

Florida's CFO Opposes Extending Rate Freeze On Citizens Insurance

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Source: South Florida Sun-Sentinel (KRT)

Wordcount: 572

Apr. 8--Florida Chief Financial Officer Alex Sink said Tuesday she opposes extending a freeze on Citizens Property Insurance Corp.'s rates another year.

"To extend that freeze means we're going to be more and more under water," Sink said at a meeting with the South Florida Sun-Sentinel editorial board.

The rate freeze, enacted by the Legislature last year, has resulted in some Citizens policy holders paying up to 50 percent less than they should, she said. And that could mean trouble for most Floridians, who pay fees on their homeowners policies when major hurricanes strike and Citizens goes in the red, she added.

Extending the freeze through 2009 is one of many controversial parts of a sweeping property insurance bill aimed at holding insurers accountable for pricing strategies and unfair trade practices. The bill, SB2860, passed its first key test Tuesday, with a green light from the Senate General Government Appropriations committee, led by several senators who have opposed parts of the bill.

Sen. Jeff Atwater, R- North Palm Beach, the bill's co-sponsor, has called the legislation a consumers' "bill of rights" for property insurance. The bill would beef up penalties for insurers who violate state laws, broaden the state's power in blocking rate hikes and hold the industry accountable to state antitrust and unfair trade practices laws.

The bill is based on findings from a Senate panel that grilled insurance company executives in February. There's less support for the proposals in the House of Representatives.

Industry representatives said the bill's antitrust provision would trigger more lawsuits and, in turn, rate hikes.

"We're about to kill the golden goose," said Mark Delegal, a lobbyist for State Farm, the largest private company insuring Florida properties. Regulators said State Farm recently informed them of plans to close the door on most new policies in the state.

Insurance industry representatives said another provision -- forbidding Citizens from selling any new policies that only provide windstorm coverage -- could also spark rate hikes, as consumers who want Citizens are forced to buy all their coverage from the public insurer.

But Atwater said the idea of the bill is to prevent companies from cherry-picking the most profitable types of coverage and "dumping" the state with the riskiest part. Beefing up Citizens' bottom line reduces the risk of deficits, he said.

In a related matter, the Senate committee approved a separate bill, SB2156, Tuesday that would shrink by \$3 billion the \$28 billion Florida Hurricane Catastrophe Fund, which provides insurers with cheaper backup coverage. Sink pitched the idea of shrinking the fund this year because she's concerned about the risk it poses to Florida policy holders, who help pay its deficits.

Sink has been less vocal about her concerns with Citizens. She said Citizens should increase its rates slowly over several years to minimize the impact on policy holders.

South Florida residents hold about half of Citizens' 1.3 million policies.

"Citizens writes 30 percent of the policies in this state. The other 70 percent of the people are in effect subsidizing Citizens policy holders," said Sink, adding that she supports the Atwater bill's "consumer-friendly" spirit overall. "From a policy standpoint, I think that's OK because we know these are homeowners, some of them are coastal, and they have no other choice. But how much is too much of a subsidy? That's the policy question we need to be asking ourselves as Floridians."