

CitizensAdvisor



Altmaier urges Legislature to act on AOB

TALLAHASSEE, FL – Florida Insurance Commissioner David Altmaier joined business leaders, consumer advocates and insurance industry stakeholders who are urging lawmakers to help stem rising property insurance rates brought on by increased water losses, assignment of benefit abuse and skyrocketing litigation.

With the 2017 legislative session entering its second half, Altmaier said there is still time for lawmakers to make meaningful changes without which Florida consumers will end up paying higher insurance rates for years to come.



"I remain optimistic that we can get some potential good work done and look forward to working with all the stakeholders and all the policymakers..." Altmaier told reporters last week. "This is a consumer issue that really needs to be addressed."

Citizens Property Insurance Corporation will post a \$27.1 million net loss for 2016, its first since 2005. The loss comes despite minimal damage from Hurricane Matthew, the first major hurricane to impact Florida in 11 years. Without significant statutory reforms, Citizens will be forced to pass those higher costs on to its customers in the form

of higher rates for the foreseeable future, said Citizens Board of Governors Chairman Chris Gardner.

"Every year, we rely upon standardized, accepted actuarial principles to set our rates," Gardner said. "Last year, the same principles that provided rate decreases to our customers in recent years translated into hikes for 84 percent of our policyholders. Without legislative changes, that trend will continue."

The percentage of nonweather-related water claims – burst pipes, sudden dishwasher leaks, etc. – that head toward litigation has skyrocketed in recent years. Each litigated case raises the average claim cost by at least \$20,000. These costs must be passed on to Citizens policyholders.

Another factor is the use of assignment of benefits, in which policyholders who suffer a loss sign over policy rights to a third party, such as a contractor, who then has control of the claim and deals directly with Citizens. Under current conditions, contractors assume all the benefits afforded the policyholders but bear few of the responsibilities, such as cooperating with Citizens adjusters or timely reporting claims.

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April 12, 2017

Events

April 27 @ 10 a.m.

[Citizens Board of Governors](#)

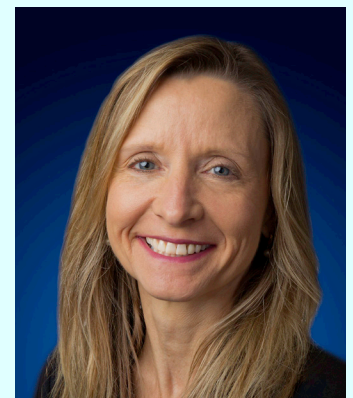
Teleconference

June 20 @ 9 a.m.

[Citizens Board of Governors](#)

Sheraton Orlando North

Spotlight



Kelly Booten

Chief of Systems and Operations

Policies in Force

451,255

as of April 7, 2017

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The Office of Insurance Regulation indicates private insurance companies are facing similar trends. In February, the rating agency Demotech warned that AOB issues could adversely affect its ratings of Florida's private insurance companies.

Citizens is doing what it can to control these costs through policy changes and by educating customers through its [Call Citizens First](#) campaign. Citizens is also working with other stakeholders including the [Consumer Protection Coalition](#) to address the issue.

Bills ([SB 1038](#), [HB 1421](#)) to address the issue by bolstering consumer protections and clarifying attorney fee provisions have been filed in both chambers of the Florida Legislature, which is halfway through the 2017 session.

"The tragedy is that ultimate loser in all this is the policyholder," Gardner said. "Higher insurance costs simply make it more difficult for more people to own a home."

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Depopulation effort slows as Citizens policy count shrinks

Tallahassee, FL – Citizens' [depopulation program](#) transferred 88,000 Citizens policyholders to private companies in 2016 as the number of Citizens policies transferred reflected the company's shrinking footprint in the residential property insurance market and success of the clearinghouse program.

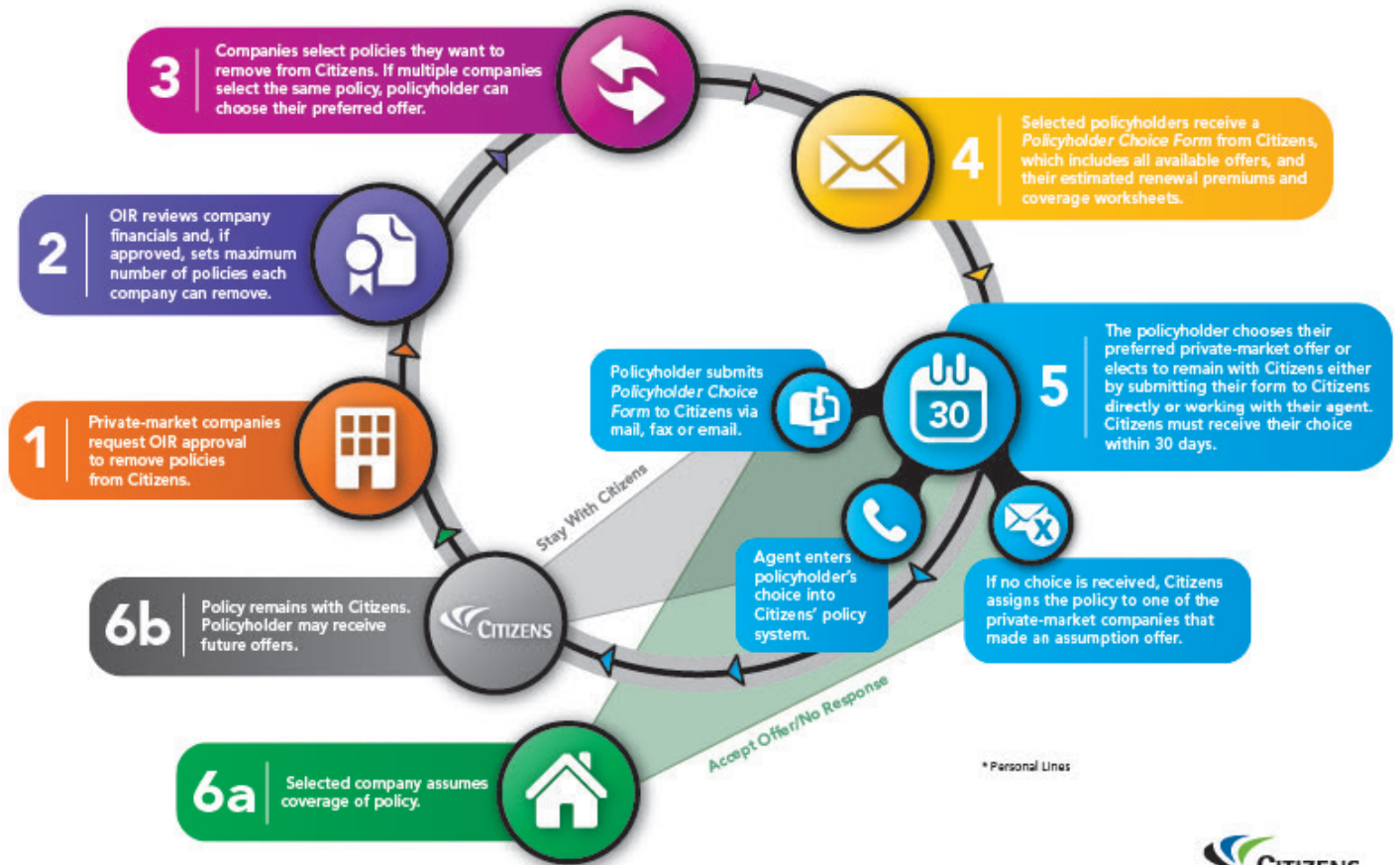
The number of policies leaving Citizens continues to slow as Citizens sees its policy count drop from nearly 1.5 million policies in 2012 to 451,255 as of April 7, 2017. Continuing that trend, the number of Citizens policies accepting private depopulation offers so far in 2017 totals 11,017.

Since 2013, nearly 1.1 million policyholders have found coverage in the private market through Citizens depopulation program. In many cases, policyholders were offered lower premiums or more comprehensive coverage for comparable rates. The slowdown in takeout offers is a reflection of the program's success.

"When Citizens was very large, there was a large pool of desirable policies included in that number," said Adam Marmelstein, "As these policies were rightly transferred from Citizens to the private market, the number of desirable policies has fallen as has a commensurate number of takeout offers."

Meanwhile, Citizens' Policyholder Choice program in 2016 redirected nearly 25,000 new and renewal homeowners' policies representing about \$5.9 billion in Coverage A averted during that period. Citizens plans to add wind-only policies to its clearinghouse program later this year.

Depopulation Choices Program – At a Glance*



News Links

[Senate AOB reform bill bars insurers from charging litigation costs to customers](#)
Florida Politics

[Florida lawmakers taking aim at assignment of benefits agreements](#)
Florida Record

[Coalition: AOB Fraud and Abuse in Florida Demands Solution This Session](#)
Sunshine State News

[OUR VIEW: Florida must restrain insurance abuse](#)
Panama City News Herald

[AOB reformers, bearing petitions, insist no offense intended against House chair](#)
Florida Politics

[Insurance industry frustrated by lack of progress in Legislature](#)
Tampa Bay Times