

Florida Property Insurance Bill SB 408 Becomes Law

Property insurance reform legislation sponsored by Naples' very own Sen. Garrett Richter was signed into law by Gov. Rick Scott in May. The bill was intended to address some of the significant cost drivers of insurance premium rates.

The weak and well underfunded status of the Florida Hurricane Catastrophe Fund was strengthened by excluding losses covered by the fund for such perils as fire, theft, flood and rising water as well as payments previously made for deductible waivers and bad faith damages.

The amounts public adjusters can be paid as a result of settlements is limited to 20% of the settlement and 10% for Citizens Property Insurance Corporation claims. Insurers must now provide more choice in the homeowners policy; namely two options for recovery of personal property. The first, a no questions asked replacement cost option and second, a depreciated value option requiring receipts for items claimed beyond a specific threshold. Obviously, the latter being a lower priced option.

Hurricane loss claimants must now bring a claim for loss within three years of the hurricane event causing the loss. The uncertainty of a longer "tail" for reporting and the ability to assess damage and causes of damages over a longer tail resulted in unnecessary claim payments and opportunity for fraud which in turn was

subsidized by honest claimants and premium paying citizens.

To address the significant and dynamically changing costs of reinsurance, the law provides for up to a 15% rate increase to adjust for increases in reinsurance premiums. State regulators then have up to 45 days to approve the increase. The "file and use" rate system has been reinstated which requires companies to gain approval for rate changes prior to billing (using) the new rates. This reinstatement lasts until May of 2012.

To address the issue of thinly capitalized and newly formed Florida property insurance companies coming to market with a mere \$5 million of surplus capital, the surplus capital requirement is raised to \$15 million. Existing companies will be permitted to raise their surplus capital to the \$15 million required over a period of time.

Citizens Property Insurance Corporation Sunk By Sinkholes

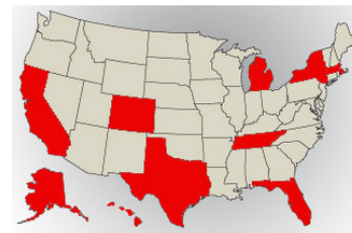
Part of SB 408 (previous article) allows the largest insurer in Florida, CPIC, to charge whatever is needed for option sinkhole coverage due to huge losses from this peril.

Taking advantage of the new law the CPIC board of directors recently voted unanimously to increase the rate charged for OPTIONAL sinkhole coverage by as much as 400% beginning in 2012.

The CPIC board also voted unanimously to increase the rates associated with the remainder of the overall CPIC policy by a statewide average of 8.8%.

Last year CPIC took in \$32 million in premiums for optional sinkhole coverage but paid out \$245 million in claims weakening the capital position of the state run insurer.

Heartland Institute's 10 Worst Regulatory States For Property & Casualty Insurance



The 2 factors used to rank the states were:

1. How free consumers are to choose the product and company they want
2. How free insurance companies are to provide the insurance products consumers say they want

Florida Awarded WORST Possible Grade, "F"

According to the Heartland Institute, the state has essentially taken over the insurance industry resulting in sky high rates and the departure of well known, well capitalized national companies. Florida taxpayers face a multi-billion dollar liability as a result.