

“Fixing” Citizens

By Michael Carlson, Executive Director
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Spring brings many things in Florida: The crack of baseball bats, blooming azaleas, and, as lawmakers return to the state Capitol, the newest round of ideas to “fix” the state-run Citizens Property Insurance Corporation (Citizens). “Fixing” Citizens, however, means different things to different people.

Originally, Citizens was the *option of last resort*, charging rates that were no lower state approved rates for private insurance. However, after the hurricanes of 2004 and 2005, legislators made a dramatic 180-degree turn in public policy, and Citizens’ rates were slashed -- “fixing” Citizens as an “*affordable*” option for homeowners insurance.

Not surprisingly, that decision has led to Citizens’ tremendous growth; presently it is the ninth largest property insurer in the United States, with over 1.2 million policies, writing about 32,000 policies a month.

Why should you care? Because in the event of a large hurricane or multiple hurricanes, our home, automobile, business, and other insurance policies will be taxed to pay Citizens losses. The larger Citizens becomes, the higher the hurricane tax and, therefore, the likelihood that all Floridians have to pay the tax. And - though they may not know it – Citizens policyholders pay the tax first and they may a much larger tax, which is one good reason to get out of Citizens if possible.

Key leaders in the Florida Legislature have presented several smart, targeted ideas to address Citizens’ growth. During recent testimony, we learned that thousands of Citizens policyholders live out-of-state and in foreign countries. That means Floridians are subsidizing property insurance for non-residents who can afford vacation and second homes – a luxury many working Floridians cannot enjoy. We also learned that many Floridians who are insured by Citizens are wealthy enough to pay market rates for property insurance.

But we also know that many Citizens policyholders are struggling Floridians: Some are seniors on fixed incomes, some are single parents, and many are working to recover from tough economic times. If policymakers think that relief for these policyholders is warranted, perhaps some type of fairness test could be applied that results in rebates or tax credits based on verified income.

Surprisingly, testimony at the Capitol showed that private market insurance policies are often cheaper than Citizens, and Citizens customers may have a competitively priced option in the private market with better coverage. This is important, because the hard work to move policies out of Citizens is wasted if we continue to see 8,000 new policies per week exploding through Citizens front door. Proposals for a clearinghouse where Citizens policyholders can be matched up with competitively priced private sector policies need to be strongly considered – think of it as a networking service for public and private insurance policies.

Fairness rebates or credits and a clearinghouse for affordable private insurance policies could both boost Citizens bottom line and reduce its size.

It’s spring and state leaders are back at the Capitol. Let’s get to work on smart ideas to help Floridians!

Mr. Carlson was formerly staff director for the House Insurance Committee and Legislative Director for the Department of Financial Services. The Personal Insurance Federation of Florida represents several automobile and home insurers in promoting consumer-oriented solutions to Floridians’ insurance challenges. Learn more at <http://piff.net/>.