

City of Key West Commission Meeting April 4, 2023

FIRM

FAIR INSURANCE RATES IN MONROE

- ✓ Advocate
- ✓ Educate
- ✓ Empower

Fair Insurance Rates in Monroe
April 3, 2023

Who is FIRM?

FIRM (Fair Insurance Rates in Monroe) is a grassroots organization formed in 2006, composed of homeowners and residents who are united to fight against excessive, discriminatory and unaffordable residential, condominium, and commercial property insurance rates.

What does FIRM do?

FIRM advocates for fair, equitable and affordable property insurance coverage for homeowners, residents and business owners, which protects property values and contributes to housing affordability.

FIRM empowers Monroe County residents to make informed decisions about property insurance coverage, the claims process, mitigation and storm preparedness.

FIRMKeys & FIRM PAC

- FIRM consists of two organizations:
 - FIRMKeys - a 501(c)(3) whose focus is education, and donations are tax deductible.
 - FIRM PAC - a 501(c)(4) whose focus is lobbying and advocacy and donations are not tax deductible.

FIRM's Principles

- Be non-partisan
- Represent all Keys residents
- Suggest solutions, not just criticism
- Approach the issue through discipline and analysis
- Build relationships with key players
 - Citizens Property Insurance
 - Office of Insurance Regulation
 - Insurance Consumer Advocate
 - Executive and Legislative branches

Monroe County- Point of No Return

Citizens is truly the insurer of last resort for Monroe County.

Monroe County's premium rate is among the highest in the State.

Monroe County is unique in geography, economy, land cost, environment, building codes, and storm history.

Monroe County has paid Citizens over \$850 million in premiums over claims since 2003—average \$50 million/year in profit to Citizens.

Monroe County is an Area of Critical State Concern.

Citizens has no discernible competition in Monroe County.

Senate Bill 2A

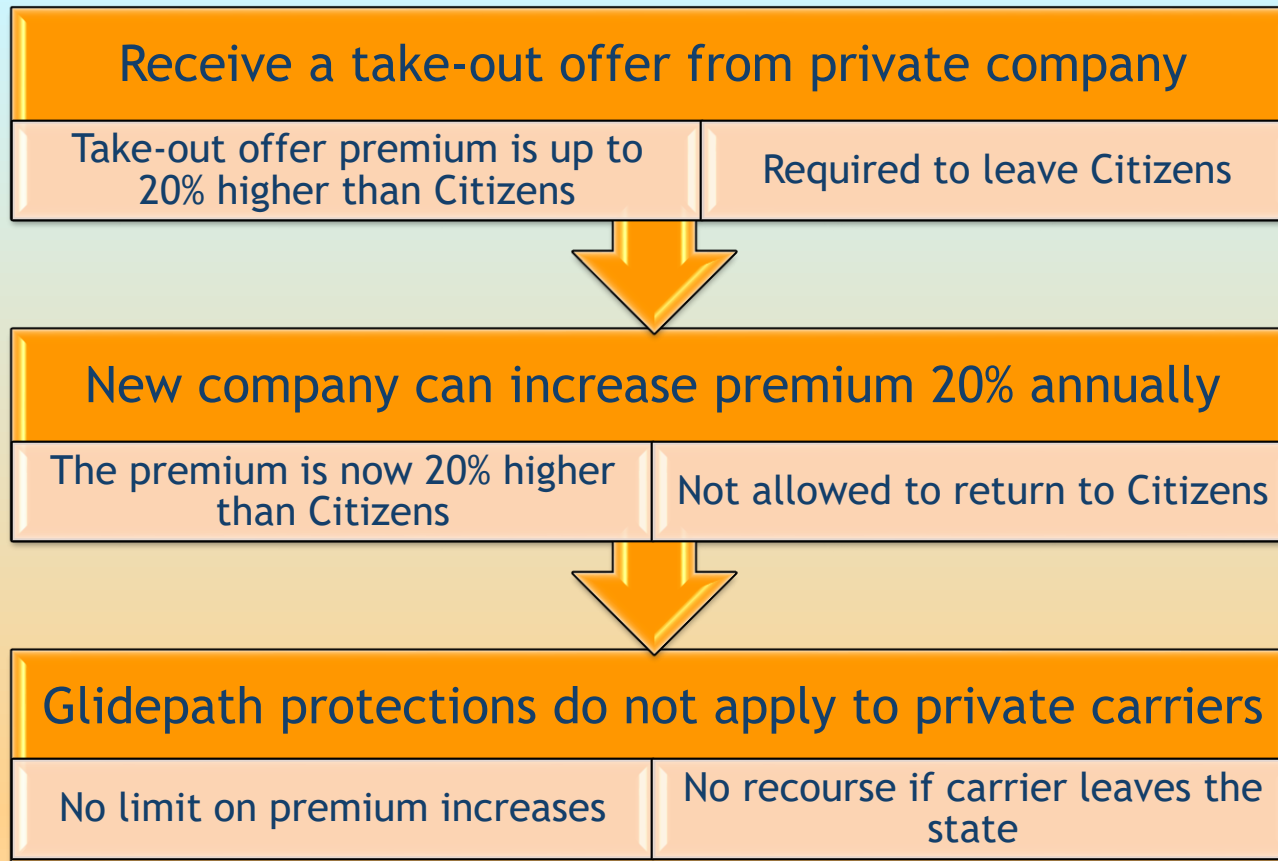
- Eliminates Assignment of Benefits (AOB) and one-way attorney fees
- Requires insurers to settle claims in a timely manner and also reduces the time for an insured to file a claim
- Allows for premium discount if policyholder consents to binding arbitration

Most concerning provisions of the bill

- Citizens policyholders must secure and maintain flood insurance regardless of whether they are in areas prone to inundation, elevated or are non-mortgaged.
 - The requirement is not actuarially sound
 - Allows Citizens to shift the source of a claim from wind damage to flood damage
 - Gives no credit to property owners who have mitigated for flood damage
 - May leave Monroe County residents with no choice but to be underinsured

Increased eligibility threshold for take-out companies

Under the new law



Two issues not addressed in SB2

- Premiums are increasing
- Coverage limits are not increasing

In spite of all the legislative concessions given to the insurance industry, not one line in all of the legislation required rate reductions now or at some future date.

Competitiveness

- During the May special session legislation was introduced to require a competitiveness study to determine if coverage limits should be increased in certain parts of the state.
- The legislature took no action, but the OIR took up the request to conduct a study of all 67 Florida Counties.
- To date no results of the study have been released, and we don't even know if it was completed.

Restore or reduce the 10% annual rate cap for Monroe County



Monroe County does not contribute to the fraud and AOB abuses that legislators and Citizens insist cause the rise in premiums.

Citizens was created as an “insurer of last resort” to provide AFFORDABLE INSURANCE or areas like Monroe where there is little competition.



Monroe has consistently been profitable to Citizens paying over \$850 million in premiums over claims since 2004.

Monroe County policyholders have paid Citizens an average \$50 million in profits annually.



Monroe County has the strictest building code in the state.

Catastrophe models loss projections do not incorporate local building codes.

2022 Special Legislative Session

- No sales tax on impact windows, doors and garage doors July 1, 2022-June 30, 2024
- My Safe Florida Home was revived to help homeowners obtain free inspections and funding to replace windows, doors and roofs for homes valued up to \$500K
- mysafeflhome.com

National Flood Insurance Program

- The NFIP was established in 1968 because of the lack of availability of private flood insurance
- The NFIP is managed by FEMA and has three components: to provide flood insurance, to improve floodplain management and to develop maps of flood hazard zones
- The NFIP is due to be reauthorized on September 30, 2023 - the 23rd short-term reauthorization since 2017

Risk Rating 2.0

- FEMA's Risk Rating 2.0 dramatically changes the way FEMA prices NFIP policies by accounting for a structure's:
 - Location
 - Distance to flooding sources, ground elevation, in a CRS community or located on a barrier island
 - Building characteristics
 - Building occupancy, construction, first floor height, unit (condo) height, number of floors, flood openings, machinery & equipment
 - Replacement cost and coverage
 - Prior claims history

FIRM's concerns @ Risk Rating 2.0

Floridians are subsidizing flood insurance claims in other states

RR2.0 will force Floridians out of home ownership

RR2.0 lacks transparency

RR2.0 fails to account for risk mitigation

RR2.0 will result in reduced participation in the NFIP

What is CRS?

Community Rating System or CRS is a Federal program by which communities can earn discounts on their flood insurance premiums.

- Unincorporated Monroe County has earned a 35% discount
- The Village of Islamorada has earned 20% discount
- The City of Layton has earned a 20% discount
- The City of Key Colony Beach has earned a 15% discount
- The City of Key West has earned a 25% discount
- The City of Marathon has earned a 20% discount

Participation in the CRS has saved Monroe County residents over \$6M on their flood insurance premiums!

However, under RR2.0 CRS credits are not being applied until full risk rating is met.

Monroe Co. Floodplain Ordinance

- “Prior to transfer of ownership of any property occupied by an elevated residential structure with a below base flood enclosure for which construction of the enclosure commenced on or after June 15, 1973, a county approved inspection of the below base flood enclosure shall be conducted.”

FIRM 2023 NFIP Priorities

- **Affordability**
- **Mitigation**
- **Increased participation**
- **Rate structure**
- **Program costs**
- **Resilient communities**

FIRM People

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