

Construction Defect Lawsuits Driving Up Insurance Costs For Developers

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Luxury condos donning the names of world-renowned brands are taking over South Florida, but the buyers who have spent millions of dollars to fill them are starting to see the cracks — literally.



In the first five months of 2026, the condo associations of three newly built luxury Miami residential towers have sued their buildings' developers and contractors over defects like cracks in concrete, roofing failures that cause water intrusion and using cheaper materials than they were promised.

“It's what I would call a vicious cycle that doesn't end,” Haber Law founder and lawyer David Haber said.

That outcome is becoming increasingly common for new high-rises in South Florida, which insurance experts have said is ground zero for the surge of lawsuits driving up liability insurance rates.

Developers say the spike in lawsuits is being driven by the trial lawyer industry, which has spent millions nationwide on advertisements and aggressively expanded its headcount. Florida, one of the states with the highest concentrations of lawyers, is a hot spot.

“There is a cottage industry there of law firms that are mainly based in South Florida, but they handle cases all over the country,” Time Equities Director of Risk Management Aron Sotnikoff said. “It's largely — I hesitate to call it a scam, but it is somewhat like that.”

Between 2022 and 2024, national federal tort cases, mostly including slip-and-fall accidents, elevator and escalator accidents, toxic exposure and wrongful deaths due to negligence, increased by 20%, Risk & Insurance reported.

But Florida has Chapter 558 of the Florida Statutes, a state law that allows a condominium association of a newly constructed building to inspect the property for construction defects and request repairs.

The rule lays out the prelawsuit process that requires property owners to notify developers and contractors of construction defects to provide an opportunity for them to inspect and repair before a lawsuit is filed.



Meant to deter disputes by giving developers and contractors a chance to fix defects before a suit is filed, the rule has had the opposite effect.

So far this year, associations of the Aston Martin Residences, the Missoni Baia Residences and the Amrit Ocean Resort, which represent nearly 1,000 units, have all filed lawsuits after going through the Chapter 558 process.

Haber represents the associations of the Aston Martin Residences and Amrit and said virtually all of the high-rise condos that go up enter the process and result in a lawsuit.

“They end up having to go through years of litigation before they get settled,” Haber said. “Maybe one out of 100 developers say, ‘I’m fixing it, I’m going to do it myself, I’ll go after the contractor, don’t you worry, I’m going to stand behind my product.’”

In May, Haber's firm filed a suit over construction defects at the Amrit Ocean Resort on Singer Island against the developer, an affiliate of Dilip Barot's Creative Choice Group, after a rain event exposed construction failures.

The suit, filed two weeks after the association was handed over to the owners, alleged roofing failures that caused water intrusion, corrosion affecting air conditioning, plumbing, electrical and fire sprinkler systems, and cracking in stucco and deteriorating concrete, The Real Deal reported.

Owners began the Chapter 558 last year at the building, where two-bedroom units are listed for more than \$2M

The dispute is among a host of legal issues the developer is facing over the project, including an investigation by the Riviera Beach Police Department over claims the buyers were misled to believe their units qualified for the Florida homestead tax exemption, TRD reported.

Chapter 558 claims are part of the reason for-sale construction liability insurance premiums tend to be four to five times higher than the cost of insuring construction on a multifamily project, Lockton Cos. Senior Vice President Jonathan Perrillo said at *Bisnow's* CondoVerse conference in April.

And for those that may have come to Florida because of its business-friendly policies, it is becoming harder to ignore.

“Talking about 558 claims with the condo associations and what have you — we wanted to get the hell out of New York because of the cost of insurance and what that did to development projects,” Rinaldi Group President and CEO Anthony Rinaldi said at the event in April. “We're starting to run into that [in South Florida].”



Google Maps

The Missoni Baia condo tower at 777 NE 26th Terrace in Miami's Edgewater neighborhood

The reason lawsuits drive insurance premiums up, Haber argued, is that instead of fixing the defects when the 558 claims are filed before the lawsuit, developers allow disputes to go to court, where their insurance will cover the payout.

And sometimes the insurers need a little nudge.

Vlad Doronin's OKO Group, after being sued in February by the association of the Missoni Baia tower in Edgewater over alleged construction defects, filed its own suit in April against four different insurers for \$22M, claiming they only covered some of its losses from construction issues, which totaled more than \$55M.

The association claims there are cracks in floor slabs, foundation and columns and water intrusion in units, mechanical rooms, stairwells and the parking garage. OKO claims the building settled unevenly in 2021, two years after construction began, which caused the issues.

While the increase in disputes may be contributing to the rise in insurance costs in South Florida, Haber said developers ultimately bear the responsibility and argued that the state should be doing more to hold them accountable.

In April, he filed suit on behalf of the residents of the 341-unit, 66-story Aston Martin tower against the developer, an entity led by Argentine grocery mogul German Coto, and 16 other contractors and subcontractors.

They claim the project — where a four-bedroom condo is on the market for \$7M — was delivered with spalling concrete, exposed rebar and cracks attached to the building's pool that are leaking water. Repairs on the tower, delivered in 2024, are expected to cost millions.

Unlike other professionals like lawyers and architects who could lose their licenses for mistakes or malpractice, developers face little oversight, Haber said.

“[The county is] pulling permits left and right. There are cranes everywhere in the sky,” Haber said. “But how about if you put the citizens of our city and our county and our state at risk of having to hold the bag on multimillion dollars of repairs at the outset of a project, maybe you don't deserve to keep building, developing or constructing.”