

by [Christian Cámara](#). [The Capitolist](#). July 25, 2016

Despite lack of hurricanes, claims abuse driving up Citizens insurance premiums in Florida



Last year, Florida marked 10 years since it was last hit by a hurricane. This “drought,” coupled with responsible reforms enacted by lawmakers in recent years, has allowed Florida’s insurance market to recover from the unusually active 2004 and 2005 hurricane seasons.

Citizens Property Insurance Corp., which was created as a government-run “insurer of last resort” for residents unable to find coverage in the private market, experienced a dramatic increase in policies after that unprecedented hurricane outbreak. Its policy count swelled from just over 600,000 to more than 1.5 million policies—or 26 percent of the state’s entire residential market—at its peak in 2012.

Since then, Citizens has shed over a million policies to a more competitive private market. This is good news for consumers, who now enjoy more options at competitive prices, and good news for taxpayers less likely to have to bail-out Citizens after a sufficiently bad hurricane season. Property insurance prices have stabilized, and last year, Citizens customers actually enjoyed rate decreases in many parts of the state.

Except in South Florida.

Despite a decade of no hurricanes and declining insurance rates in other parts of the state, the tri-county area of Palm Beach, Broward and Miami-Dade is being slammed with rate increases. Last year, the rest of the state saw average rate decreases, whereas most Citizens multiperil policyholders in Miami-Dade County saw rate hikes anywhere between 5 and 10 percent, with an average countywide increase of 7.6 percent.

This year, rate increases will be sharper and affect more than just South Florida. Last month, Citizens approved a 6.8 percent statewide increase, including hikes as high as 9.1 percent for South Florida consumers. And other counties that experienced rate relief last year are set to be hit with moderate increases this year.

The primary reason insurance rates are increasing statewide and skyrocketing in South Florida in the absence of hurricanes is due to the spike in non-catastrophe claims involving water, such as damages arising from busted pipes. The excessive increase in these types of claims is not due to some sort of isolated natural phenomenon, but rather, the proliferation of a cottage industry that exploits a well-intended, but flawed provision in state law.

Florida law allows policyholders to assign their policy benefits after a loss to a third party, such as a contractor, repairman or other vendor, so that they may collect payments owed to the policyholder directly from the insurance company.

Unscrupulous vendors often require policyholders to sign over their benefits as a condition to even begin repairs or other work. Desperate to prevent further damage and get their homes dried before mold sets in, for example, homeowners reluctantly agree to sign over their policyholder rights to water-extraction companies.

With the policyholder out of the way, unscrupulous companies then inflate their bills to the insurance companies, many times charging for repairs that were unnecessary or unrelated to the particular loss and/or at rates far above industry standards. Many partner-up with trial lawyers to sue insurance companies that hesitate to pay bills immediately when they are obviously inflated or otherwise improper for the type of claim.

Ten years ago, these types of lawsuits were rare. Since then, they have exponentially increased to more than 92,000 between 2013 and 2014 alone.

Undoubtedly, inflated bills and the litigation to fight them drive up insurance costs across the board. In Miami-Dade County, over 56 cents of every insurance premium dollar paid by Citizens policyholders went to cover water claims and related costs in 2014; this figure spiked to almost 74 cents in 2015. In fact, Citizens actuaries have testified that, but for these water claims, Miami-Dade County would have actually experienced an average rate decrease countywide.

Last year, I requested that Citizens calculate how much of a rate decrease policyholders in Miami-Dade would experience if its actual water claims data were substituted with the statewide average. The figures were shocking.

According to Citizens' own calculations, its policyholders in Miami-Dade County would have experienced an average countywide rate decrease of 8.5 percent (instead of last year's 7.6 percent increase) if its water claims data were that of the rest of the state!

In short, Miami-Dade residents are not paying higher insurance rates due to hurricanes, reinsurance costs or greedy insurers. Instead, they are paying higher rates to subsidize the fraud of a growing cottage industry of trial lawyers and unscrupulous vendors.

Over the past few years, there were bills filed in Tallahassee to address this emerging issue. Unfortunately, they did not go anywhere, due to major lobbying by trial lawyers and others profiting from this scheme, and surprisingly, opposition from some Miami-Dade legislators.

Instead of railing against high insurance rates, lawmakers should identify the cause. And South Florida legislators won't even have to travel far to do so.

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