

Targeted Market Conduct Examination Report

TYPTAP INSURANCE COMPANY

NAIC Company Code: 15885

NAIC Group Code: 4792

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Executive Summary

The Florida Office of Insurance Regulation (“OIR”) performed a targeted market conduct examination of TypTap Insurance Company (“TypTap” or “Company”), pursuant to Section 624.3161, Florida Statutes (“F.S.”).

Purpose and Scope of the Examination

OIR has primary responsibility for the regulation, compliance and enforcement of statutes related to the business of insurance and the monitoring of industry markets. Due to this responsibility, OIR conducted a targeted market conduct examination of TypTap pursuant to Section 624.3161, F.S. The purpose of a market conduct examination is to review an insurer’s operating practices to determine if they comply with the Florida Insurance Code, rules related to the business of insurance, procedures adopted by the Company, the provisions contained within a contract of insurance issued by the Company or orders issued by OIR. A common element of all market conduct examinations is to evaluate an insurer’s business practices, promote the protection of insurance-buying consumers, and hold insurers accountable when issues or violations are identified.

This examination was initiated to review and evaluate TypTap’s Hurricane Ian and Hurricane Idalia claims-handling operations. The examination scope period was from September 28, 2022, to December 31, 2023, for Hurricane Ian claims, and from August 30, 2023, to December 31, 2023, for Hurricane Idalia claims. The examination was performed by a contracted examination firm, INS Regulatory Insurance Services, Inc. The examination began April 22, 2024, and ended February 13, 2025. This is the first Market Conduct examination of TypTap. In reviewing materials for this report, the examiners relied on records provided by the Company.

Examination Procedures

The conduct of this examination and the procedures, statistical sampling, and examination processes used were consistent with and in accordance with those standards and procedures contained in the *Market Regulation Handbook* promulgated by the National Association of Insurance Commissioners (“NAIC”). The number of randomly selected items in each sample is consistent with the recommended sample size in the *Market Regulation Handbook’s* Acceptance Samples Table. Examination results with a 95% confidence level permit those results to be extrapolated to the population identified in each of the areas examined.

In preparation for the examination, TypTap was requested to provide the total number, or universe, of Hurricane Ian and Hurricane Idalia claims reported with a Florida exposure during the examination’s scope periods. The claims universe for each hurricane was divided into three categories: claims closed with payment, claims closed without payment, and reopened or supplemental claims. For the purposes of this examination, the selection of claims reviewed for each of the categories was defined as follows:

- **Claims Closed With Payment:** The first or initial Hurricane claim filed by the named insured, policyholder, or legal representative due to a loss occurring to a personal residential or commercial residential risk that was closed with payment during the examination’s scope periods.

- Claims Closed Without Payment: The first or initial Hurricane claim filed by the named insured, policyholder, or legal representative due to a loss occurring to a personal residential or commercial residential risk that was closed without payment for any reason during the examination's scope periods.
- Reopened or Supplemental Claims: The first or initial claim filed by the named insured, policyholder, or legal representative due to a loss occurring to a personal residential or commercial residential risk that was closed for any reason and that was reopened or was a supplemental claim upon request for additional costs for loss or damage previously disclosed to the insurer.

Company Profile

TypTap Insurance Company is a domestic property and casualty insurer authorized to conduct business in Florida on January 15, 2016. TypTap is authorized to write Homeowners Multi-Peril, Fire, and Allied Lines insurance.

Examination Findings

Hurricane Ian Claims

The following Findings are compiled from the examiners' review of TypTap's Hurricane Ian claims that were adjudicated during the examination scope period of September 28, 2022, to December 31, 2023.

Claims Closed With Payment: TypTap identified a universe of 3,443 residential property Hurricane Ian claims that were closed with payment during the examination scope period. A random sample of 107 claims was selected and reviewed by the examiners.

Claims Closed Without Payment: TypTap identified a universe of 1,162 residential property Hurricane Ian claims that were closed without payment during the examination scope period. A random sample of 105 claims was selected and reviewed by the examiners.

Reopened or Supplemental Claims: TypTap identified a universe of 2,824 residential property Hurricane Ian claims that were reopened during the examination scope period. A random sample of 107 claims was selected and reviewed by the examiners.

Finding 1: The examiners determined that in 22 instances out of 319 claims reviewed, an error rate of 6.9%, TypTap utilized adjusters who were not properly appointed, as required by Section 626.112(1)(a), F.S.

Finding 2: The examiners determined that in 27 instances out of 319 claims reviewed, an error rate of 8.5%, TypTap did not acknowledge receipt of claims communications within 14 calendar days, as required by Section 627.70131(1)(a), F.S. (2022)¹

¹Section 627.70131, F.S. (2023), has reduced 14-day timeframes to 7 days, 45-day timeframes to 30 days, and 90-day timeframes to 60 days. Other additions and deletions were also made to the law.

Finding 3: The examiners determined that in five instances out of 319 claims reviewed, an error rate of 1.6%, TypTap did not provide proper acknowledgement in response to a claim communication, as required by Section 627.70131(2), F.S.

Finding 4: The examiners determined that in one instance out of 319 claims reviewed, an error rate of 0.3%, TypTap did not include the license number of the adjuster communicating about the claim in a subsequent communication with the policyholder regarding the claim, as required by Section 627.70131(3)(c), F.S.

Finding 5: The examiners determined that in 152 instances out of 319 claims reviewed, an error rate of 47.6%, TypTap did not include the disclosure statement with the preliminary or partial estimate of damage; or included the disclosure statement with the estimate but the disclosure statement was not printed in a 12-point bold, uppercase type, as required by Section 627.70131(6)(a), F.S.

Finding 6: The examiners determined that in 20 instances out of 319 claims reviewed, an error rate of 6.3%, TypTap did not include the disclosure statement when providing a payment on a claim that was not the full and final payment; or included the disclosure statement with the payment but the disclosure statement was not printed in a 12-point bold, uppercase type, as required by Section 627.70131(6)(b), F.S.

Finding 7: The examiners determined that in 17 instances out of 319 claims reviewed, an error rate of 5.3%, TypTap did not, within 90 days, pay or deny initial, supplemental, or reopened claims, as required by Section 627.70131(7)(a), F.S.

Finding 8: The examiners determined that in 14 instances out of 319 claims reviewed, an error rate of 4.4%, TypTap did not pay interest when the claim payment was made more than 90 days after receiving notice of the claim, or more than 15 days after there were no longer factors beyond the control of the insurer which reasonably prevented such payment, as required by Section 627.70131(7)(a), F.S.

Finding 9: The examiners determined that in seven instances out of 319 claims reviewed, an error rate of 2.2%, TypTap did not provide a Homeowner Claims Bill of Rights to a policyholder within 14 days after receiving an initial communication with respect to a claim, as required by Section 627.7142, F.S.

Finding 10: The examiners determined that in 73 instances out of 319 claims reviewed, an error rate of 22.9%, TypTap did not ensure that in the event an independent adjuster was assigned to the claim, the inspection report was delivered within five days of the inspection, as required by TypTap's 2022 Field Adjuster Training Manual.

Hurricane Idalia Claims

The following Findings are compiled from the examiners' review of TypTap's Hurricane Idalia claims that were adjudicated during the examination scope period of August 30, 2023, to December 31, 2023.

Claims Closed with Payment: TypTap identified a universe of 22 residential property Hurricane Idalia

claims that were closed with payment during the examination scope period. The entire universe of 22 claims was reviewed by the examiners.

Claims Closed Without Payment: TypTap identified a universe of 37 residential property Hurricane Idalia claims that were closed without payment during the examination scope period. The entire universe of 37 claims was reviewed by the examiners.

Reopened or Supplemental Claims: TypTap identified one residential property Hurricane Idalia claim that was reopened during the examination scope period. One claim was reviewed by the examiners.

Finding 1: The examiners determined that in three instances out of 60 claims reviewed, an error rate of 5.0%, TypTap utilized adjusters who were not properly appointed, as required by Section 626.112(1)(a), F.S.

Finding 2: The examiners determined that in one instance out of 60 claims reviewed, an error rate of 1.7%, TypTap did not provide proper acknowledgement in response to a claim communication, as required by Section 627.70131(2), F.S.

Finding 3: The examiners determined that in 36 instances out of 60 claims reviewed, an error rate of 60.0%, TypTap did not include the disclosure statement with the preliminary or partial estimate of damage; or included the disclosure statement with the estimate but the disclosure statement was not printed in a 12-point bold, uppercase type, as required by Section 627.70131(6)(a), F.S.

Finding 4: The examiners determined that in four instances out of 60 claims reviewed, an error rate of 6.7%, TypTap did not include the disclosure statement when providing a payment on a claim that was not the full and final payment; or included the disclosure statement with the payment but the disclosure statement was not printed in a 12-point bold, uppercase type, as required by Section 627.70131(6)(b), F.S.

Finding 5: The examiners determined that in three instances out of 60 claims reviewed, an error rate of 5.0%, TypTap did not, within 60 days, pay or deny initial, supplemental, or reopened claims, as required by Section 627.70131(7)(a), F.S.

Finding 6: The examiners determined that in one instance out of 60 claims reviewed, an error rate of 1.7%, TypTap did not provide a Homeowner Claims Bill of Rights to a policyholder within 14 days after receiving an initial communication with respect to a claim, as required by Section 627.7142, F.S.

Finding 7: The examiners determined that in eight instances out of 60 claims reviewed, an error rate of 13.3%, TypTap did not deliver the final report within five days of inspection, as required by TypTap's 2023 Field Adjuster Training Manual.

Claims Manual Review

OIR conducted a review of TypTap's claims-handling manual for compliance with Section 627.4108(1), F.S., that requires each authorized residential property insurer conducting business in Florida to create and use a claims-handling manual. Specifically, each claims-handling manual must include guidelines and procedures for:

- Initially receiving and acknowledging initial receipt of the claim and reviewing and evaluating the claim;
- Communicating with policyholders, beginning with the receipt of the claim and continuing until closure of the claim;
- Setting the claim reserve;
- Investigating the claim, including conducting inspections of the property that is the subject of the claim;
- Making preliminary estimates and estimates of the covered damages to the insured property and communicating such estimates to the policyholder;
- The payment, partial payment, or denial of the claim and communicating such claim decision to the policyholder;
- Closing claims; and
- Any aspect of the claims-handling process which OIR determines should be included in the claims-handling manual in order to:
 - Comply with the laws of this state or rules or orders of OIR or department;
 - Ensure that the claims-handling manual, at a minimum, comports with usual and customary industry claims-handling guidelines; or
 - Protect policyholders of the insurer or the general public.

No exceptions were noted.

Section 627.4108(3), F.S, requires each authorized residential property insurer to certify and attest on the prescribed form that:

- Each of the insurer’s current claims-handling manuals complies with the requirements of this code and comports to, at a minimum, usual and customary industry claims-handling practices; and
- The insurer maintains adequate resources available to implement the requirements of each of its claims-handling manuals at all times, including during natural disasters and catastrophic events.

The attestations are required to be submitted to OIR:

- On or before August 1, 2023; and
- Annually thereafter, on or before May 1 of each calendar year.

No exceptions were noted.

Conclusion

This targeted market conduct examination of TypTap Insurance Company was designed to review and evaluate TypTap’s Hurricane Ian and Hurricane Idalia claims-handling operations. It does not document what regulatory or administrative action may be taken by OIR.

Examination Final Report Submission

OIR hereby issues this final report based upon information from the draft report, additional research conducted by OIR, and additional information provided by TypTap Insurance Company.



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