



The purpose of this brief is to communicate findings from research tasked to address 3 inquiries:

First, were either Gulfstream and/or Lighthouse Insurance Companies (including subsidiaries) targeted by carrier specific plaintiff strategies executed to convert the maximum available capital & premium into litigation revenue?

Answer: An over-abundance of evidence strongly supports an affirmative answer.

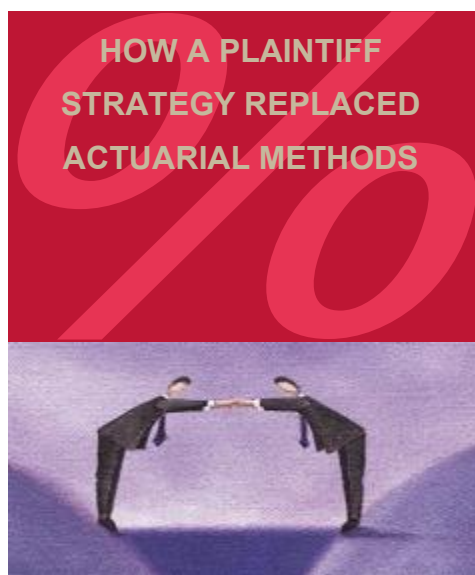
Secondly, once establishing both organizations were targeted, without regard for ongoing viability, are the lead entities filing the actions identifiable?

Once again, the evidence highlights participation among specific firms.

Thirdly, does the information developed for this brief suggest coordination among the entities filing actions against the insurers?

Once again, the answer is affirmative, subject to one essential caveat. A deeper analysis using additional information that must be provided by each insurer is required for confirmation.

The balance of this brief is structured in 4 parts. First, some parameters and guidance are provided solely with the intent of setting context and aiding in understanding. Next, an overview of the system being leveraged by a litigation network is described. Finally, the last 2 sections are more detailed findings for each parent insurer.



"Do not repeat the tactics which have gained you one victory, but let your methods be regulated by the infinite variety of circumstances"

Sun Tzu,
The Art of War

Harvesting Capital

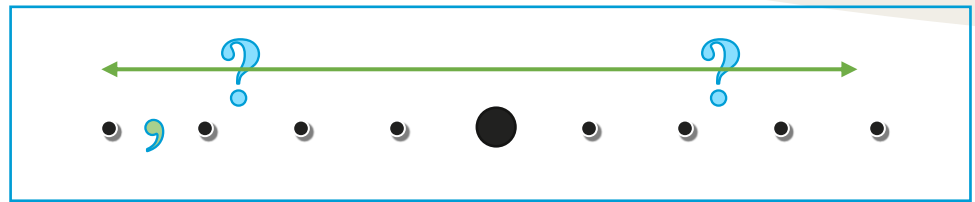
Assumptions made by those within the insurance industry about what must be, and/or what can never happen, represent the single greatest threat to the economic stability otherwise provided to communities and consumers when the core mission of insurance is fulfilled. Afterall, P&C insurance wouldn't be the first, nor even the most complex, industry to experience radical transformation driven by peripheral forces applying technologically based tools.

Consider the time horizon for the elimination of the CD, DVD, or the collapse of movie theater chains? If one considers the time horizon required for the privatization of near-earth space, the years 2016-2022 stand out. In this same time span Florida's residential insurance market was replaced by a litigation economy, holding an 80% national market share of filed actions. Aside from platform-based business models such as Alphabet, and Facebook, achieving this range of scaled market share is, by any measure, a formidable achievement.

The resulting annual, gross revenue stream into Florida's litigation economy is approximately \$4B and on a 23% annual YOY growth trajectory.

The one aspect of Florida's P&C insurance collapse impossible to accept is that such results have been achieved unintentionally. Before going into an overview of the system being deployed, a few basic concepts need to be kept in mind.

1. When an artificial system is used to create loss events, the basic actuarial practices needed to assess frequency and severity become ineffective.
2. The very nature of loss events, particularly weather-related losses, should be random and accidental. Hurricanes of course are an exception at the time of the event.
3. Manufactured loss events, upon which this entire litigation engine depends, represent one of the very few steps in the system open to criminal prosecution.
4. Many homeowners involved in these complaints believe they have legitimate losses. In other words, they are not partners in these schemes, but are being used by opportunist.
5. This document is a brief and will be shared among public and private sector organizations. This calls for an overabundance of caution as well as accuracy. Readers are encouraged to reach out to address questions about the analysis provided.
6. Residential insurers in each of 49 states receive approximately 466 litigation complaints each year in total. The next closest state to Florida processes less than 3500.



People are hardwired to think in unique and distinct ways. Finance and insurance professionals, along with scientist, coders, are often referred to as “5 digit” or “7 digit” thinkers. This is a reference to 5 or 7 numbers to the right of the decimal point: i.e. focused, literal specific, scientific.

Experience from conducting research, interviews and post-op analysis on insolvent carriers suggest many insurance defense counsel strategies land somewhere on the right of the decimal in terms of focus. This makes sense given the primary anchor in insurance defense strategies is narrow- i.e., policy language, and insurance statutes.

Plaintiff strategies, in stark contrast, thrive on the left side of the decimal point, often anchored by combining statutes and proxy case law. Plaintiff strategies, specifically in Florida rely upon the law to expand damages.

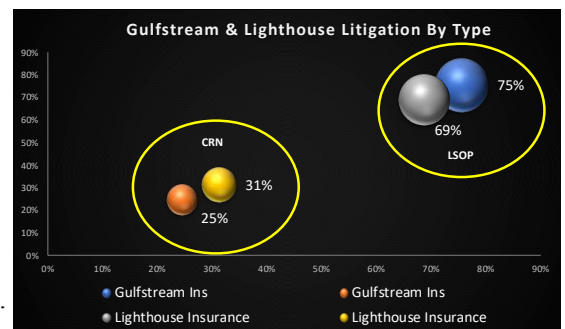
For example, consider 15 Lighthouse cases alleging bad faith, based on the insurer citing concurrent cause exclusions in the policy language. (narrow) The plaintiff argument was based on expanding coverage by applying “the doctrine of proximate cause” even though Florida’s Supreme Court SEBO decision established the doctrine of Concurrent Causation in Florida.

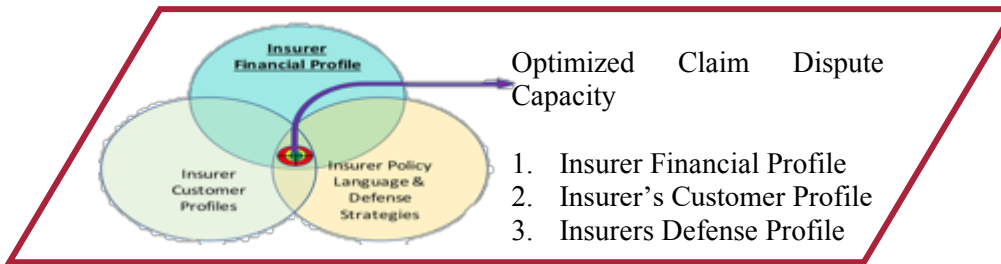
Unfortunately, for questionable loss events, criminal liability is largely transferred to the property owner who initiates the claim. Once this step is complete, the balance of this litigation system is based on statutes and therefor able to spread absent checks & balances normally provided by a moral compass.

A brief explanation about the litigation data available from Florida’s CFO office is needed.

Last Service of Process System (LSOP) tracks filed insurance complaints that do not allege breach of contract or bad faith. These tend to also be the complaints based on the lower tiers of damages sought and/or to be adjudicated in lower courts such as small claims, county, circuit. LSOP complaints generally account for 60% to 70% of all complaints against an insurer.

Civil Remedy Notice (CRN) cases are those of a more complex nature, seeking higher damages (<\$8,000), allege bad faith, breach of contract. Significantly greater detail is provided than LSOP





A control group was established comprised of carriers rendered insolvent for comparison purposes with the balance of Florida insurers.

This is an example of using market share data to analyze the severity of targeted litigation. The exception is the combined ratio metric, which is not based on changes in market share, but actual changes in the combined ratio on a YOY basis.

The Litigation system is collection of capabilities that have been combined in such a way as to meet specific goals.

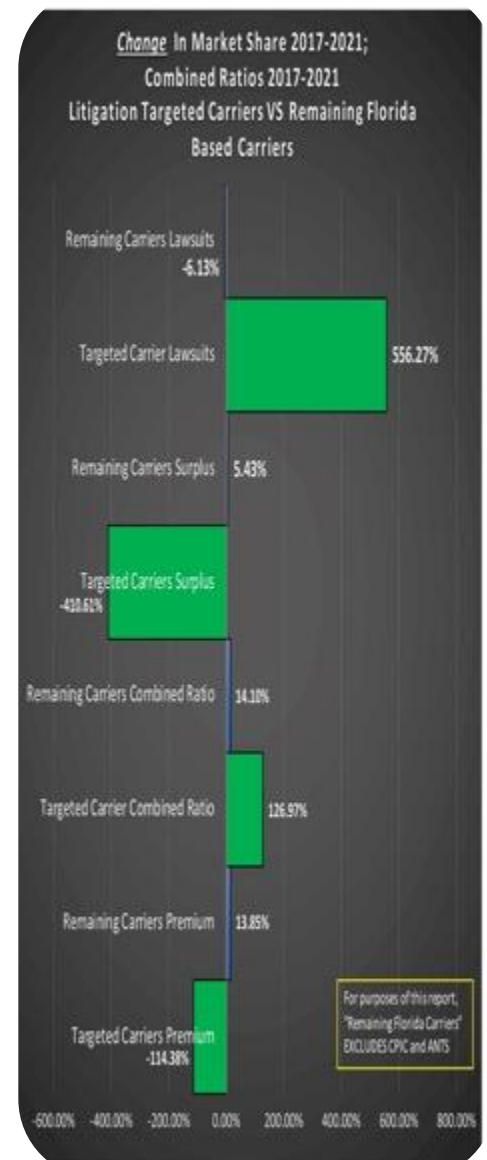
1. Relies heavily upon highly sophisticated data analytic engine
2. Enables pre-screening (identification) of consumers and/or properties most likely to generate litigation/contractor revenue via claim dispute
3. Identify insurer specific vulnerabilities to be exploited by a rapid escalation of filed complaints-defense strategies, policy language, claims procedures, history of form filings.
4. Generate a financial (capital) profile of each insurer based on premiums, surplus, rate filings, and capitalization transactions. This includes parent companies, subsidiaries, MGA's.
5. Remove the critical dependency upon severe weather.
6. Minimizes participation requirements of individual homeowners
7. Allow for advance planning and coordination to avoid inefficient competition.
8. Optimizes claim dispute capacity

The existence of this system was confirmed, validated by leadership with Florida's counter-fraud division and via documents provided by defense counsel while competing an insolvency analysis.

The practice of targeting insurers followed classic innovation best practices. In the beginning a few specific carriers were exploited using the same general approach. These were essentially beta tests. As results were generated, the strategies evolved to be more tailored, refined.

Additional results resulted in growth so the number of insurers being targeted expanded. At the same time, reform measures such as SB76 were in development. As the political process continued, new plaintiff strategies emerged in order to test countermeasures to avoid significant disruption after proposed reforms were enacted. Has this approach been effective? Consider that filed actions has grown by 23% to 31% on a YOY basis following each enacted reform measure passed since 2019.

Every targeted carrier has telltale signs. They either have been or are currently in the crosshairs. For some, the leading indicators (symptoms) are in market share statistics. For others, the indicators are buried in the filed complaints. Finally, non-traditional diagnostics are required such as mapping filed complaints, or looking at SEO data.



An excellent article was published in the November 2022 issue of [The Demotech Difference](#) outlining one of the data strategies feeding plaintiff analytic engines. Todd Kozikowski is the Chief Revenue Officer at Pivotal Analytics with substantial expertise in advanced applications of consumer data, and co-author of this article.

With permission, Todd's breakdown of Search Engine Optimization (SEO) is reprinted here:

Direct Traffic: Traffic that does not come from a referring website. Someone seeks out the site and clicks to it.

Organic Traffic: The result of inbound marketing efforts including content strategies and SEO efforts. This traffic is not paid for.

Paid Search Traffic (Inorganic): Paid search traffic derived from a paid campaign using a search engine, e.g., Google, Bing, etc.

Social Traffic: Traffic that comes from a social media website, e.g., Facebook, Twitter, or LinkedIn.

Email Traffic: Traffic originating from properly tagged email campaigns.

Referral Traffic: Web traffic resulting from clicking over to your website from a hyperlink, e.g., blog, article, etc.

One by-product of successful SEO data efforts is best described as a validated consumer vocabulary. The more traffic is recorded, the more anonymized meta data about those running the searches is also accumulated. How prevalent is this practice?

In the research sponsored and published by Demotech, Todd Kozikowski wrote, "Upon further analysis, I identified a single law firm using over 360,000 keywords with a budget over \$500,000 per month. For context, McDonalds, Costco, and Starbucks all pay less per month for fewer key words."

Hurricane Ian made landfall on September 28, 2022. On October 3, 2022, an experiment was conducted as research for this report. Two searches were run on 42 insurers domiciled in Louisiana, Florida, and 4 national carriers.

Search #1: "File hurricane claim with _____ (name of insurer)"

Search #2: "How to file storm claim with _____ (name of insurer)"

In 80 of 84 searches, the insurance company entered was the 5th listing generated, which happens to be page 2 of the search results on a phone or tablet. Note the remarkable coincidence of 40 insurers being the 5th result generated twice each. An insurance Receiver emerged for 2 of the insurers. In every case, the first four listings were either national Public Adjusters or plaintiff attorneys.

On October 4, 13 associates from 13 Florida carriers voluntarily ran a similar search on their own insurer using their own mobile device with nearly the exact same result. Three of the top four entities listed had changed albeit still public adjusters and/or plaintiff firms.

Next plaintiff firms have access to [third party analytic engines](#) designed to mine case files for revenue growth. One platform, [Litify](#), was described by The National Law Journal as, "[the 'Google-style' Tech Hub Driving Plaintiffs Firms' Growth](#)" This particular tech hub exists within the New York headquarters of Morgan and Morgan. Contemplate the quality of data such as client demographics, defense strategies, behavioral data on judges, juries, insurance in-house counsel, appraisers, insurance executives, lobbyist, SIU interactions, verdicts, dwellings, etc...

Keep in mind, this is not data requiring years to accumulate and convert into powerful algorithms. This is data gathered and mined from hundreds, if not over a thousand, plaintiff firms across the country. However, the jurisdictions with the earliest and densest adoption of these platforms are Southeast states comprising hurricane and tornado alleys.

Finally, such an analytical engine will layer on public records and consumer data from the same sources used by underwriters across the country.





The study of Gulfstream is important for two reasons. First, Gulfstream appears to be a carrier used for testing and refining the practice of targeted litigation. Secondly, Gulfstream was targeted twice, using two distinct strategies, in sequence, not in parallel.

Gulfstream Litigation At A Glance	
Metric	Number
Total Filed Actions	2514
Lower Courts	1887
Bad Faith/ Breach	627
Previously Closed	58
Cited Hurricane as Cause	318
Cited SEBO, Current Cause	51
Assignment of Benefits	392
AOB Filed Post Reforms	81%
Top 4 Law Firms	
Krapf Law	117
Cohen Law	102
Morgan & Morgan	101
KPA Law	86

When examining Gulfstream's actual measures, the path to decline is less pronounced. However, the actual litigation count reveals patterns like those found in another commercial residential Florida carrier, American Capital Assurance (AmCap). Interestingly Gulfstream was targeted prior to AmCap. The litigation against Gulfstream ramped up in Q3, 2017. Experimentation and testing of strategies took place as early as mid-2016.

The two years, 2016 and 2017, were pivotal years for three reasons.

First, two key Florida Supreme Court decisions (Johnson V. Omega 9/16, Sebo V. American Home Assurance 12/16) opened significant doors for claims conflict. Second, as noted in the overview of the litigation system, Litify launched with seed funding from the plaintiff firm, Morgan and Morgan. Third, Hurricane Irma made landfall as a Category 5 hurricane in September 2017, creating a chaotic claims scenario.

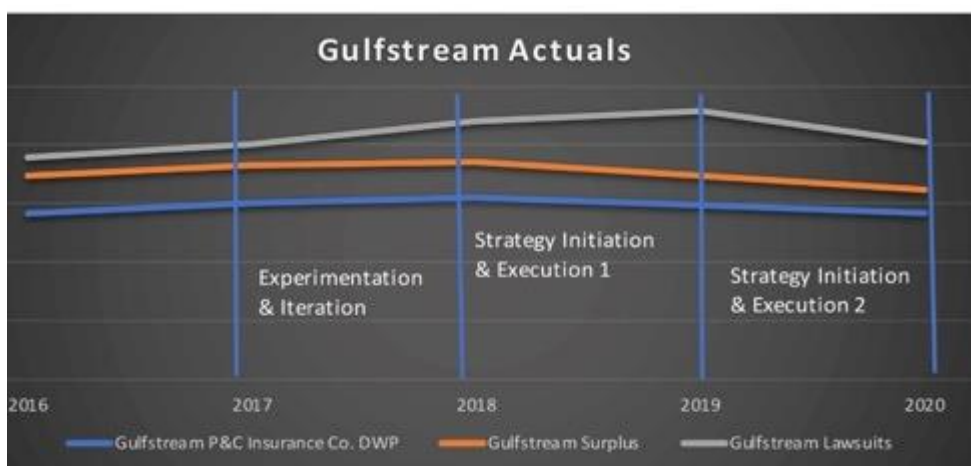
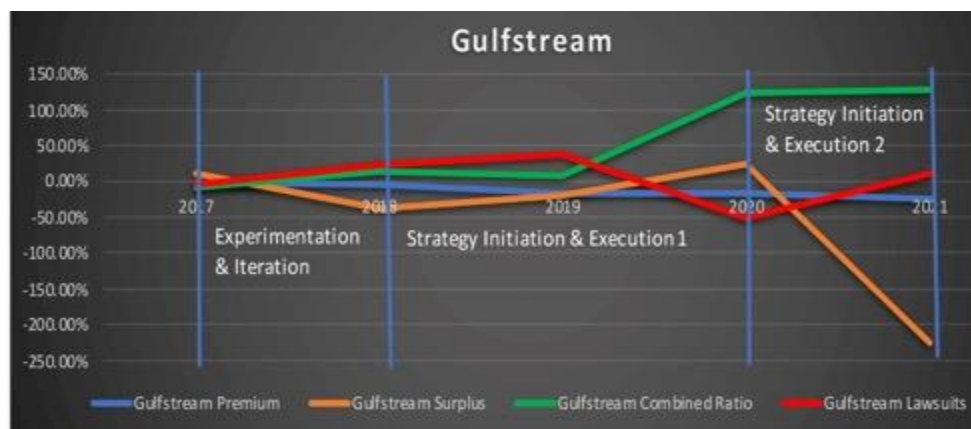
In the graphs below, note the modest increase in lawsuits and combined ratios from 2017 to 2018. This was a testing and iteration phase. The activity was moderate despite the landfall of hurricane Irma.

Gulfstream's surplus was largely maintained in contrast to the balance

of the market. Even the relative increase in litigation was modest.

The first chart indicates a decline in litigation after 2019. This is a relative measure based on change in litigation market share. However, the lower chart is based on actual raw data and shows growth in Gulfstream's suits.

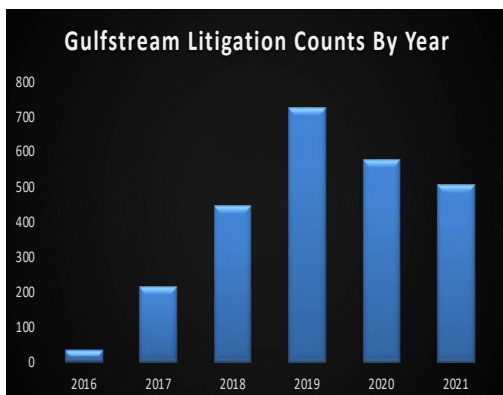
Now note the decline in surplus and the significant escalation of the combined ratio despite a decline in litigation activity. Declines in surplus and spikes in combined ratios almost always follow a sudden growth of suits. This pattern simply reflects the time lag required to resolve each filed action. In the case of this insurer, one must remember, only 51 cases anchored the date of loss to a hurricane, which is less than 20%.



Gulfstream's premiums and capital appears to have been harvested in coordinated litigation assault spanning several firms. At first glance, reports list 533 individual attorneys and over 1,000 plaintiffs. This volume of participants would raise doubts about any sort of collaborative approach.

However, once the data is cleaned up by grouping the individuals according to firm name, a more accurate assessment emerges. Think in terms of scarcity and capacity. For example, a law firm dedicating 15 of 20 attorneys to suits against a single carrier, on a concentrated timeline, in multiple states, is dedicating significant resources to execute a capital harvesting strategy. Keep in mind, this insolvency occurred absent a dependency upon a catastrophic loss event.

Additional analysis is recommended to determine each specific strategy deployed. The data indicates 3 to 4 non-competitive, or distinct, strategies were leveraged. The additional analysis needed would establish the specific relationships at work among law firms, contracting entities and public adjusters. This would surface the vulnerabilities exploited within the policy language, as well as the results from mitigation efforts such as form filings.



The examination of Lighthouse provides one of the most clear-cut examples of the entire targeting strategy due to its relative size, and the pace of litigation filing. Apart from an after-action review that included direct participation of the insurer, this dive into Lighthouse represents the most in-depth analysis completed thus far.

Lighthouse Litigation At A Glance	
Metric	Filings
Total Filed Actions	675
Lower Courts	464
Bad Faith/ Breach	211
Based on AOB	175
Cited Hurricane as Cause	137
Cited SEBO, Concurring, Proximate	155
25% Building Code, Matching	91
Challenging Appraiser, Umpire	88
Top 4 Law Firms	
Kanner, Pinaluga	105
Krapf Law	31
Cohen Law	30
Gonzalez Law	28

First, Lighthouse operated from 2016-2019 without receiving any filed complaints according to Florida's Department of Financial Services. This alone is a significant observation considering the following:

- Notable volume of actions based on an Assignment of Benefits more than a year after the 2019 AOB reforms.
- Relatively few filings citing a hurricane, filed were more than 2 years following Irma.

- Within the filings citing Florida's building codes, only 11 cited the 25% replacement rule leaving 80 citing Florida's "Matching like kind & quality" statute. SB4D passed by Florida lawmakers in May of 2021 significantly curtailed the automatic replacement of any building system once 25% of the system was damaged. In other words, the litigation network began shifting plaintiff strategies away from the 25% Building Code to the "Matching" statute in the months prior to the legislative special session. Lighthouse was one of several insurers that involuntarily funded this shift in approaches.

The breakdown of most active law firms does not seem to be a significant indicator of targeting on the surface. However, additional details reinforce the case for targeting. First, 141 of 211 CRN filings included the damages being sought in the suit, or 66% of the data set. Secondly, looking at the number of attorneys filing cases in the context of each law firm's capacity is also instructional.

Disclaimer re using filed damages:

- These are filed damages, not the paid damages,
- These figures do not include plaintiff fees, nor defense costs.

The total damages cited in the 141 filings is \$7,983,000. A reasonable estimated total for the entire set of CRN filings is \$16,642,000 in filed damages.

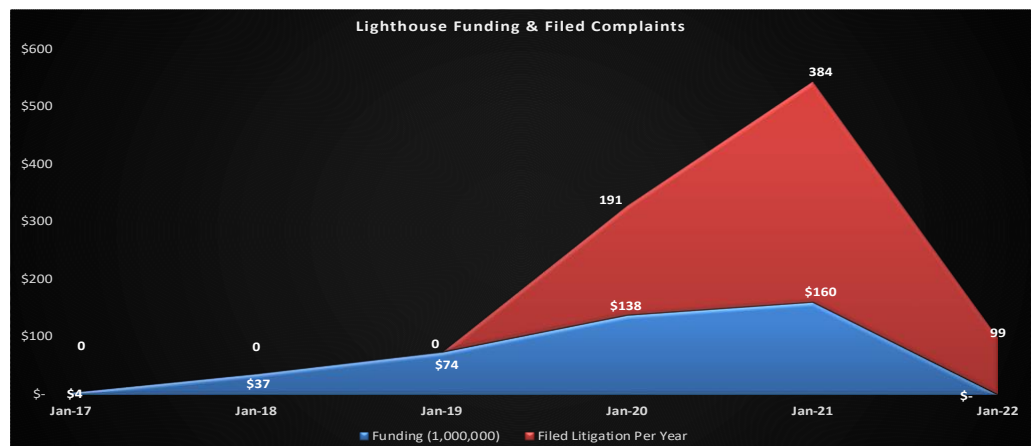
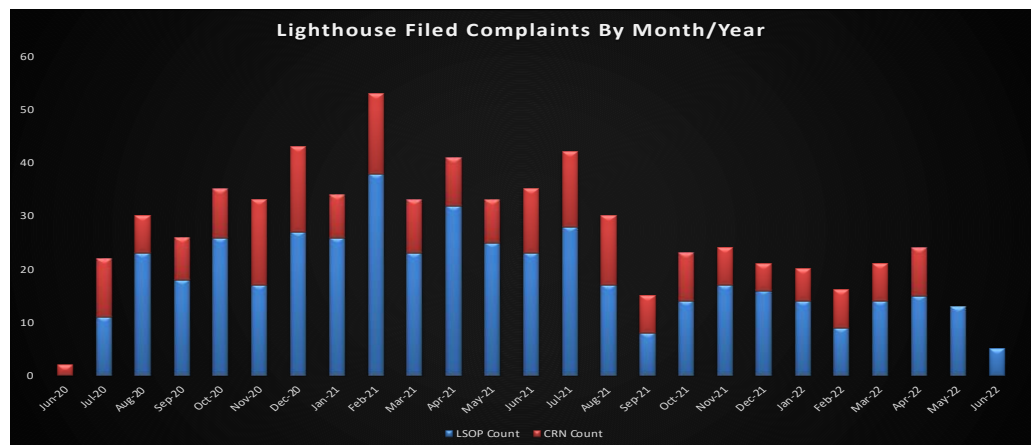
Prior research combined with the limitations on damages that can be awarded in the lower courts leads to a conservative estimate of \$5K per filed action among the LSOP data set. Once again, this estimate is for damages only, excluding plaintiff fees and defense costs. Using this estimation results in a total of \$2,315,000 for Lighthouse's LSOP data for a combined total in only filed damages of \$18,957,000. Assuming fees awarded and defense costs are on par with peer insurers, a conservative estimate of total capital drained between 2020 and 2022 is \$29,000,000.

The law firm of [Kanner & Pinataluga](#) (KPA Law) has offices in 10 Southeast and Central U.S. states, with 61 lawyers listed on their website. From this base of 61 attorneys, 22 (31%) filed 105 actions against Lighthouse between June, 2020 and June 2022. The total damages documented in the State's data is \$5,189,000. The average damages per case filed by KPA lawyers is \$106,000 less fees and costs, in contrast to the overall average of \$79,000.

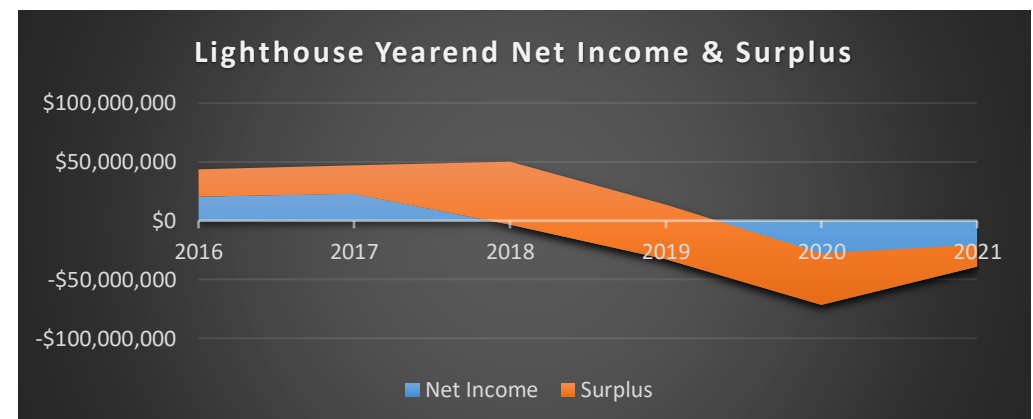
Cohen Law lists 40 attorneys, 10 (25%) of which filed 30 complaints against Lighthouse. Every filing from Cohen law list damages in the top 25% of all damages.

The law practices of Anthony Lopez and Gonzalez Law appear to rely upon individual attorneys, who filed a total of 49 complaints. In contrast the actions filed by Gonzalez and Lopez are among the LSOP data.

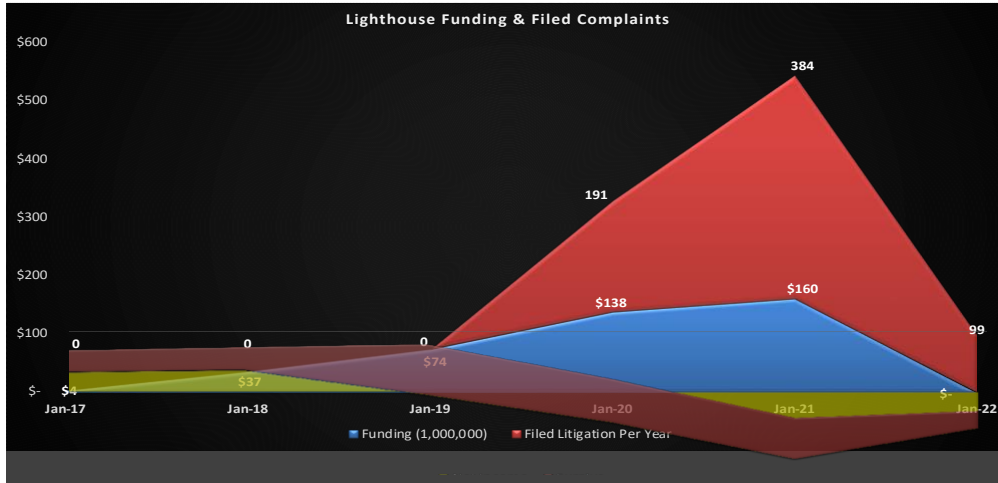
Going back to the disconnect between the reasons justifying litigation and the timing of complaints filed, one is left with lingering questions. For example, what triggered the sudden escalation of filed litigation? What made Lighthouse vulnerable? Admittedly, the answers must be qualified as an educated hypothesis based on the limitations of the information used for this report. That said, the following charts provide important insights.



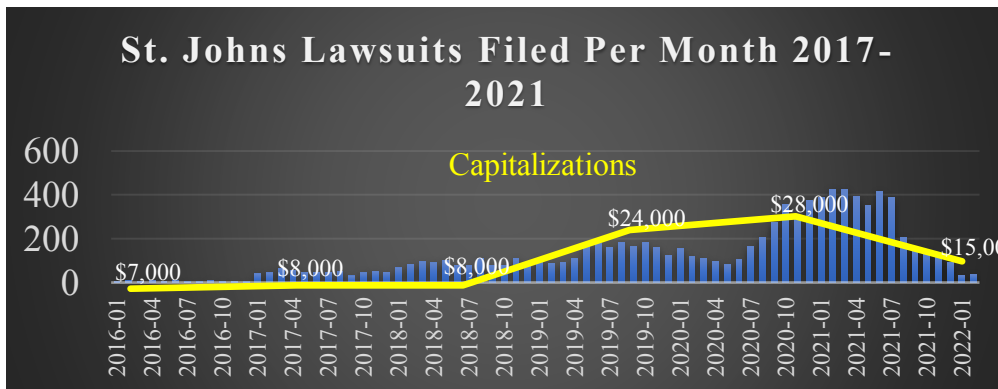
The top chart renders the number of filed actions against Lighthouse by month and year. The search run to generate both LSOP and CRN reports covered the time span of 1/1/2017- 6/1/2022. The 2nd chart renders the volume of actions filed against capitalization transactions closed by Lighthouse. Year-end Net Income and Surplus metrics add the element of cause and effect.



The impact upon Lighthouse becomes even more clear by combining these last 2 charts. In short, the capitalization transactions only extended the viability of litigation, not the insurer.



Lighthouse is not the only carrier to generate a visual rendering of financial & litigation data such as seen here. The following chart renders St. Johns litigation against their capitalization transactions.

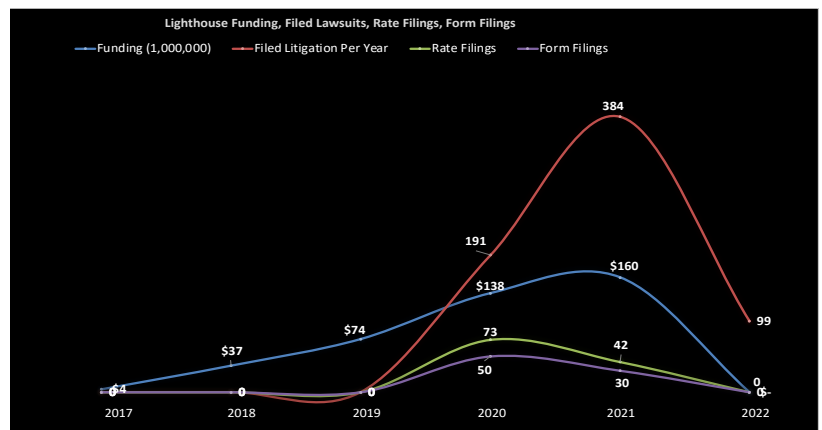


None of this data should be interpreted as the insurers were unaware or did not react to the actions working against their interests and the interests of their policyholders. Looking at public information available via Florida's Office of Insurance Regulation, or OIR, reveals both Form filings and Rate filings. However, both require 1 to 2 years to positively impact a book of business. Form filings are needed to close vulnerabilities but cannot impact suits already filed, which translates into Form filings being one driver of pace in plaintiff strategies. Unfortunately, rate filings just serve to feed the volume of litigation, particularly if planned damage demands exceed a carrier's capital and direct premiums.

For example, at the time American Capital Assurance was declared insolvent, outstanding litigation demands were more than two times demands settled over the prior 24 months.

Rate filings are absolutely necessary. Very often rate filings are essential to obtaining reinsurance and/or extending the duration of viability on a limited basis. However, the time horizon required for rates to positively impact an insurer's bottom line significantly mitigates economic viability. While most form filings require less than 30 days for approved deployment, the average time required for approval of rate filings exceeds 150 days, followed by another 180 just to reach 50% of the policies insured.

The final chart renders Lighthouse's annual litigation, capitalization transactions, number of rate filings and number of form filings. A factor of 10 is applied to each filed rating to render the activity on the graph. The takeaway from this graph is the timing of activity. Note the peak escalation in litigation comes immediately following substantial capitalization as well as the peak of rate and form filings.



To conclude, connecting the blocks of analysis is necessary. Certainly, each insurer is affected by numerous influences and factors. Insurers in catastrophe prone markets operate with particularly challenging margins. This report is not an assertion that litigation activities alone take a carrier from viable to insolvent. However, plaintiff litigation efforts represent an economic drain and degrade actuarial practices, core to insurer viability.

First, the existence of the raw data needed to target an insurer for capital harvesting is established. This enables preselecting potential claimants (property owners).

Secondly, one of several powerful plaintiff analytical engines, funded by and operationally connected to, one of the most active plaintiff firms in the Southeast is documented. The sources contained in the links also highlight Litify's CEO simultaneous role as COO at Morgan and Morgan law firm.

Next, the use of SEO optimization by public adjusters and law firms as a means of driving traffic and/or capturing claimants seeking to file a claim directly with their insurer is documented. These SEO practices are not geographically limited to a state.

Filing a hurricane claim with:	
Insurer	Top 4 Search Results
Gulfstream	Northside PA, A. Lopez, Stellar Law, M&M Law
Lighthouse	Ligori & Ligori, A. Lopez, C. Wilson Law, M&M Law

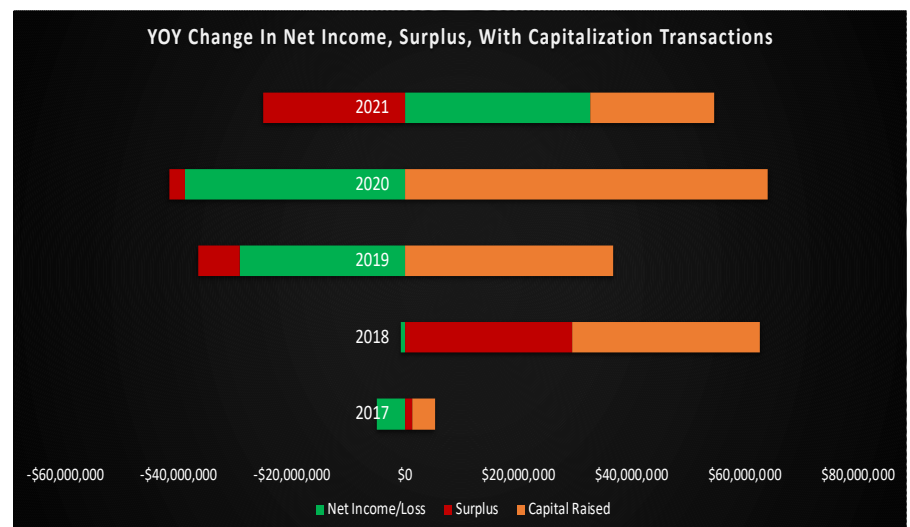
While attorneys and law firms are not limited to just one or two insurance carriers, the data does highlight evidence of planned coordination, such as the breakdown of damages and suit types.

The data also highlights the relationships among stakeholders, such as a law firm and one or two contractors, and a plaintiff strategy such as the use of:

- Assignment of Benefits,
- Suit staking (multiple suits per claim)
- Reopening previously closed claims & filing actions as a supplemental

Finally, the performance metrics of three carriers, in contrast to the litigation stats for each, consistently reveal key observations all strongly suggestive of manipulated, or manufactured, loss events:

- Dispute actions escalate after capitalization transactions,
- Dispute actions escalate in the midst of, and post, form filings,
- Dispute activities increase post rate filing approvals
- As the final Lighthouse chart clearly indicates capital infusions and increased rates temporarily extend the carrier's viability, but primarily appear to have fueled plaintiff strategies.



Recommended next steps: Completion of additional analysis is needed prior to referral to Governmental legal and/or investigative agencies. The disputes for both firms should be mapped for evidence of contractor solicitation practices. Additional analysis on plaintiffs and their relationships to filing attorneys is needed. Ideally, a sampling of defense files should be analyzed for motions, final damages paid, and patterns in plaintiff fees paid.