

# Affordable and Adequate Insurance

## Initiative Summary Statement:

Create mechanisms to address immediate and long-term insurance needs for the County residents and businesses.

## Initiative Description:

**Objective:** This Initiative proposes that regional stakeholders and local insurance sector experts assess gaps and unmet needs, then identify strategies to improve the availability and affordability of all lines of insurance in Lee County and local municipalities. Property insurance – whether for businesses, homeowners, or renters – is a critical component of housing and commercial space affordability, contributing to the long-term resilience and vitality of the region. As an example, there are approximately 64 businesses in the MLK Corridor, located within the City of Fort Myers, but consumer demand is estimated to be for 100 businesses; ensuring that new businesses can secure and maintain space is a critical component of growth. Similarly, the cost of homeowners’ and renters’ insurance is a contributing factor to home affordability. Rising insurance premiums contribute to higher monthly payments and overall decreased purchasing power for families and individuals. Maintaining available insurance coverage with affordable rates is one strategy to help ensure that the County remains a viable place to live for residents with any level of income. It is also important that residents and businesses be able to maintain adequate, not just affordable, insurance coverage; payouts from insurance policies are a critical source of recovery funding that jumpstart the rebuilding process for many individuals, families, and businesses after a major disaster event. The Lee County region will be overall more resilient to the economic impact of future disasters if insurance carriers continue to provide coverage, and homeowners and businesses have access to the tools they need to make informed insurance purchasing and claim management decisions.

**Need:** Insurance protecting homes and commercial facilities, particularly flood and wind coverage, is no longer readily available at an affordable price in the County. Florida is a frontline community for changes in the property insurance market; it is one of several states that has seen insurance rates increase significantly and many insurers change rates and coverages provided in response to catastrophic damages from natural hazard events like Hurricane Andrew (1992) and Hurricane Ian. The total estimated insured losses from Hurricane Ian are \$19,383,519,287 from 758,644 total claims, as of September 30, 2022

according to the Florida Office of Insurance Regulation’s tracking of catastrophe claims.<sup>2</sup> In approximately one year post Hurricane Ian, home insurance rates rose by an average of 35 percent in Florida – higher than in any other state during that time period.<sup>3</sup>

Since 2021, many smaller insurance companies in Florida have gone bankrupt, and several larger national firms have decided not to renew some of their Florida policies.<sup>4</sup> Several Recovery Task Force Branches voiced serious concerns about the potential negative impacts on County residents and businesses due to the decreased availability of insurance coverage and the potential lack of viable, affordable options.

**Regional Approach: Affordable and adequate insurance coverage is one of the cornerstones of building resilient communities.** The underlying insurance principle of spreading the risk is an integral part of making the County more resilient for the future. Reducing losses from disasters is one solution to the challenge of increased insurance rates and decreased insurance availability. The region can collaborate to educate residents and businesses about mitigation measures they can implement, ensure solutions to mitigate damage are integrated into building codes/standards, and potentially partner with external partners to identify cross-sector and/or policy-level financial solutions all as part of lowering costs.

Regional partners can continue to provide technical assistance that educates all residents and businesses about the importance of and ways to access insurance. Lee County, for example, disseminates information about insurance as part of emergency preparedness campaigns. Entities can also continue to refine technical assistance materials ensuring that they incorporate lessons learned from events like Hurricane Ian and are available to all members of the Lee County community.

To extend the impact of existing programs, one possibility could be to create a Countywide storm recovery program that would help fund repair and safety construction initiatives that educate property insurance customers and facilitate conversations between customers and

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<sup>2</sup> Florida Office of Insurance Regulation (OIR), *Hurricane Ian Information*, accessed October 2023, <https://www.floir.com/home/ian>.

<sup>3</sup> Policygenius, *Home Insurance Prices Are Up 21% As Homeowners are Left to Deal with Climate change, Turbulent Market*, accessed October 2023, <https://www.policygenius.com/homeowners-insurance/home-insurance-pricing-report-2023/>.

<sup>4</sup> The New York Times, *Insurer’s Retreat in Florida Signals Crisis With No Easy Fix*, July 14, 2023, <https://www.nytimes.com/2023/07/14/business/farmers-homeowners-insurance-florida.html>.

insurance companies to encourage implementation of more resilient construction methods and products to reduce property insurance rates. The two insurers that remain the most consistently available options for residents are the Citizens Property Insurance Company (intended to serve as the provider of last resort for Floridians) and the National Flood Insurance Program (NFIP). These programs each provide an advocacy office or customer experience office that can provide community education services.

The region can also partner with insurers and federal/state insurance officials to identify and implement other financial solutions to maintain a financially stable insurance market and pricing within the state. Regional conversations could potentially involve the Florida Insurance Commissioner, relevant state officials, and industry experts to investigate the feasibility of and potentially create an incentive program for insurance companies that uses public/private funds to attract and retain insurers within the Florida market.

Some insurance carriers offer discounts to property owners who implement certain cost-effective mitigation measures. The County could convene a meeting with representatives from Citizens Insurance and the National Flood Insurance Program (NFIP) before construction specs are designed for CDBG-DR housing programs so that insurance providers can specify the elements that they look for in a home to make it as safe, resilient, and affordable for the homeowner.

Community Rating System (CRS), a program that offers discounts on flood insurance premiums to communities that qualify through implementation of flood protection activities. The benefit to citizens is not only lower insurance premiums, but also more flood resilient communities. To lower the cost of National Flood Insurance Program policies, unincorporated Lee County participates in the Community Rating System. Because of the points earned in this program, owners of property in unincorporated Lee County may qualify for a 25% flood insurance discount. Incorporated areas of Lee County also participate in the Community Rating System, although the value of the discount differs among the communities. The County and participating incorporated areas could investigate actions needed to improve CRS ratings which could result in increased discounts.

Another concept that the region could consider is creating a local micro-reinsurance program that would be sponsored by a public private partnership. A fund can be created in which homeowners and renters could contribute a small portion of money so that they could get a different insurance rate and if needed, funding would be accessible to help them meet higher deductibles.

There is an opportunity for the region to continue to work with the Florida Legislature to push for meaningful insurance reforms.

**Impact:** A financially stable insurance market with affordable, adequate options for all Lee County residents would benefit all County residents, business, and the overall regional economy. Increased capacity of property insurers providing coverage would be a key outcome. Success could also be measured via improved levels of customer satisfaction across the insurance claims handling process and demonstrated success in raising the number of appropriately and adequately insured property throughout Lee County.

### **Key Considerations:**

**Some past or existing programs have proven effective but could achieve more with increased resources.**

- The County leveraged a portion of its American Rescue Plan Act (ARPA) allocation to establish a grant program that has provided at least 250 local businesses, many in the Dunbar and Lehigh communities, with funding to assess deficits in their business model including their eligibility for insurance. This program could be expanded for greater impact.
- Nonprofit entities in the region also already provide technical assistance for insurance; two examples include the FGCU's Small Business Development Center (SBDC) Network, which provides business continuation consulting services, and Goodwill Industries of Southwest Florida, which manages a Business MicroEnterprise Program that provides technical assistance for business planning and financial assistance applications.

### **Co-Sponsoring Branches:**

Economic Recovery, Health and Social Services, Housing

### **Stakeholders:**

- Citizens Property Insurance Corporation Office of Consumer Experience
- FEMA Office of Flood Insurance Advocate (NFIP)
- Florida Insurance Consumer Advocate
- Florida Insurance Commissioner
- Lee County Property Appraiser
- Economic Development Office

### **Potential Funding Sources:**

- Federal Emergency Management Agency

- Economic Development Administration
- Florida Department of Financial Services
- Florida Division of Emergency Management
- Florida Department of Commerce

## Resources:

- Overview of the Community Rating System

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