

Recent legislation or regulation in Florida involving insurers

5/07/07

Following the extraordinary losses experienced in recent years, several private companies are pulling out of the Florida property insurance market, while those that remain continue to increase premiums at what consumers feel are alarming rates. In response to voter demand for lower cost insurance, Governor Charlie Crist and the state of Florida has passed new legislation that increases the state's involvement in the property insurance business and can potentially cut rates for most policyholders by 35 percent or more.

This new legislation focuses primarily upon the increased freedom of the Citizens Property Insurance Corporation ("Citizens"), a government owned entity that was originally created to provide insurance to homeowners who could not obtain insurance elsewhere. Until early 2007, Citizens charged its customers the highest approved rate by the Office of Insurance Regulation (in order to avoid competition with private companies) and insurance agents were prohibited from writing Citizens' policies if a private insurer was readily available. However, with the passing of both insurance reforms in January and May of 2007, Citizens now has the freedom to reduce their premiums to below that of the private market until as late as 2009 and Floridians can now purchase insurance from Citizens if the Citizens' policy is 15 percent less than that of the available private insurer. In addition, regulators must now factor in the national profits of insurance companies when determining Florida rates and national insurance companies are prevented from setting up Florida-only subsidiaries.

While these reforms give consumers the relief they have been looking for, the question of whether or not costs will ultimately fall upon them is still unanswered. In the

case of a severe hurricane season where Citizens runs up a deficit (much like the hurricane seasons of 2004 and 2005), taxpayers and other policyholders will have to pay back that debt due to the high risk assumed by the state. Though Gov. Crist has lobbied vehemently for passage of this legislation, calling it a “win for the consumers,” others, such as Rep. Dennis Ross, argue that “[he] cannot accept such short-term relief when it comes at an even greater, long-term risk to our homeowners and taxpayers.”

For private insurers, this new legislation means several changes that some believe to be more of a problem than a solution. Several argue that it is “unfair” to all parties that Floridians will now see changes in their rates due to events in other states and some predict that insurers will refrain from coming to Florida if they are unable to segregate their risk. A lobbyist for State Farm argues that “Philosophically, that's just not heading in the right direction. You want a global company to come to Florida, that's part of the solution.”

Though it is difficult to predict both the long-term benefits and consequences of such a drastic change, consumers and lawmakers made it abundantly clear that a change was needed. While the future of the property insurance business in Florida is still unknown, Gov. Crist and the state continue to push optimistically forward.

Works Cited

Dunkelberger, Lloyd. "Florida Consumers Got a Few Breaks - and a Few Burdens." The Ledger Online. 06 May 2007. Ledger Tallahassee Bureau. 6 May 2007
<<http://www.theledger.com/apps/pbcs.dll/article?AID=/20070506/NEWS/705060426/1004>>.

Dunkelberger, Lloyd. "Lawmaker: Bill Will Help Homeowners." The Ledger Online. 23 Jan. 2007. Ledger Tallahassee Bureau. 6 May 2007
<<http://www.theledger.com/apps/pbcs.dll/article?AID=/20070123/NEWS/701230377>>.

Follick, Joe, and Lloyd Dunkelberger. "Insurance Reforms Pass." The Ledger Online. 05 May 2007. Ledger Tallahassee Bureau. 6 May 2007
<<http://www.theledger.com/apps/pbcs.dll/article?AID=/20070505/NEWS/705050464>>.

"Insurance Bill Has Insurers and Inland Lawmakers Grumbling." The Ledger Online. 05 May 2007. 6 May 2007
<<http://www.theledger.com/apps/pbcs.dll/article?AID=/20070505/NEWS/705050441>>.

"Spotlight on the Florida Insurance Debate and Potential Impact of New Legislation on Consumers." Towers Perrin. Apr. 2007. 6 May 2007
<http://www.towersperrin.com/tp/jsp/tillinghast_webcache_html.jsp?webc=Tillinghast/United_States/News/Spotlights/2007/04_2007_Spotlight_Till_Florida.htm>

.

St. John, Paige. "Crist Still Pushing for Property-Insurance Legislation." Tallahase

Democrat. 03 May 2007. Florida Capital Bureau. 6 May 2007

<<http://www.tallahassee.com/apps/pbcs.dll/article?AID=/20070503/CAPITOLNEWS/705030346>>.