurance carriers can do anything for any premium, which isn't true. Be realistic when explaining to clients what can—and can't—happen with policies. Also, keep in mind that everyone's underwriting appetite is different. If a client has unique types of exposures, standard carriers might not be willing to take on these risks. Clients that have skateboard ramps in their backyards may find that most carriers won't touch those risks because of the high liability involved. While the industry might be able to do interesting carveouts for unusual situations, certain scenarios may be more difficult to cover.

We often say the devil's in the details, so consider what information a carrier will require to underwrite a policy. If a client has a zipline on their property, or their home is adjacent to a hunting area, those details need to be provided upfront and honestly. If individuals and their agent don't present all relevant information up front, there could be unpleasant surprises down the line.

When submitting for auto liability, for instance, the carrier must have correct accident and violation information. Saying "the client was in an accident" isn't sufficient because it's not a valid description of the loss. Was it a single-car accident? Whose fault was it? Is the claim still open? Has your client been sued? These details can change the premium or eligibility and must be disclosed. From a carrier's perspective, there's a vast difference between a small fender bender with no injuries and a serious accident with open litigation.

[T]erms frequently come up in insurance discussions, but not everyone is clear on their meaning or importance.

What's in a name? A lot when it comes to policies

Clients may be conflicted about what type of policies they need—and what name (or names) should be listed. Perhaps an individual owns multiple rental properties and lists the coverage under their LLC's name because they're trying to keep their personal liability separate.

Excess CPL can be written in many names—including a trust, individual or estate—to cover a specific location. Then, clients also require coverage to protect them as they walk around, which would likely be an umbrella policy in their name. Remember: The names on the policy matter. If a husband and wife have an umbrella policy, they're both covered, but if co-habituating, unmarried partners get a policy, both their names need to be listed for the policy to cover both of them.

Understanding nuclear verdicts and social inflation

Social inflation and nuclear verdicts have become hot topics, and it's important to educate insureds about what these terms mean.

A nuclear verdict is awarded in favor of the plaintiff, with a payout significantly larger than expected. Lately, many courts have been awarding exceedingly high payouts (nuclear verdicts) that often far exceed policy limits.

Social inflation describes the rising costs of insurance claims resulting from a "perfect storm" of factors: an increasingly litigious society, broader definitions of liability, more "bad faith" claims, and juries awarding higher compensation to plaintiffs (nuclear verdicts). Nuclear verdicts are driving social inflation, where the high costs associated with insurance claims are increasing at a rate that's greater than general economic inflation.

Looking at trends in auto liability, a recent study from the American Transportation Research Institute showed a nearly 1,000% increase in large, multi-million dollar verdicts involving truck accidents. Per the study, when looking at truck accident lawsuits with claims above $1 million, the average payout increased from $2.3 million to $22.3 million over nine years.

In Florida, there's a requirement that if there's a limit demand, the insurer must provide payment to the claimant by a specific day. If this doesn't happen, a jury can consider it to be bad faith. Or, if an insurer refuses to pay for a covered loss, a jury could award a bad faith nuclear verdict. In a recent case, a motorist had a $250,000 bad faith claim, and a jury awarded them $100 million—far exceeding the original claim.

The higher payouts associated with nuclear verdicts are propelling social inflation and, as a result, many insurance companies are increasing their rates—which impacts the insureds. Additionally, thanks to nuclear verdicts and social inflation, carriers may now restrict what they'll cover. If they used to allow a $250,000 attachment point, they may now raise that to $1 million. They may also restrict what they'll offer, which could vary by state. These restrictions and rate hikes are leading to more submissions in the stand-alone market and sparking more need for stand-alone carriers.

Natural disasters drive homeowners insurance capacity issues

We've seen capacity issues with homeowners policies that are constantly changing—due to more frequent and severe weather events—which is dramatically impacting the homeowners and liability markets.

Clearly, we've seen severe and frequent catastrophes (CATs) in the homeowners space recently, including devastating storms in Florida, wildfires in California, and tornadoes in the Midwest. As a result of massive and frequent payouts, homeowners carriers now have less capacity, meaning many insureds must now move to the E&S market. Traditional standard market carriers might not cover high-risk properties, so more individuals are winding up in stand-alone markets, which may be the right option to support non-standard residence carriers.

Recognize that the stand-alone option is there to *support* the marketplace—not to *replace* it. If a high-net-worth individual with multiple residences insists that they're not getting wind coverage for their Florida home—which is at high risk for wind and storm damage—and they want stand-alone liability, there's only so much that's out there. This individual might need to stack policies to reach necessary limits. Consider the reality of what stand-alone markets can do. It can be quite challenging to try and replace an existing liability policy with limits above $25 million.

Insurance for "everyday" individuals

It's not just high-net-worth individuals who should have an umbrella policy. Remember—our society is very litigious, and getting hit with a lawsuit could cause financial ruin. If an individual of any income bracket drives distracted and gets into an auto accident that injures someone, it could be devastating and life-changing for the driver. With that in mind, basic auto liability alone might not be sufficient for a middle class family.

All households regardless of income should consider an umbrella policy, especially if there are youthful drivers in their family. Ultra-high-worth individuals often have attorneys on retainer to figure out how to best protect them, but the average individual might not have that luxury. It's best practice to offer umbrella to *everyone* to help protect them from future incidents and claims. Agents must be able to educate their clients to understand these risks—especially if they don't have sufficient limits in place.

In addition to homeowners carriers there are great stand-alone markets available like Hudson Insurance Group and RLI that may be able to help!

The bottom line: Understand the terms, stay updated on industry trends, work with experienced partners, and educate your clients about the policies and limits they need—whatever that looks like for their specific situation. ■

The author

Christopher Reid is the vice president of sales-Personal Lines at Jencap in Red Bank, New Jersey. Reid is a 35-year sales executive with industry experience in financial services, insurance and technology. Reid has been with Jencap for more than a decade, focused on helping provide solutions for top industry partners with their complex high-valued exposures.

TECH-CHECK GUIDE: MAKE THE MOST OUT OF YOUR COMPARATIVE RATER ADOPTION

Eight crucial questions to ask when adopting new technology

By Michael Streit

June will mark one year since Citizens Property Insurance Corporation and EZLynx teamed up to onboard appointed Florida agents to EZLynx Rating so that agents could accurately assess risk coverage from Citizens and other carriers as part of the standard "rate, quote and bind" process for personal home insurance. Today, more than 50,000 quotes are delivered per week to Citizens-appointed agents. More business is being selected for depopulation, creating greater choice for insureds and a healthier insurance market.

While these are big wins for the market and policyholders, we understand that adopting new technology can be challenging. From implementation to employee buy-in and training, successful technology adoption takes time. Let's focus on that key word "successful," because it might just be enough to outweigh the downside around time spent.

A successful technology adoption can mean many things for an agency: improved process efficiencies, increased staff productivity, better carrier relationships, and greater profitability. And I'm just talking about a new rater. Imagine how those areas could be impacted if you took time to evaluate and upgrade more than just your personal lines rating tool.

As you consider the time it takes to successfully adopt technology, my advice would be to evaluate your entire tech stack now so you don't have to take more time later. Take a

From implementation to employee buy-in and training, successful technology adoption takes time.

look at the eight questions below that can guide your tech check and imagine how seamless your business could be with the right technology.

1. **Is my new comparative rater natively integrated with my existing tech?** This is paramount. When technology is natively integrated, it offers exceptionally smooth connectivity throughout the policy lifecycle. Native integration eliminates duplicative data entry, saving valuable time and improving quoting accuracy. Imagine the frustration of entering client information into your rater only to have to manually input it again into another system.

   Look for solutions that can act as a "dynamic duo" with your rater, allowing for efficient data flow and faster binding of business.
2. **Does my existing tech automate processes that interact with my new rater?** Automation is key to maximizing efficiency. Consider technologies that can automate tasks triggered by or related to your rating process. This could include automatically updating client records in other systems after a quote is generated, sending follow-up communications, or initiating policy issuance workflows.

   Automating routine processes reclaims valuable time, reduces manual errors, and allows your team to focus on building client relationships and acquiring new business.
3. **Does my existing tech leverage data analytics to enhance the insights I gain from my new rater?** Your personal lines rater will generate valuable data. The question is, can the integrating technology help you make better sense of it?

   Look for solutions that can gather insights and transform them into actionable intelligence. This could involve analyzing quoting trends, identifying areas for improvement in your offerings, or understanding customer preferences to optimize your sales strategies. Think of it as gaining a "crystal ball" that reveals key performance indicators (KPIs) related to your rating activities.
4. **Does my existing tech provide end-to-end digital connectivity to personal lines insureds and carriers?** Seamless communication is vital. Consider how the technology will connect you with insureds and carriers so you can save time and reduce flipping between screens to keep everybody updated.

   Can it streamline the process of gathering necessary information for accurate rating? Does it facilitate communication with carriers regarding quotes and underwriting requirements? Strong digital connectivity enables smooth data exchange and speeds up the quoting process.
5. **Can my existing tech provide a delightful digital experience for my personal lines customers?** Modern customers expect convenience. Think about how integrated technology can enhance the customer experience. Can customers easily access and review their quotes online? Are there self-service options for them to provide additional information or request changes?

   Robust customer portals and self-service tools empower customers, boost satisfaction, and free up your staff for more complex tasks.
6. **Does my existing tech offer third-party integrations beyond my rater?** Consider the broader technology ecosystem of your agency. The technology you integrate with your rater should ideally have an open and scalable architecture that allows you to seamlessly connect with other essential tools and platforms—or even live natively within them. This creates a powerful, customized tech stack that can evolve with your business needs.

   Think about integrating with CRM systems, marketing automation platforms, or other specialized tools that will help you scale as your business grows.
7. **Is my existing tech mobile friendly for both my team and customers?** In today's on-the-go world, mobility is crucial. Look for technology with mobile apps that allow your staff to access information and manage the quoting process from anywhere.

   Similarly, consider if customers can easily view quotes and manage related information on their mobile devices. This keeps everyone connected and productive, regardless of location.
8. **Does the company that provides my existing tech value innovation and understand the evolving needs of personal lines insurance?** The insurance industry is constantly changing. Partner with a technology provider that is committed to staying ahead of the curve by investing in research and development, regularly releasing new features, and actively seeking customer feedback. This ensures that the technology you integrate with your personal lines rater will remain effective and adapt to future industry trends.

By asking these eight crucial questions, you can make informed decisions and choose technologies that will natively include or seamlessly integrate with your new personal lines rater, ultimately streamlining operations, empowering your team, and delighting your customers.

Remember, choosing the right technology is an investment in your agency's future success. ■

The author

Michael Streit is president of EZLynx. With nearly a decade of experience in private equity operations and an MBA from Harvard Business School, Streit has become well-versed in the mechanics of deals and integrations, offering invaluable insights and contributions to the insurance industry.

IMPROVING AFFORDABILITY AND AVAILABILITY

Tort reform brings stability to Florida's insurance market

By Hunter Fausnacht and Sean Kevelighan

For years, Florida's property/casualty insurance market faced a risk crisis driven by legal system abuse and assignment of benefits (AOB) claim fraud. However, recent legislative measures have stabilized the market, curbing excessive lawsuits filed by billboard attorneys and restoring insurer confidence in the third-largest U.S. property/casualty insurance market.

These reforms marked a turning point in Florida's insurance landscape, improving affordability and availability for policyholders.

Risk crisis: Excessive litigation and market instability

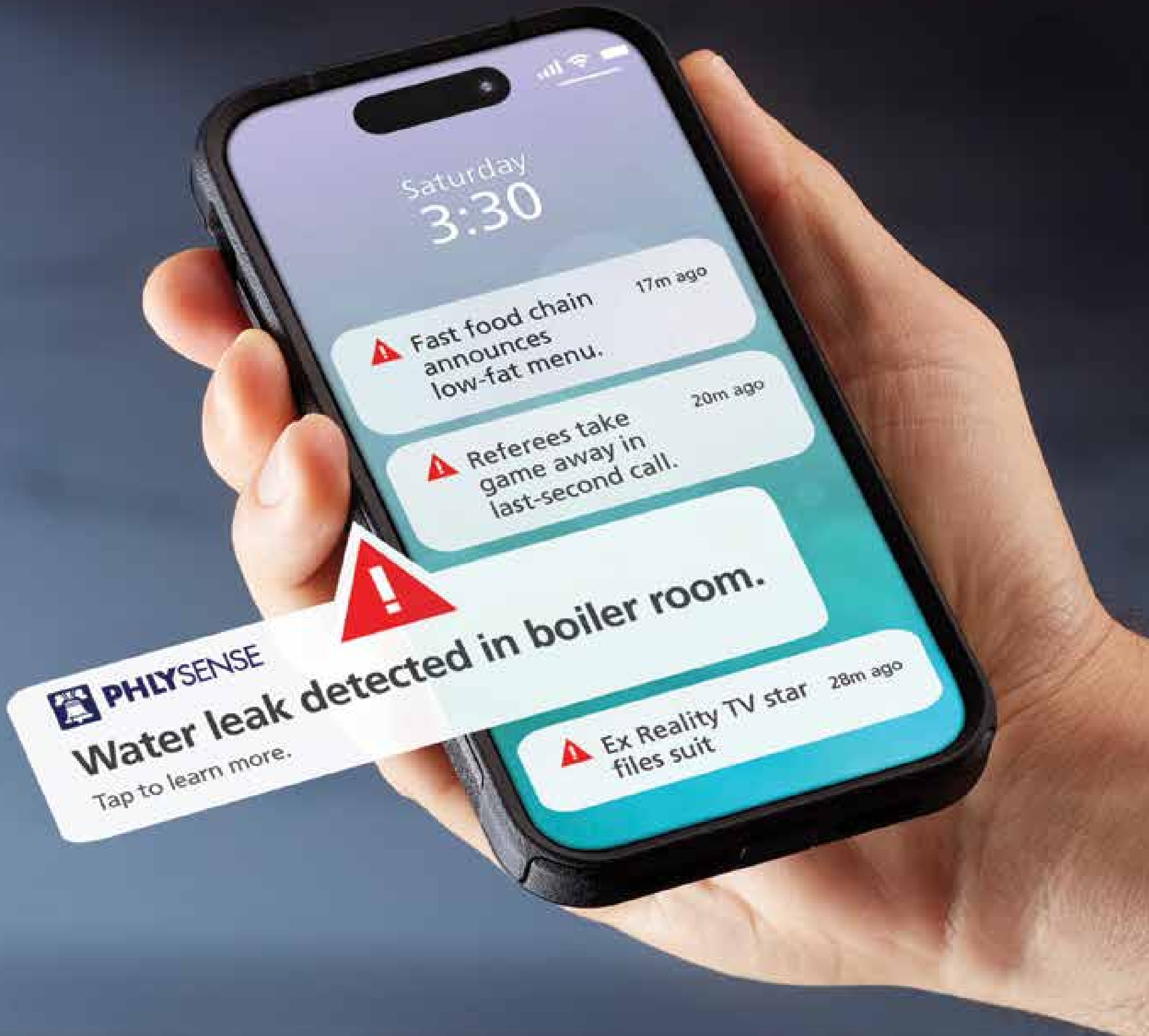
Before legislative intervention, Florida had an outsized share of the nation's property insurance-related lawsuits. In 2022, the state accounted for nearly 71% of the nation's homeowners insurance litigation, despite making up only 15% of the claims.

This legal environment, fueled by one-way attorney fee provisions and AOB abuse, created financial strain for insurers. Six Florida-domiciled regional insurers declared insolvency in 2022 alone, even before the costly impact of Hurricane Ian.

These factors forced many insurers to pull back on writing new business or voluntarily withdrawing from the Florida market, pushing policyholders to the state-backed Citizens Property Insurance Corp. and driving up premium costs for all Floridians.

Tort reform: Roadmap to market stability

Recognizing the need for systemic change, Gov. Ron DeSantis collaborated with leaders of the Florida Legislature to enact a series of tort reform measures in 2022 and 2023, directly addressing the root causes of excessive litigation and financial instability. These



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reforms focused on the legal mechanisms that had made Florida an outlier in litigation, restoring balance between insurers and policyholders:

- **Senate Bill 2A (2022).** Eliminated one-way attorney fees and AOB for property insurance claims, reducing incentives for frivolous lawsuits and claim inflation.
- **House Bill 837 (2023).** Introduced a modified comparative fault system, restricted bad-faith claims, and required medical damages to reflect actual payments rather than inflated billed amounts.
- **House Bill 1205 (2023).** Cracked down on misleading legal advertisements and improper solicitation of insurance claims, protecting consumers from predatory practices of billboard attorneys and public adjusters.

Impact: Growing market and stable rates

The results of legislative reform have been impactful but were delayed by the 280,000 new lawsuits brought into the state's judicial system in the weeks prior to Gov. DeSantis signing HB 837 in March 2023. Key indicators of stabilization include:

- **Decline in litigation.** Since the passage of these bills, claims-related lawsuits have dropped significantly. In 2024, new property claims lawsuits declined 40% year over year.
- **New insurers and growing market share.** Over the past two years, 12 new insurance companies entered the market, along with six of the 10 largest national insurers operating in the Sunshine State growing their market share in 2024, reversing the prior trend of market contraction.

[M]aintaining stability will require ongoing efforts in risk management, regulatory oversight and adaptation to natural disaster challenges.

- **Premium stabilization.** According to S&P Global Market Intelligence, Florida insurers had the lowest average rate filing increase (1%) in the U.S. in 2024. Further, the Florida Office of Insurance Regulation reported a 0.7% average decline in premiums in Q4 2024, the first statewide premium decrease since 2016.
- **Reduction in Citizens' policyholders.** Citizens has shrunk its policies in force by nearly 50% over the past 18 months to under 850,000 customers, depopulating to private insurers—a sign of increasing market confidence and improving financial health of the industry.

Challenges ahead: Navigating natural disaster risks and legislative actions

While tort reform has alleviated legal and financial pressures, Florida's exposure to hurricanes and other natural disasters remains a significant challenge. Additional considerations for the industry include:

- **Climate risk.** Insurers must continue to refine their risk assessment models and promote resilience measures to mitigate climate-related risks that impact a state surrounded by tropical waters.
- **Consumer education.** Policyholders need to understand the benefits of these reforms and how they contribute to long-term market stability, particularly in terms of claims processes and rate adjustments.
- **Legislative actions.** Billboard attorneys serving in the Florida Legislature are focused on finding ways to generate new revenues for their plaintiffs' law firms by reintroducing one-way attorney fees and other measures to retract previously passed reforms.

Conclusion: A more stable future for Florida's insurance market

Florida's tort reform efforts have brought much-needed stability to an insurance market once teetering on the brink of collapse. By curbing excessive litigation, restoring insurer confidence and attracting new market entrants, legislative actions have laid the groundwork for improved affordability and availability of coverage.

However, maintaining stability will require ongoing efforts in risk management, regulatory oversight and adaptation to natural disaster challenges.

For insurance professionals, staying informed about legislative changes and market dynamics is critical. ■

For more information:

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NAVIGATING SHIFTING SANDS: THE FLORIDA COMMERCIAL PROPERTY INSURANCE MARKET AMID CLIMATE CHANGE AND STRUCTURAL RISK

Stabilization is peeking over the horizon

By Martin Burlingame

Florida has long been one of the most complex and dynamic commercial property insurance markets in the country. From extreme weather and rising sea levels to aging infrastructure and legislative reform, the state presents a patchwork of risk and opportunity.

For retail brokers navigating this evolving landscape, understanding the interplay between market forces, climate trends, and structural realities is essential.

A market in transition: Stabilization, reform, and new capital

Over the past few years, Florida's property insurance market has undergone significant transformation. Following a period of dislocation and limited capacity, the trend has shifted toward stabilization. Rate reductions, an influx of capital, and increased private market participation are all signs of a market finding its footing.

The most visible change has been the significant decrease in commercial property rates—a sharp reversal from the hard market conditions of just a few years ago. For smaller commercial risks and personal lines, the downward trend is steady, while larger risks, which are more aggressively marketed, are experiencing even faster price corrections.

This pricing shift is driven largely by an increase in the number of active carriers and the return of reinsurance capital to the state. Improved reinsurance terms and reduced costs have not only allowed insurers to rebuild profitability but have also helped drive competition.

Rate reductions, an influx of capital, and increased private market participation are all signs of a market finding its footing.

Many carriers, reacting to better-than-expected loss performance from the 2024 hurricane season—which was flood-focused with limited wind damage—are now releasing capital to capture greater market share. As a result, business plans for 2025 and even 2026 are being revised to emphasize premium growth over risk selectivity.

The impact of Citizens' depopulation and private market growth

Central to the market's resurgence is the Citizens Property Insurance Corporation's depopulation program, which has strategically reduced the state-backed insurer's policy count by transferring exposure back into the private sector. This has stimulated new market entrants and emboldened existing private insurers to expand their Florida portfolios. Several new companies have been approved to write business in the state, signaling a growing appetite and renewed confidence in Florida's property market.

As private carriers scale up, they're supported by a reinsurance sector that is finally showing signs of stabilization. Reinsurers, encouraged by more favorable loss experience and improved risk modeling, have returned to Florida with better terms and a broader willingness to back both regional and national insurers.

Legislative reform: A turning point

Another critical contributor to the market's evolution is legislative reform. In recent years, Florida lawmakers have taken decisive steps to address chronic issues like excessive litigation and assignment of benefits abuse—both of which previously destabilized underwriting performance.

New laws aimed at promoting home hardening, reducing fraud, and limiting opportunistic lawsuits have begun to yield results. Insurers have reported improved financial performance, with many posting net profits in 2024—marking a turning point after years of consecutive losses.

However, challenges persist. Litigation risk remains a concern, not only in Florida but in neighboring states as well. Nuclear verdicts are still occurring, and carriers are responding with updated forms, coverage exclusions, and more conservative underwriting. The claims environment, while improved, continues to influence carrier appetite and form innovation.

Structural risk: The sinking condo crisis

No conversation about Florida's commercial property market would be complete without addressing the structural integrity of aging high-rise condominiums, especially in the aftermath of the Surfside collapse in 2021. The tragedy served as a wake-up call, highlighting the risks posed by deferred maintenance, saltwater corrosion, and outdated building codes.

While new legislation has boosted reserve requirements and adjusted inspection protocols for condo associations, the underwriting community remains cautious. Buildings constructed before 1990, particularly in coastal zones, are subject to higher scrutiny, and in many cases coverage is being offered only with strict conditions or exclusions.

In parallel, many insureds are choosing to "go bare" on wind coverage due to the rising cost of catastrophe insurance. This trend—spurred by affordability challenges—presents its own set of long-term risks. While electing to self-insure for wind may offer short-term financial relief, it leaves property owners exposed to the most common and costly peril in the state. Brokers must play a crucial advisory role in helping clients balance cost with risk tolerance.

Technology's role in risk assessment and claims

To meet these challenges head-on, insurers and brokers alike are leaning into technology and innovation. AI-driven analytics, satellite imagery, and remote inspection tools are now commonplace in risk assessment, underwriting, and claims processing. These advancements not only increase accuracy and efficiency but also support more competitive pricing and better risk differentiation.

For example, using satellite data and drone imagery, insurers can now

detect roof wear, structural shifts, and vegetation encroachment—often before a claim is filed. These tools enable underwriters to proactively adjust exposure and provide brokers with data-backed insights for their clients.

The road ahead: opportunity, innovation, and caution

Looking forward, the Florida market will remain highly dynamic. While conditions are favorable now, the landscape could change quickly in the face of a major CAT event, rising interest rates, or shifts in global reinsurance sentiment. Climate change continues to exacerbate risk—rising sea levels, higher storm surge potential, and more frequent hurricanes all demand sustained vigilance.

Yet, amid these challenges, the Florida commercial property market also represents one of the most resilient and opportunity-rich environments for brokers who understand its intricacies. The keys to success lie in carrier relationships, real-time market intelligence, and specialized expertise.

Conclusion

At One80 Intermediaries, we've long recognized the complexity and opportunity of the Florida property insurance market. As an innovative wholesale broker and MGA with deep specialization in Florida commercial property risks, we bring together global carrier access, sophisticated underwriting capabilities, and on-the-ground insights to help retail brokers navigate even the most challenging placements. Our ability to structure creative solutions—whether for large condo associations, multi-location portfolios, or wind-exposed commercial assets—positions us as a trusted partner in this evolving market.

The sands may be shifting in Florida, but with the right expertise and resources, brokers can find stable ground—and long-term success. ■

The author

Martin Burlingame is the Contract Binding Division President of One80 Intermediaries, where he leads a team that places property, liability, package and management liability across 30-plus carriers in the binding authority marketplace.
Previously, Martin was the CEO of Bigfoot Insurance, an online MGA platform that handled submissions for over 15,000 agents across the U.S., now expanding to 25,000 agents as part of One80 Intermediaries. Martin served in the U.S. Army as an Armor and Intelligence officer with a combat tour in Mogadishu, Somalia.


Is there a new market
hidden in your data?

FLORIDA'S E&S INSURANCE MARKET CONFRONTS NEW REALITIES IN 2025

The importance of having a property restoration company on speed dial in Florida

By Albert Geraci

The Florida insurance market has long been unpredictable, with the Excess and Surplus (E&S) lines market crucially filling gaps where standard insurance falls short. As we progress into 2025, Florida's habitational and hospitality sectors within the E&S market face unique challenges. These are driven by rising casualty litigation, social inflation, and increased migration to Florida due to COVID. Despite growing demand for coverage, insurers grapple with higher costs and limited capacity.

The casualty market in Florida remains firm, with expectations of continued firmness. Certain business classes and risks—such as bars, daycares, liquor liability, hotels and motels—are particularly firm. In this challenging market cycle, partnering with wholesalers is essential to navigate the E&S market and develop client solutions.

Wholesalers can access the E&S market for retailers, provide market trend insights, offer benchmarking information to explain the market to insureds, and deliver tailored solutions. This partnership is vital for effectively supporting retail clients and helping them face the future with confidence.

Here are five key drivers of Florida's E&S and casualty insurance market:

1. Florida's housing and hospitality sectors boost the economy. Florida's habitational and hospitality sectors are integral to its economic framework. The habitational sector provides housing for millions, while the hospitality industry—including hotels, resorts, restaurants,

The Florida insurance market
has long been unpredictable … .

bars and vacation rentals—generates over $90 billion for the state annually.

However, these sectors are susceptible to casualty risks, ranging from personal injury lawsuits (such as slip, trip, fall, assault and battery) to property damage claims. Unfortunately, securing casualty insurance in these areas has become increasingly challenging due to rising costs and limited availability.

In recent years, insurers have faced heightened litigation risks, resulting in increased premiums and reduced coverage availability. As traditional carriers withdraw or exit the Florida market, many businesses are turning to the E&S market, which offers more flexible policies, albeit often at a higher cost.

2. Social inflation and legal trends drive up Florida's casualty insurance costs. A significant challenge in Florida's, (although not limited to Florida) casualty insurance market is social inflation—the rising costs of claims due to increased legal and settlement expenses. Florida's historically litigious environment has been exacerbated by trends such as nuclear verdicts, where large jury awards in personal injury cases are becoming more common.

The habitational and hospitality sectors are particularly vulnerable to personal injury claims, from slip-and-fall accidents to alleged negligence. The state's legal climate, which often favors plaintiffs, has caused casualty premiums to soar. The increasing frequency of lawsuits and substantial settlements make it difficult for insurers to predict and manage risk, driving more property owners toward the E&S market for coverage.

3. Litigation abuse escalates costs in Florida's casualty insurance market. Litigation abuse further complicates Florida's casualty market. Prior to the 2023 reforms, the state's "one-way attorney fee" statute, which allows plaintiffs to recover attorney fees if they win, encourages excessive and sometimes meritless lawsuits. This situation often forced insurers to settle claims at high costs, further driving up premiums.

In the habitational sector, owners of residential properties like apartments and condominiums frequently face lawsuits over premises liability. Similarly, in the hospitality sector, businesses such as hotels and resorts are experiencing a surge in liability lawsuits from guests. This increase in claims, coupled with the misuse of legal processes, places a heavy burden on insurers, making casualty coverage more expensive and harder to obtain.

4. Pandemic-driven migration to Florida boosts population and casualty insurance risks. The COVID-19 pandemic prompted a wave of migration to Florida. Remote work facilitated this movement, increasing the state's population and demand for housing, including rental properties, hotels, and resorts. This migration has not been offset by relocation out of the state driven by increases in the severity and frequence of storms, rising home prices, rising rent, crime, overpopulations, traffic, insurance costs or taxes.

This population growth has led to greater exposure to casualty claims. With more residents and tourists, there is a higher likelihood of personal injury lawsuits and other liability claims. The hospitality sector, for instance, has seen an uptick in accidents involving guests, raising liability risks for hotel owners. This additional exposure to risk has made it more challenging for insurers to be competitive, pushing more property owners into the E&S market.

5. Florida's legislative reforms aim to tackle insurance market challenges and boost stability. In response to the challenges in the casualty insurance market, Florida lawmakers and regulators have implemented measures to curb litigation abuse and enhance market stability.

Florida has enacted several legislative reforms aimed at addressing the state's litigious environment. The 2023 tort reform laws sought to limit excessive lawsuits, including changes to the one-way attorney fee rule and adjustments to the statute of limitations for personal injury claims. These efforts aim to reduce frivolous lawsuits and lower the overall cost of litigation, thereby stabilizing casualty premiums.

Legislation designed to curb frivolous lawsuits and reduce the predatory practices of trial attorneys targeting property owners was also passed. This legislation presumes that the owner or principal operator of a multi-family residential property that implements certain security measures is not negligent in connection to criminal acts occurring on the premises committed by third parties who are not employees or agents of the owner or operator. The bill mandates the Florida Crime Prevention Training Institute of the Department of Legal Affairs to develop a proposed curriculum or best practices for such owners or operators.

Although these reforms are still in their early stages, initial indications are showing a reduction in the number of lawsuits filed and the cost to settle claims. Time will tell if this will lead to a more stable market, attracting capacity to return, fostering competition, and benefiting consumers through increased choices in a competitive market. ■

The author

Albert Geraci is area president of Risk Placement Services, Inc.