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## Sinkhole Alley folks apoplectic at Citizens' rate hikes; what did they expect?

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COMMENTARY

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Tell those danged politicians to take their hands off our gubberment property insurance!

That's the hue and cry coming from Sinkhole Alley, where homeowners are getting a firsthand taste of Florida's free-market insurance reforms.

They stormed a Tallahassee meeting this week protesting thousandfold increases in their sinkhole insurance from state-owned Citizens Property Insurance.

Sinkhole Alley is in west Central Florida. Pasco and Hernando counties sit in the heart of it and face the biggest increases. They are Republican strongholds that voted heavily for Rick Scott. He is the guy behind the reforms.

As they say, elections have consequences.

This is not to say I disapprove. Citizens Property was losing so much on sinkhole claims that it was headed for yet another taxpayer bailout.

But I am amused by voters and politicians who rant against government entitlement programs until it's their own ox that gets gored.

And make no mistake. Citizens Property Insurance is a state-owned government entitlement program.

It sells most of the sinkhole insurance in Sinkhole Alley because private insurers can't charge enough to cover their losses.

Losses aren't a problem for Citizens because it is backed by taxpayers. And so it has been charging a fraction of the market value for sinkhole coverage.

The result is predictable. Without any changes it was on track to lose \$559 million next year. Sinkhole

claims doubled in the past year alone as homeowners and public adjusters rushed to cash in on wall cracks.

So Scott and state lawmakers told Citizens to begin charging full freight for the policies.

They stood united: Free market good! Gubberment insurance bad!

I stood with them.

Then Citizens came out with its new rates. And Pasco and Hernando homeowners were looking at premiums between \$4,000 and \$6,000.

Sinkhole Alley is now Heart Attack Alley.

All those stoutly anti-government politicians that backed the reforms have been backstroking faster than Michael Phelps.

Said Gov. Scott: "We have to have a financially sound insurance program, we want insurance companies coming to our state, but we've got to be fair to our citizens also."

I think Scott is getting nervous about a Democratic rebirth of Charlie Crist, the Insurance Slayer, in 2014.

Citizens agreed to scale back the increase by half this year, and phase in the remainder. This means Citizens will only lose \$219 million on sinkholes next year.

Yet the politicians who voted for the reforms still are pointing the finger at Citizens officials, outraged that they dared to do what they told them to do.

"As soon as you got your numbers, there ought to have been a light bulb moment," Rep. Jimmie Smith, R-Spring Hill, said at the public hearing in Tallahassee.

Where was Smith's light bulb when he voted on the bill? Last year Citizens took in \$32 million in sinkhole premiums and paid out \$245 million in claims. What did he think was going to happen to rates?

This is nothing new. In 2006, legislators required Citizens Property Insurance to charge the full price to cover hurricane losses on the coast.

Back then I wrote, "We will see tremendous political pressure to throw out [the law]. People will be squealing up and down the Atlantic and Gulf beaches. There will be a move to, once again, discount premiums and have taxpayers subsidize the coastal-insurance market."

Charlie Crist and Marco Rubio did just that in 2007.

Look for a repeat performance from Republicans next year.

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## Hernando homeowners share blame for Citizens sinkhole mess

By [Dan DeWitt](#), Times columnist  
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Blame Citizens Property Insurance Corp. The state-run insurer should have known struggling homeowners would rebel at the idea of paying as much for sinkhole coverage as for a decent used car — every single year.

Blame the state lawmakers who passed Senate Bill 408, which blew the cap off property insurance rates and could harm consumers in a bunch of other less obvious, more slippery, ways.

Blame our crazy, Swiss cheese geology that leaves western Hernando and Pasco counties uniquely susceptible to the settling known as "sinkhole-related activity."

Yep, we can spread the blame all around.

As long as we save some for ourselves.

We've gone on a sinkhole-claims binge, we homeowners in Pasco and — especially — Hernando, which in recent years has surpassed its neighbor to become the sinkhole capital of Florida.

We don't want that title, of course, but deserve it. Because enough of us have filed these claims that it says something — not good — about us as a community.

So far in 2011, 1,463 home owners in Hernando have filed sinkhole claims with Citizens, more than twice as many as in Pasco. We've already smashed 2010's record of 1,161 claims filed with Citizens (one of them by County Administrator David Hamilton), which, by the way, was more than double the number filed in 2009, which in turn was way above the number filed in 2008.

This year, nearly half of Citizens' sinkhole claims have come from Hernando, which means we bear about that portion of responsibility for the resulting financial strain.

Citizens' outrageous plan to more than quadruple its average sinkhole premium (since trimmed to much more reasonable levels by state Insurance Commissioner Kevin McCarty) looks less

outrageous if you consider this: The company paid \$245 million in sinkhole claims last year while taking in only \$32 million in premiums.

Many claims, of course, are legitimate. We've all seen the shattered patios, sloping door frames and single-story homes that turned into split-levels overnight.

But it's no secret that many of them aren't — that with Citizens' sinkhole payouts averaging more than \$100,000, a crack under a windowsill can look a lot like a winning lottery ticket.

Proving or disproving sinkhole-related damage is notoriously difficult, which, for insurers, makes claims expensive to contest. But only 40 percent of Hernando homeowners who have reported sinkhole damage since 2005 pulled permits for repairs. And if many factors have helped drive up the number of sinkhole claims filed with Citizens, none of them explains the more than tenfold increase in Hernando since 2006.

What does? Greed and desperation, probably — people who overspent for houses looking for a way, any way, to salvage their investments.

They've been tempted by the ads of lawyers, sinkhole repair companies and public adjusters, and scared by the sight of grout trucks pulling into neighbors' driveways.

Lynne Christian, spokeswoman for the Insurance Information Institute, calls it a "cottage industry," though no cottage industry I know of can afford billboards on U.S. 19 or vast fleets of repair vehicles. In fact, other than doctors' offices, it's about the only sector of the local economy with a pulse.

It's not just Citizens that is paying for all this, of course. We all are, and in many ways.

Why can't you shop around for homeowners insurance here?

Mostly because sinkhole claims have chased away private companies. Citizens, the insurer of last resort, has 63 percent of the market in Hernando, compared to about 11 percent outside the Tampa Bay area.

Every time a property owner reports sinkhole damage to the Property Appraiser's Office, the value of the house is cut in half. So far, that's cost Hernando \$281 million in the value of taxable residential properties.

Sinkhole claims will keep driving that value down because resale prices will go down. If you don't believe me, go to the Hernando property appraiser's website and pull up the map of Pristine Place, with each one of its 218 sinkhole houses marked with an alarming red triangle. To a prospective buyer in New York or Ohio, you can imagine, it looks about as appealing as a nuclear waste dump.

Then, finally, there will be higher insurance rates. SB 408 will likely reduce questionable claims and, in time, the size of rate increases. But at least for a while, Citizens will still lose money covering sinkholes and still have to raise rates.

So when you get the bill, remember to save some of the blame for us.

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