Report on Citizens Property Insurance liability is pulled from web

By Zac Anderson

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Florida's insurance consumer advocate has pulled a report indicating that private insurers would need a bailout greater than state-run Citizens Property Insurance after most major hurricanes.

The action follows a Herald-Tribune story this month on the data, which, combined with updated Citizens financial records, showed that private insurers are a greater financial risk in the hurricane scenarios most likely to overwhelm claims-paying capacity.

State insurance officials then criticized the report and painted a rosier picture of the private homeowners' insurance market, prompting Insurance Consumer Advocate Robin Westcott to remove the information from her website last week.

The move comes as Gov. Rick Scott and lawmakers are pushing to shrink Citizens and move customers into the private market, arguing that the government insurer is a financial time bomb because it could run out of money in a major disaster.

The idea that many private insurers are weaker than Citizens and present a greater financial liability contradicts much of the current rhetoric surrounding property insurance reform.

Some critics of the reform efforts questioned Wescott's quick retraction. There is a lot of pressure to "toe the official line" on insurance issues in the Capitol, said Bill Newton with the Florida Consumer Action Network.

Sen. Mike Fasano, R-New Port Richey, said data about the private insurance industry and potential failures needs to be readily available to the public.

"The consumers have the right to know about the company insuring them," Fasano said. "They have a right to know the strengths and the weakness of the insurance companies writing policies in the state of Florida."

Westcott said she removed the report because it was flawed.

"No one pressured me to take this down," she said. "It's about getting this right."

The report has been available since April. Westcott said she asked the Florida Office of Insurance Regulation — where she previously worked licensing new insurers — to review her staff's conclusions more than a month ago.

But she said she did not hear back until last week, after the Herald-Tribune highlighted the data on the potential insolvency of private insurers.

Westcott said OIR criticized the report for not using up-to-date information indicating better claims-paying capacity among private insurers.

“The report was wrong,” OIR spokeswoman Amy Bogner said.

The report calculated how much Floridians are likely to pay in post-hurricane assessments — the taxes levied on insurance policies throughout Florida to cover claims when an insurer becomes insolvent.

Three different state property insurance entities have assessment authority. State leaders and the insurance industry focus on potential assessments from Citizens and the Florida Hurricane Catastrophe Fund, the state provider of cheap reinsurance.

But the consumer advocate's report and updated Citizens financial information indicate private insurers would trigger larger assessments than Citizens in most major disaster scenarios.

When a private insurer goes broke, a program called the Florida Insurance Guarantee Association steps in to levy assessments on insurance policies statewide — including Citizens customers — and pay claims.

Under the most likely assessment scenario analyzed by the consumer advocate — a storm causing $21 billion in damage — Citizens has enough reserves to pay all claims while private company failures would generate $200 million in statewide FIGA assessments, according to the initial report.

A $35 billion disaster — larger than Andrew, the 1992 hurricane that leveled areas in South Florida — private insurers would trigger $1.6 billion in FIGA assessments compared with $1.07 billion from Citizens, according to the original advocate's report and updated financial information from Citizens.

Only in the worst-case scenario — a storm causing $50 billion in damage with a 1 percent chance of occurring each year — was Citizens a larger financial risk.

But OIR challenged the reinsurance numbers used in the report. Reinsurance — insurance for insurers purchased from the state or on the open market — allows companies to pay claims without keeping big reserves.

With better reinsurance prices available and the hurricane season approaching, companies appear to have bought more coverage than was reflected in the initial calculations by Westcott's staff, she said. More reinsurance means less likelihood of insolvency after a major hurricane.

Bogner, the OIR spokeswoman, said her agency reviewed its data and found that no private insurers currently would fail in a $21 billion storm, considered a 1-in-25-year event.

She said there also would be no failures in a $35 billion storm, which is considered a 1-in-50 year event.

Florida Insurance Commissioner Kevin McCarty presented reinsurance data at Tuesday's meeting of Scott and the Cabinet showing that 96 percent of Florida's property insurers are covered for at least a 1-in-80 year event. The survey included responses from 95 percent of Florida insurers.

Westcott has been a controversial figures among consumer activists since her appointment as insurance advocate last year by Florida Chief Financial Officer Jeff Atwater. She presided over a string of property insurance company failures, working first as an agency lawyer and later a division director at the OIR.

A bureaucrat accustomed to working closely in private with insurance company lobbyists, Westcott helped license some of Florida's weakest carriers, including one operated from the house of a man unable to pay his credit card bills, and another financed by Bill Griffin, a Sarasota businessman banned for life from the insurance industry.

Westcott said Tuesday she still plans to publish assessment information on her website.

She said her staff also is working to retool an assessment calculator that was based on the shelved report. The calculator allowed homeowners to tabulate their individual bills after different disasters.

The new calculator will only reflect Citizens and CAT Fund assessments, she said.

Westcott said she is not sure when data on private insurance company failures will be published again.

She wants to make sure the information is “reliable and it's information that's not misconstrued in any way” that would hurt “the image or harm the marketplace.”

“Then we'll consider putting it back up,” she said.