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Citizens Property Insurance's board to vote on 6.8 percent rate hike Wednesday
By Jeff Harrington
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Citizens Property Insurance has grown leaner and fiscally much stronger thanks to a decade of hurricane-free seasons and cheap reinsurance. But that does not mean its customers can escape rate hikes.

The board of the state-run insurer of last resort is poised today to recommend that regulators approve an average statewide rate increase of 6.8 percent for next year as non-weather related water loss claims continue to escalate.

Unlike recent years, rising claims for water losses are no longer just a South Florida problem; it's spreading and causing a rate headache for many other policyholders throughout the state.

In the Tampa Bay area, it's a mixed bag. Hardest hit would be Citizens' policyholders in Pasco and Hernando counties, where rates on all personal line accounts would go up 6.7 percent and 4 percent, respectively. In Hillsborough and Pinellas counties, there would be a more muted average increase of 2.1 percent, while rates would drop 2.1 percent in Citrus County.

For multi-peril homeowner policies, the most common type of Citizens' coverage, rates would rise 7.1 percent in Pasco, 4.3 percent in Hernando and 3.1 percent in Hillsborough. Rates would drop 7 percent in Citrus and stay flat in Pinellas, falling 0.3 percent.

A couple of the biggest concerns that have driven up Citizens' rates in the past have dissipated:

- With no major storms in 11 years and a customer base that has shrunk to fewer than 500,000 policies, Citizens has the financial ability to pay claims following a one-in-100 year storm and a second one-in-16 year event without having to levy assessments. (Under state law, Citizens can assess all property owners statewide if it cannot pay claims after a major storm.)
- Sinkhole claims have also fallen, so much so that Citizens held off on any sinkhole rate increase in 2016 to gauge the effect of a combined legislative fix and large sinkhole rate increases in 2014.

But enter what is known as "assignment of benefits."

That's when homeowners in need of repairs, often for water damage, assign responsibility for the repair over to contractors to pursue payments from insurance companies.

Property insurers statewide, including Citizens, have unsuccessfully lobbied the state Legislature to restrict the practice, which they say has been ripe for abuse and leads to litigation. Often the damage has already been repaired before insurance companies are contacted, making it hard to determine whether claims are valid.

Contractors and attorneys representing homeowners, however, have said assignment of benefits lets them quickly make repairs to help homeowners without waiting for insurance company approval.

A year ago, Citizens said, the abuse was mainly a South Florida problem, which is why rates rose sharply in that part of the state but stayed flat or fell elsewhere.

That's changing.

Citizens spokesman Michael Peltier noted recent reports of more TV ads in Tampa Bay in which attorneys urged homeowners with hail damage to contact them to go after their insurance company.

"We're seeing the percentage of claims that are coming to us with an AOB (assignment of benefit) has tripled in areas outside of South Florida," Peltier said.

"That's what makes us scared."

Claims submitted to Citizens with an assignment of benefit cost the insurer on average 74 percent more than claims without an AOB. To pay non-weather water claim losses, Citizens said it has been forced to tap into its hurricane surplus. In 2015, the insurer incurred \$7 million more in losses than it received in premiums.

Under the proposal being considered today by Citizens' board, inland homeowners with multi-peril policies would see an average increase of 6.3 percent, while homeowners along the coast would see rates climb by an average of 8.6 percent.

If the board approves the rate increases, they will go to the state Office of Insurance Regulation, which must approve any rate requests submitted by Citizens.

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