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Bills would allow property insurers to raise rates in Florida

Companies say they haven't been able to build claims-paying reserves

By Julie Patel, Sun Sentinel
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Edsel Hulse, a veteran who lives in Hollywood, said he's expecting his [Citizens Property Insurance Corp.](#) windstorm insurance policy premium to increase this year because state legislators in 2009 approved allowing the insurer to boost premiums by up to 10 percent annually.

But he's also worried that may not be the last of it. Hulse, like many other South Florida insurance policyholders, is apprehensive about new insurance laws the Legislature is slated to take up when it convenes its annual session March 2.

Key Florida lawmakers are drafting legislation that would essentially allow additional property insurance rate increases and reduce fraudulent claims and discounts that can drive up insurance costs.

Sen. Garrett Richter, R-Naples, who leads the Senate's insurance committee, and Rep. Bryan Nelson, R-Apopka, said they plan to file broad property insurance measures that would expand on an insurance bill passed last year that, among other things, allowed insurers to increase premiums by up to 10 percent to pass certain backup coverage costs to policyholders.

"With that bill we crossed the starting line, which is dramatically different than crossing the finishing line," Richter said.

Richter and Nelson, who sponsored the bill last year, are considering having other fixed costs included in the 10 percent provision. That could drive up the cost of Hulse's homeowner policy, covered by a private insurer. "So now instead of worrying about taxes, I have to worry about insurance," Hulse said, adding that 40

percent of his monthly income already goes to paying insurance premiums, utility bills and taxes.

Insurance industry executives say rates aren't high enough to build claims-paying reserves and are pressing lawmakers for relief. "Even though Florida has gone four years without a hurricane, many major property insurers lost money in 2009," wrote the Florida Insurance Council, a trade group, in a recent report.

The state's Office of Insurance Regulation approved 99 homeowner insurance proposals to increase statewide average rates last year by 0.2 percent to 27.9 percent and 15 proposals to decrease rates, according to data from the agency.

Insurance Commissioner Kevin McCarty told a panel of senators in October that 102 of 210 property insurers with a significant presence in Florida reported that premiums collected during the first half of the year weren't enough to cover claims and expenses. But McCarty also said that 150 of the companies reported an increase in claims-paying reserves. Specific Florida figures aren't available.

Overall, U.S. property and casualty insurers are expected to earn a net income of \$30.6 billion in 2009, up from \$3.8 billion in 2008, according to a report this month from A.M. Best, which rates the financial health of insurers.

Senate President Jeff Atwater — who co-sponsored a law passed in 2008 that extended Citizens' rate freeze and allowed regulators to reject rate increases before they took effect — said Florida's insurance market is healthier now but still needs help.

"We're focused on two fronts: Not doing anything that would make it more difficult for consumers to get prompt payment of claims and fair pricing," said Atwater, R-North Palm Beach, adding that legislators also want to show insurers that Florida has a fair regulatory environment.

Stephen Marino, an attorney for policyholders at Ver Ploeg & Lumpkin in Miami, said the Legislature has bigger issues to deal with. "It troubles me that the insurance industry is causing legislators to expend resources on these changes for no good reason other than because the industry wants them," he said.



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Like other major industries, insurers are aggressive in pushing their agenda. The [Republican Party](#) of Florida received more than \$1.5 million from insurance industry representatives and groups last year and the [Democrats](#) received more than \$600,000, according to state campaign finance records.

Sen. [Mike Bennett](#), R-Bradenton, and Rep. Bill Proctor, R-St. Augustine, proposed legislation this year that would essentially allow insurers to increase rates as much as they want. [Gov. Charlie Crist](#) vetoed a similar bill they proposed last year and vowed to do the same this year.

Sam Miller, executive vice president of the insurance council, said his group supports the idea but has resigned itself to the fact that it won't get far. He said legislators should at least allow capped annual rate increases as they did for Citizens. "We need a glide path [increase] for private insurers. It's gotta be capped. It's gotta be incremental," Miller told the Sun Sentinel editorial board last week.

Bill Newton, executive director of the Florida Consumer Action Network, said consumers can't afford 10 percent increases every year and insurers "don't deserve that kind of latitude."

Insurance Consumer Advocate Sean Shaw said that if legislators limit the state's authority to shoot down rate increases, they should consider allowing his office to participate in insurance rate hearings on behalf of consumers — much like the Office of Public Counsel does for utility proposals.

Richter and Nelson's bills aim to:

Prevent inspectors from inflating discounts. Legislators want to beef up the state's regulation of home inspections because some homeowners are getting discounts they don't deserve for fortifying their homes against hurricanes. After recently inspecting 452 homes, Citizens found 311 were not eligible for the discounts.

Increase the state's authority to set common guidelines on the scope of damage during mediation, a program to help resolve disputes between insurers and policyholders over claims.

Reduce fraud that drives up costs for insurers. One idea is to undo parts of a 2005 law that required insurers to pay the full cost of replacing damaged items before repairs are made. "What's happening is the policyholder is saying, 'I'm going to get my \$2,000, \$3,000 for the kitchen floor but I'm not going to replace the kitchen floor,'" Nelson said. Another idea is to limit the time policyholders have to open claims after a hurricane.

A state fund that sells catastrophe coverage to insurers reports that it must raise up to \$710 million more to pay for losses from the 2005 hurricane season. It proposes increasing a fee that all automobile and property insurance policyholders pay from 1 percent of premiums to 1.3 percent.

"We're supposed to only pay claims that are due, not that are inflated," said Stacey Giulianti, the chief legal officer of [Boca Raton](#)-based Florida Peninsula Insurance Co.

Marino said insurers' claims of fraud are overblown. A recent state study found that in the past six years, the Division of Insurance Fraud received 937 complaints about fraud related to public adjusters from insurers and others, investigated 269 of them and made 31 arrests from 2004 to 2009.

Julie Patel can be reached at 954-356-4667 and jpatel@SunSentinel.com.

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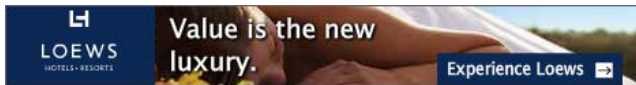


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