

## Panel moves beyond theory

by St.-Petersburg-Times

Concrete proposals are offered as the state looks to revise an insurance industry in deep crisis.

Offering standardized discounts for homeowners who harden their homes against hurricanes. Allowing insurance companies to more easily tap into the Florida Hurricane Catastrophe CAT Fund when they have a large number of claims. Expanding the CAT Fund to include commercial carriers.

These three ideas were among the recommendations that emerged Thursday in Tallahassee from the state panel charged with coming up with solutions to Florida's insurance crisis.

So far, progress has been slow. But after hearing from insurance officials and the public during its first two meetings, the committee this time moved closer to the concrete proposals it plans to send to Gov. Jeb Bush and other legislative leaders by Nov. 15.

John Laurie, COO of insurance consulting firm Wyman, Green & Blalock, told the Property and Casualty Insurance Reform Committee of a customer who spent \$30,000 on high-impact glass windows only to get a \$32 credit on his insurance premium. Many homeowners have voiced similar complaints - that unlike auto insurers, discounts offered by property insurers are often vague and represent only a tiny fraction of the total premium.

Discounts are available from most property insurers for those who harden their homes, but the amount varies widely, depending on the insurance company, and the age, location and type of home.

Discounts are also a key part of a highly touted state mitigation program that will allow 50,000 of the state's 4.3-million homeowners to receive a matching grant this year to help strengthen their homes.

The state has earmarked \$250-million for the grants, but the discounts homeowners will receive has remained unclear.

"Are we doing something?" asked committee member Sen. J.D. Alexander, R-Lake Wales, "or making ourselves feel better?"

Added insurance commissioner Kevin McCarty: "We can do a better job of telling (homeowners) what their potential discounts are. Zero to 44 percent doesn't tell me anything."

But State Farm Florida vice president Joe Formusa said making discounts uniform could not only be expensive for insurance companies, it could scare off new companies eyeing the Florida market.

"And the base rates would have to go up," added Lt. Gov. Toni Jennings, the committee's chair, "to pay for all those discounts."

The committee also focused on the relatively new idea of expanding the CAT Fund to allow insurance companies to purchase reinsurance close to market value. Currently, companies buy reinsurance from the CAT Fund at a reduced rate, but only if losses exceed \$5.3-billion.

But expanding the CAT Fund could lead to problems if the state is hit by a major storm.

"We could find ourselves nearly doubling the state's bond debt," said committee member Rep. Don Brown, R-DeFuniak Springs. "We could let it get out of control in a heartbeat."

For the next six years, all Florida residents who have property or auto insurance will be assessed 1 percent of their premiums to cover the CAT Fund deficit from the 2005 storms.

Other proposals included allowing the CAT Fund to provide reinsurance to commercial insurance companies, something it doesn't do now, and deregulating mainstream, or admitted, commercial insurers so they can compete with unregulated surplus-lines carriers.

The goal of the panel is to present to Bush - and presumably the new governor when he takes office early next year - a plan to bring the private insurance market back to Florida, encouraging mitigation and depopulating Citizens Property.

When the committee meets again Sept. 21 in Miami, Citizens will be the main topic. And among the issues likely to come up will be rates. By law, Citizens must charge rates higher than the top 20 insurers in a given region in order to remain noncompetitive and encourage private insurers.

But two companies, Tampa-based HomeWise Insurance and Boca Raton-based Florida Peninsula, charge rates substantially higher than Citizens.

Both are companies, started within the past year, that take policies out of Citizens. Florida Peninsula stands to make about \$18-million in bonuses if it keeps its policies for three years. HomeWise has declined any

bonuses, so it doesn't have to comply with such requirements.

To date, Florida Peninsula has taken out more than 85,000 policies, and HomeWise has taken out more than 31,000. Most of the policies are in coastal areas of South Florida, but some are in the Tampa Bay area.

Because the policyholders were taken out of Citizens, the law requires that they can't return. And since no other company will insure them, they are trapped with premium increases of, in some cases, nearly 200 percent.

State regulators say they are aware of the problem, but are constrained by statute.

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