

This is a compilation of articles and "letters to the editor" from various papers that are reproduced here only as a convenience to those reading the December 2011 blog pertaining to Citizens new replacement cost calculation system. Johnson Strategies(JS) did not provide any input for any of these articles and all readers are encouraged to use the links provided to access the original posted article and source and/or to comment or question what it says.

Citizens' replacement cost estimates rise for homeowners

By Shannon Behnken

Joe Freitas thought \$109,000 was a good deal on his new home. His insurance agent recommended a \$139,000 policy - enough to give him a cushion in case of a disaster.

But Florida's insurer of last resort says that's not enough, and will only insure Freitas if he's willing to pay for a \$237,000 policy.

"I really do feel strong-armed," Freitas said. "I feel abused and beat down. When this first happened, I thought maybe it was a mistake and tried to find out what my path would be to dispute this and found out there really is no path."

That's because the huge increase in the replacement cost estimate is no mistake. Anyone applying for insurance with Citizens is coming across similar numbers. And for some of the thousands who have no choice but take what Citizens offers, the increases are difficult to afford.

It's true that in this sluggish housing market, it costs more to build a home than to buy an existing one. But Freitas questions whether it would really cost nearly \$100,000 more to rebuild his home. And if Citizens is successful in collecting money on larger insurance policies, industry watchdogs say it's only a matter of time before other insurance companies start using similar models.

Consumer advocates say the replacement value increase is a back-door way for Citizens to raise rates without state approval.

Citizens' new computerized estimation tool is called the 360. Spokeswoman Christine Ashburn said many Floridians are under-insured, and this new system is supposed to make sure homeowners have enough insurance to rebuild if a hurricane wiped out their homes.

Instead of relying heavily on the word of real estate appraisers, Citizens turns to the computer. Agents input data about the home, from the year it was built to the type of counter tops it has, and the computer spits out a value. She said the system takes into account regional construction costs, which vary across the state.

Ashburn said Citizens previously used another computer system to help estimate replacement costs, but thinks the new system is more accurate. It also used to take real estate appraisals into consideration but doesn't now.

"The real estate market is not healthy," Ashburn said. "The replacement value is often higher than what you can sell it for."

For Freitas, who has an appraisal showing his home is worth about \$117,000, it makes no sense why the new computer system says it would cost double to rebuild the home.

"They can't tell me why that's what the computer says," Freitas said. "They just say that's what the computer says and that's why your insured value must be."

Freitas' premium shot up from the \$917 he was originally told to nearly \$1,900 - and this happened 30 days after his family moved into the new home.

"It's a huge difference," Freitas said. "It's about my budget for Christmas this year."

The new computer system comes on the heels of Citizens asking the legislature for an increase in sinkhole coverage of as much as 2,000 percent in some areas. The request was not approved.

David Welch, of the non-partisan Florida Association for Insurance Reform, says his group is hearing from homeowners like Freitas, across the state.

Citizens was "turned down very hard when they asked for a 2,000 percent increase for sinkhole insurance, so now they're going to go the backwards way where there is no regulation," Welch said.

Senator Mike Fasano, R-New Port Richey, agrees. He says the replacement cost increase allows Citizens to raise rates as much as it wants.

"Homeowners could only dream of selling homes for what Citizens says they're worth," Fasano said.

Insurance companies typically use computer models in addition to appraisals, but Welch and Fasano both worry other insurers may follow Citizens' lead of relying less on estimated home values.

Freitas said he checked with nearby neighborhoods under construction and found homes similar to his for much less than what Citizens estimated it would cost to build.

For example, Freitas found a 2,112 square-foot home selling for \$90 a square foot and a 2,400 square-foot home selling for \$80 a square foot. Citizens' computerized estimation tool says it would cost about \$148 a square foot to rebuild Freitas' 1,600 square-foot home.

But aside from the upfront cost, is it really that bad to have too much insurance? Well, consider Freitas' situation.

The nearly \$100,000 in extra coverage will significantly increase his hurricane deductible, said the association for insurance reform. A 5 percent deductible, which some homeowners are required to have, would shoot up from \$4,950 to \$11,900. At 2 percent, which most policy holder have, would go from \$1,980 to \$4,760.

Ashburn, from Citizens, said there have been some cases in which the computer system was wrong. She said Citizens is making "tweaks."

Freitas' figures, she said, sounded high and she said she'd take a second look at his policy.

Meanwhile, Freitas said he worries that if he does have to rebuild, he'll never get to collect the full amount on the policy he's paying for.

"My home isn't worth \$237,000," he said. "If it was, I would be living in a much nicer home."

[Complaint: Citizens insurance inflated rebuilding costs, premiums](#)

By Julie Patel December 12, 2011 08:45 AM



Citizens Property Insurance's board received a formal complaint Saturday that alleges it inflated the cost of rebuilding homes to raise premiums more than the 10 percent a year allowed.

Doc Tomkiel, a Clearwater resident who has filed several complaints against public officials to the state ethics commission, included an example: A homeowner in his area with an 805-square-foot home appraised recently at \$35,000, including the land. Citizens said it would cost \$113,200 to rebuild the home while several licensed contractors said it could be rebuilt with today's

building code standards for until \$50,000, according to Tomkiel, who owns a private investigation agency focused on public corruption.

In an email to the board, Tomkiel wrote that Citizens' officials he spoke with refused to change the coverage and premium, and said the policyholder could hire an independent appraiser to estimate the rebuilding cost but it may not be accepted by the insurer. South Floridians have [reported the same problem](#) with Citizens [and private insurers](#).

Citizens plans to review Tomkiel's complaint. "When we receive consumer complaints they are logged in our complaint handling tracking system and are reviewed and responded to by me or someone in the customer care unit," said Christine Ashburn, Citizens' director of legislative and external affairs.

Policyholder complaints to Citizens for issues related to their premiums increased to 35 and 37 in 2010 and 2011, respectively, up from 13 and 10 in 2008 and 2009, respectively, according to complaint data reported to the National Association of Insurance Commissioners.

Citizens policyholders can ask questions or find out how to file complaints directly to the insurer by calling 888-685-1555. Insurance consumers can file a complaint to the state by clicking "Need Our Help?" at myfloridacfo.com/Consumers or they can call 877-693-5236 or 850-413-3089.

Photo: Tamara Cahill, a Citizens policyholder in Fort Lauderdale, applied for a discount for her home security system but instead her premium went up by 21 percent. (Carey Wagner, Sun Sentinel)

Categories: [Citizens Property Insurance \(61\)](#), [Property Insurance \(404\)](#)

The Tampa Tribune (Tampa, FL)

Citizens rates draw disdain

By Shannon Behnken

December 14, 2011

TAMPA -- Winston Richards said Citizens Property Insurance insists he needs more than \$400,000 in homeowners insurance even though real estate appraisers tell him his house is worth about \$125,000.

"It's like having a gun in your ribs and saying we're going to take this money away from you and there's nothing you can do about it," Richards said.

And that's not the worst of it.

For all that extra cash, you might think Richards at least has a better policy.

But starting Jan. 1, Citizens no longer will cover a host of add-ons such as screened porches, pool enclosures and carports.

Citizens spokeswoman Christine Ashburn said Citizens, Florida's insurer of last resort, doesn't want its coverage to be better than what's offered by private carriers.

"We don't want to be the Cadillac of insurance," Ashburn said. "We're supposed to be a last resort."

Citizens is the largest homeowners insurance carrier in Florida. For many, such as Richards, it's the only option.

Real estate agent Gary De Pury says enclosures can be so much more than just a screened porch. In some cases, screened rooms or pool enclosures can add thousands to a home's value.

"We live in Florida where people try to live their lives outside, so it's a huge part of the house," De Pury said.

No one, he says, will want to pay for it if it's not covered by insurance.

"They don't want to have that in their back pocket if it's not insured so they'll just try to sell that house," Richards said. "That's going to lower the property value on that home for them."

Citizens' cutbacks on coverage come on the heels of another move that hit some customers in the pocketbook: A new cost-estimator computer system to replace real estate appraisals in determining a property's value.

Homeowners throughout Florida have found their insurance premiums going up because Citizens says it will cost more than previously thought to replace the home in case of disaster.

Citizens says the real estate market is so sluggish that it now often costs substantially more to build a home than to buy an existing one.

Consumer advocates say the replacement-value increase is a back-door way for Citizens to raise rates without state approval. They worry that if Citizens is successful in collecting money on larger insurance policies, other insurance companies will start using similar models.

Ashburn, from Citizens, said the carrier makes no apologies for the cutbacks in coverage, but will review the policies of those who feel they are too high.

Meanwhile, Richards is left fuming.

"We're paying premiums for three times the value of your house and they're not going to write me a check for \$404,000 if this is wiped out by a hurricane," he said.

"They're going to fix it, and they're going to fix it at prevailing costs."

House Keys Blog

Complaint: Citizens insurance misrepresented rebuilding costs

By Julie Patel

December 12, 2011

Citizens Property Insurance's board received a formal complaint Saturday for allegedly misrepresenting the projected cost of rebuilding policyholders' homes.

That often raises premiums by more than the 10 percent a year allowed.

Doc Tomkiel, a St. Petersburg resident who has filed several complaints against public officials to the state ethics commission, included an example: A homeowner in his area with an 805-square-foot home appraised recently at \$35,000, including the land. Citizens said it would cost \$113,200 to rebuild the home while several licensed contractors said it could be rebuilt with today's building code standards for until \$50,000, according to Tomkiel.

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Citizens rates draw disdain from customers



MAURICE CAPOBIANCO/STAFF

Winston Richards said real estate appraisers tell him his home is worth about \$125,000, but Citizens Property Insurance insists he needs more than \$400,000 in coverage.

By SHANNON BEHNKEN | The Tampa Tribune

Published: December 14, 2011

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