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Lobbyist: Citizens rates must go up

TALLAHASSEE — Florida insurance regulators are failing in their duties if they don't make the state-backed Citizens Property Insurance Corp. raise property insurance rates by 10 percent across the board, a business group lobbyist said Tuesday.

Barney Bishop III, president of Associated Industries of Florida, said it's "astonishing" that the state-backed insurer would not increase rates on all policies by 10 percent.

"It is our position that every rate should go up," Bishop told representatives from the Office of Insurance Regulation. "The rates haven't been actuarially sound for the last five years."

OIR deputy commissioner Belinda Miller and Bishop sparred over legislative intent. Bishop argued that lawmakers wanted policies increased 10 percent while Miller said OIR believed the legislation established a ceiling, but that various rates could be assessed and that some decreases would even be awarded.

He called Citizens a cash-starved, bond-challenged entity that has ignored legislative intent by failing to move forward with the double-digit increase.

"They're gonna be leaving money on that table and that means money that's not gonna be available to pay losses," Bishop said.

Citizens was created by the Legislature in 2002 as a safety net to offer property coverage to homeowners without private insurance options, albeit not necessarily at cheaper rates.

The fiscal viability of Citizens rests with Florida residents who would make up any losses through a statewide assessment.

Florida residents with auto, residential property or commercial property insurance policies are already paying a 1 percent assessment to shore up the Hurricane Catastrophe Fund tagged with huge losses after the 2004 and 2005 hurricane seasons.

"The only way to pay for those losses is to borrow the money and when you borrow that money you have to pay it back for years and years and years on all of our personal insurance policies and all of our business insurance policies," Bishop said. "If you're a small business person you're going to pay both personally and for your business."

Bishop said Citizen's \$4 billion surplus is far short of what would be needed to avoid having Florida residents on the hook for millions of dollars in assessments if a big storm struck the state.

He said Citizen's present exposure is \$413 billion.

He said an across-the-board 10 percent increase would generate an additional \$211.5 million to ease the huge deficit Citizens would find in trying to pay claims following a Category 2 or greater hurricane.

Miller argued the 10 percent was a cap set by lawmakers and not intended to be applied equally to all Citizens' policy holders.

"We don't want to increase rates too quickly because people would have a hard time paying for it." Miller said.