



# THE FLORIDA SENATE

Tallahassee, Florida 32399-1100

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## SENATOR TOM LEE

*Deputy Majority Leader*  
24th District

September 9, 2013

Mr. Barry Gilway  
President/CEO and Executive Director  
Citizens Property Insurance Company  
2312 Killlearn Center Blvd., Bldg. A  
Tallahassee, FL 32309

Mr. Barry Gilway:

Citizens recently announced that 400,000 of its policyholders will be given the option to return to private market insurance companies in November. I support the depopulation of Citizens through takeouts conducted with sound business principles. Such takeout programs reduce the likelihood of emergency assessments on non-Citizens policyholders and surcharges on Citizens policyholders. Current Citizens policyholders also benefit by being presented with the option to choose to have their homes insured with private market insurers. In depopulating Citizens, however, we should provide full and balanced information regarding the possible benefits and costs faced when deciding whether to allow the takeout insurer to assume the policy or remain with Citizens. I am concerned that the current disclosures do not provide adequate information to the policyholder regarding all the ramifications of leaving Citizens and going to a private insurance carrier.

Consumers, in evaluating whether to accept the takeout offer or affirmatively opt to remain with Citizens, rely in large part on the written disclosures provided by Citizens and the take out insurer. The standard takeout program disclosure from Citizens provides a minimal amount of information to the policyholder, almost all of which speaks to the benefits of accepting the takeout offer. The standard disclosure informs the policyholder that by accepting the takeout he or she will no longer be subject to policyholder surcharges of up to 45 percent, that the private market insurer is likely to provide more expansive coverage than Citizens, and that the policyholder may continue to use the same insurance agent. The disclosures generally lack, however, important information that consumers use when purchasing homeowner's insurance.

Two of the most important factors to be considered when purchasing homeowner's insurance are the coverage provided by the policy and the cost of the policy. Unfortunately, the disclosures provide few facts to the policyholder regarding either. The policyholder is not told what the renewal premium will be with the takeout insurer. The policyholder also is not informed that Citizens may not impose an annual rate increase of more than 10 percent (other than for sinkhole coverage), that the more comprehensive coverage offered by a private market insurer may result

in a higher premium, or that the private market insurer may have different underwriting standards that may have an effect on premium. Consumers should be provided clear details on the differences between their current Citizens policy and the policy of the takeout insurer. Many policyholders who elect to accept private market insurance also likely do not fully understand that returning to Citizens can be a complex and difficult process.

For each Floridian who owns a home, the purchase of a homeowner's insurance policy is one of the most important consumer transactions that homeowner enters into because that insurance policy protects their home, which is also often their most important financial asset. In that transaction, the consumer usually seeks the proper balance between adequately protecting their home and the affordability of the policy. It is important that Citizens and the private market insurers involved in a takeout offer provide the maximum amount of relevant, understandable information that will allow the homeowner to make an informed decision.

Please accept this letter as my request that Citizens and the Office of Insurance Regulation review and revise where appropriate the disclosures provided to policyholders and include information on both the benefits and risks of remaining with Citizens or being insured in the private market.

Sincerely,



Tom Lee  
Florida State Senate  
District 24

CC: Sen. Don Gaetz, President Florida Senate; Sen. David Simmons, Chairman of the Senate Committee on Banking and Insurance; Rep. Will Weatherford, Speaker of the Florida House of Representatives; Rep. Bryan Nelson, Chairman of the House Insurance and Banking Subcommittee; Rick Scott, Governor; Jeff Atwater, Chief Financial Officer; Kevin McCarty, Insurance Commissioner; Robin Westcott, Insurance Consumer Advocate

REPLY TO:

- 915 Oakfield Drive, Suite D, Brandon, Florida 33511 (813) 653-7061
- 418 Senate Office Building, 404 South Monroe Street, Tallahassee, Florida 32399-1100 (850) 487-5024

Senate's Website: [www.flsenate.gov](http://www.flsenate.gov)

**DON GAETZ**  
President of the Senate

**GARRETT RICHTER**  
President Pro Tempore