



# Adapting to Florida's new roof coverage rules

**An analysis of the benefits of using comprehensive  
roof data to navigate the complex Florida market**





Statutory developments emerging from the Florida Legislature's special 2022 session were designed to strengthen the market framework for homeowners insurers amid growing turmoil from roof-related claims. Bills SB 2D<sup>1</sup> and SB 4D<sup>2</sup>, signed by Governor Ron DeSantis on May 26, enacted new rules concerning coverage denials and attorneys' fees related to such claims.

Key provisions of the legislation include:

- A \$2 billion reinsurance fund designed to provide an extra layer of coverage—and requires rate reductions for policyholders to reflect the cost savings realized by insurers participating in the program
- A prohibition on the refusal to issue or renew coverage when the roof is less than 15 years old solely because of the age of the roof
- A requirement allowing homeowners to have roofs at least 15 years old inspected, and prohibiting the refusal to issue or renew a homeowner's policy if the inspection indicates the roof has 5 years or more useful life remaining
- An exception providing that if an existing roof complies with the 2007 Florida Building code, and 25% or more of such roof is being repaired, replaced, or recovered, only that portion is required to be constructed in accordance with the current Florida Building Code, as applicable
- Mitigation grants up to \$10,000 for retrofitting homes valued at \$500,000 or less that improve hurricane resistance, subject to homeowner eligibility
- Limits on the right to transfer or assign attorney fees in suits arising under residential or commercial property policies

Many insurers attribute much of the recent rate increases in the state to attorney fees, and supporters of the legislation frequently noted that Florida accounted for 9% of all insurance claims filed nationally—but nearly 80% of all property insurance lawsuits.<sup>3</sup>



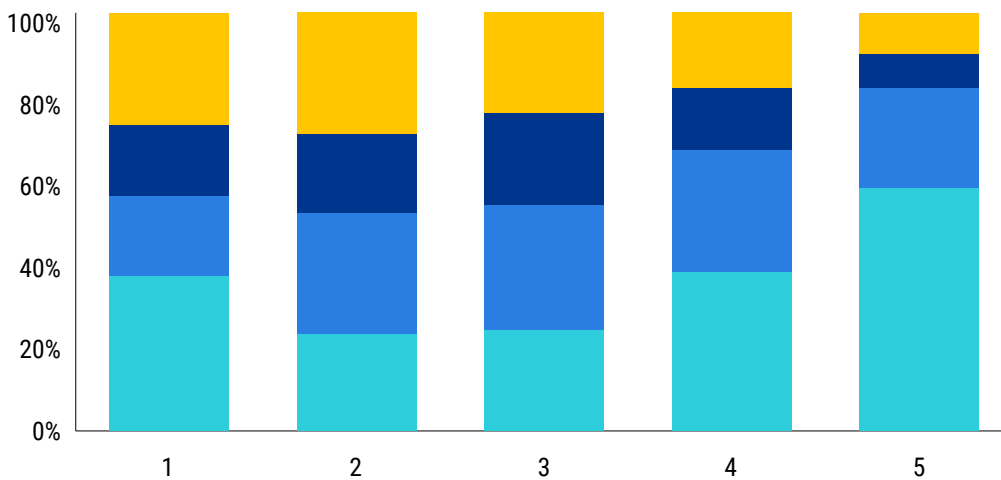
## How Verisk analyzed the market

For many insurers, operating in Florida's new environment may call for more robust data to paint a clearer picture of roof risk in an increasingly complex market. Verisk's data, which drives the analysis below, can help insurers navigate a unique market more precisely based on key roof factors including age, condition, shape, and material.

Verisk experts have analyzed the Florida market to provide a better view of the current roof landscape. Florida is unique and presents different exposures, from roofing construction, to materials used, and the elements that affect how a roof deteriorates over time. The analysis is also broken out by region.

### Roof Condition and Age

0-5 Years   6-15 Years   16-20 Years   Over 20 Years



Nearly 37% of roofs in critical condition are less than five years old in Florida

### Verisk's Roof Condition scoring is as follows:

- SCORE 1** Severe defects are beyond the surface materials or barrier of the roof, significantly affecting its function and safety, such as structural damage.
- SCORE 2** Defects are nonstructural and primarily at the barrier or surface materials, such as widespread discoloration and missing roof material affecting a substantial portion of the roof.
- SCORE 3** Defects affect the barrier or surface materials but are not as severe as roof condition scores 1 and 2, such as localized discoloration and missing material affecting an insubstantial portion of the roof.
- SCORE 4** Minimal visible defects are mainly cosmetic, such as minor discoloration.
- SCORE 5** With no visible signs of defects, the roof appears to be in new condition.

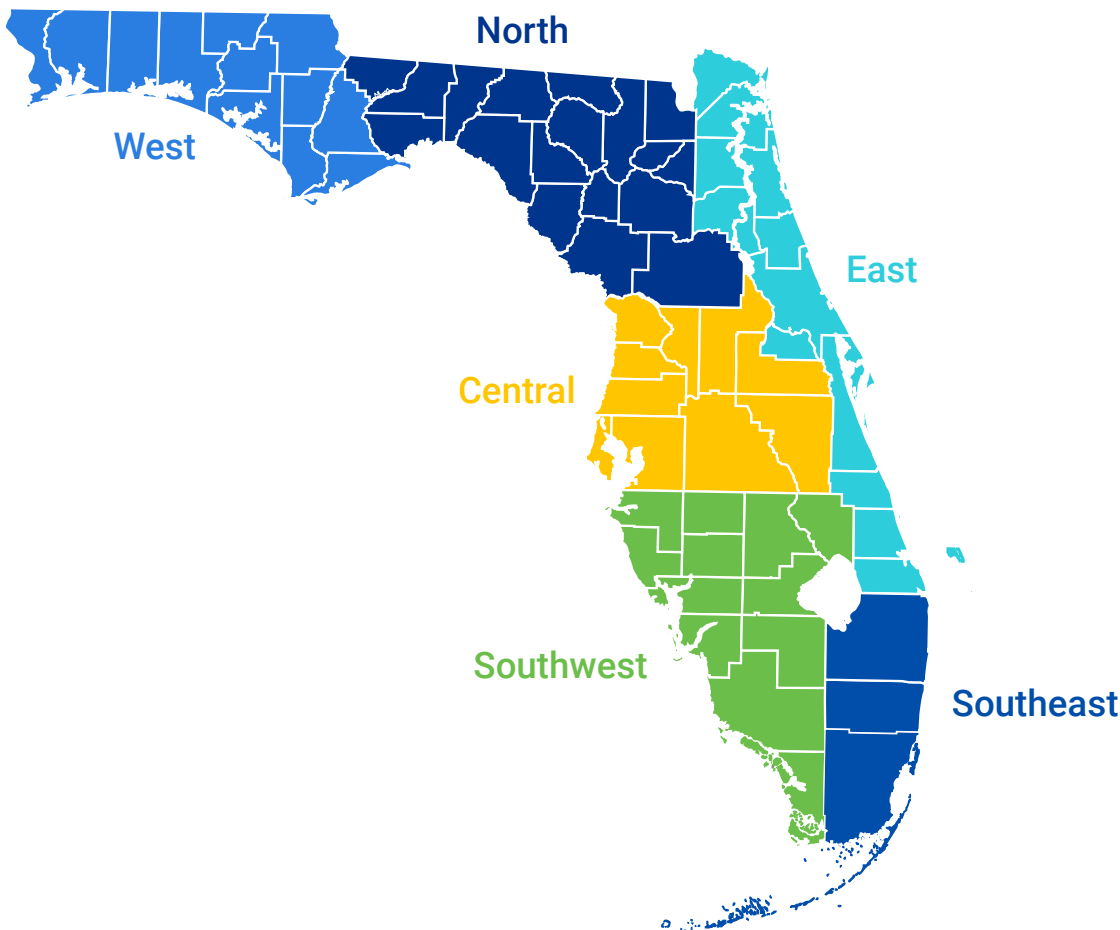
## Condition and lifespan by region

There is some correlation between roof age and condition; newer roofs tend to have minimal to no defects, while older roofs tend to have critical issues. However, this isn't always the case in Florida, where newer roofs make up the highest percentage with a score of 1, indicating the most severe condition. Meanwhile, some older roofs are scored as being in good condition, though to a lesser extent.

Florida roofs tend to be newer than the national average – 48.7% are 10 years or newer, compared with 32.5% nationwide. A contributing factor may be Florida's historical "25% rule" requiring a complete roof replacement if more than 25% of a roof was damaged and needed repair or replacement within 12 months.

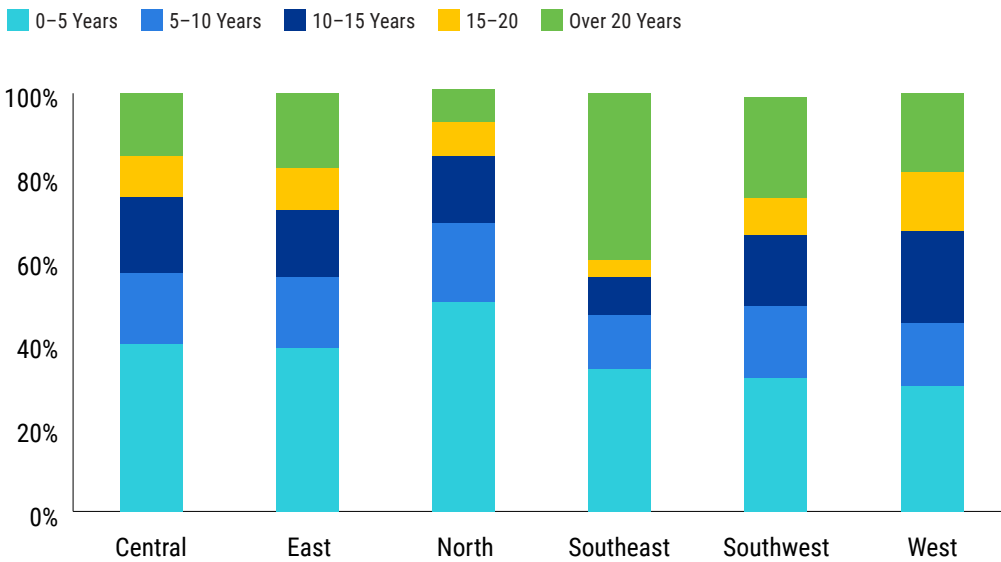
Florida has a significantly higher percentage of roofs in critical condition than is seen nationally: 21.6% versus 1.4% for all states. Roofs in Florida tend to have a shorter lifespan due to higher exposure to elements such as extreme heat, humidity, tropical cyclones, and UV rays.

The northern region has the highest proportion of roofs with critical condition scores. The western region of Florida has the highest distribution of roofs in good condition. The western region also has the highest distribution of newer roofs up to 5 years old, while the southeast and southwest together have the highest proportion of older roofs aged 20 years or more.



A roof's remaining life is estimated from the roof's age, condition, material, and life expectancy specific to the Florida environment, which shortens a roof's lifespan compared with national averages. Life expectancy for roofs in Florida is estimated to decrease by 10 or more years for the most common roof materials, asphalt shingles and concrete tile.<sup>4</sup> Florida has a high percentage of residential roofs, 36.8%, with five years or less remaining useful life. This statistic reflects a higher percentage of roofs with condition issues compared with the country as a whole.

### Roof Remaining Life by Region



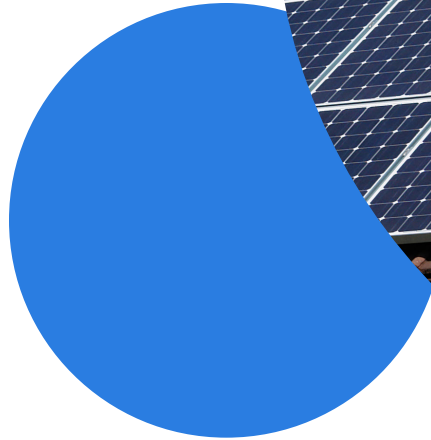
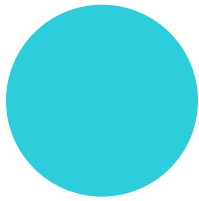
The northern region of Florida has the highest distribution of roofs with five years or less of remaining useful life (50%), while the southeastern region has the highest percentage of roofs with 15 years or more of remaining life (40%).

### Roof shape and material: A breakdown

Florida builders often account for the state's unique environment and perils when choosing roof shapes and materials, as some withstand the climate and potential weather hazards better than others. There is a higher percentage of hip roofs, 43.1% compared with the national average of 28.3%, because hip roofs perform better in areas prone to hurricanes and tropical storms.

While asphalt shingles are the most common roofing material in Florida at 61.4%, this is much lower than the national figure of 80.8%. Conversely, Florida has higher percentages of metal and concrete tile roofs, likely due to their high wind resistance rating that can withstand winds exceeding 125-140 mph. Concrete tile roofs also tend to have a longer lifespan; more than 90% have 20 years or more remaining useful life in Florida. The southeastern region has the highest proportion of concrete tile roofs, while the north and west regions have the lowest.





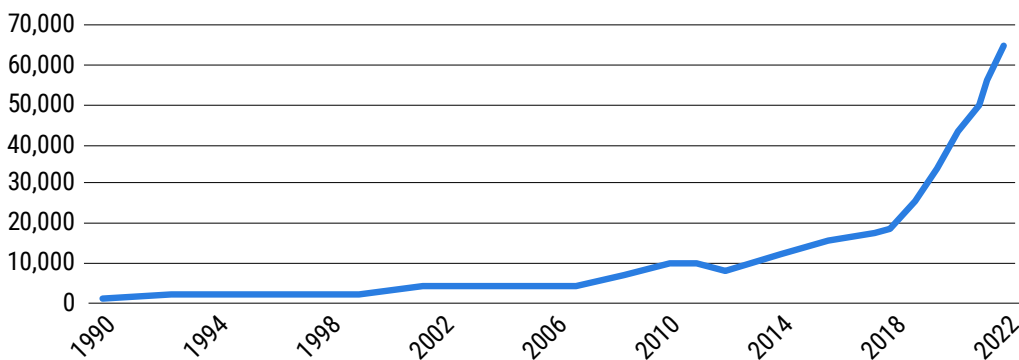
## A spotlight on additional hazards

Florida's sunny climate presents near-ideal conditions to reap the benefits of solar panels. But frequent catastrophes, combined with the state's unique legal and regulatory environment, raise the importance for insurers to fully grasp this aspect of roof exposure. There are multiple risk considerations:

- Vulnerability to storm damage and costly disposal requirements related to possibly toxic compounds in solar panels
- Potential exterior or interior water damage around improperly installed panels, plus weight-related strain on roof structures
- Possible fire hazards from improper installation

A dual-source approach to detecting solar panels, using Verisk solutions, can help. It may begin with pulling permit data, then proceed to aerial imagery to support the dataset.

### Solar Panel Permits in Florida



## Test the data for yourself

Insurers may be wise to ask themselves some probing questions about their Florida portfolios and how well equipped they are to manage the exposure:

- Are data sources current enough to stay on top of changing risks?
- Does the data cover roof risk from multiple perspectives to help capture the complexities?
- Is there a reliable data partner to help navigate increasing complexity?

Verisk stands ready to help evaluate Florida homeowners portfolios using multiple sources and types of data and analytics. See what the data reveals about your book, and be prepared for what's to come.

## Sources

1. *CS for SB 2-D, 1st Engrossed, May 24, 2022*, < <https://www.flsenate.gov/Session/Bill/2022D/2D/BillText/er/PDF> >, accessed on June 16, 2022.
2. *SB 4-D, 1st Engrossed, May 25, 2022*, < <https://www.flsenate.gov/Session/Bill/2022D/4D/BillText/er/PDF> >, accessed on June 16, 2022.
3. Aaron Parseghian, "Florida Legislature convenes special session aimed at tackling property insurance problems," WTSP-TV, May 23, 2022, < <https://www.wtsp.com/article/news/politics/florida-special-session-property-insurance/67-8b5c8ebf-8a87-497c-94a4-d92b9e16b2b8> >, accessed on June 27, 2022.
4. *InterNACHI's Estimated Life Expectancy Chart for Florida Homes*, International Association of Certified Home Inspectors, < <https://www.nachi.org/florida-life-expectancy.htm> >, accessed on June 27, 2022.



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