

CitizensAdvisor



Citizens Board Approves 2017 Rates

MAITLAND, FL – Citizens Board of Governors on Wednesday approved recommended rates for 2017 that respond to rising non-weather water losses and assignment of benefit abuse that left unchecked will force rate hikes for years to come.

By unanimous vote, board members recommended a 6.8 percent statewide increases for personal lines policyholders, reversing a recent trend of lower rates for all but South Florida customers as the effects of water losses, assignment of benefits abuse and increased litigation begin to spread across the state.

Without significant reform, Citizens policyholders must brace themselves for continued rate hikes as water losses and increased costs surrounding assignment of benefits eat into surplus and force Citizens to repeatedly raise rates to fulfill its statutory obligations to set actuarially sound rates under the glide path.

The issue is complex and not unique to Citizens, said Barry Gilway, Citizens President, CEO and Executive Director. A solution will require the cooperative efforts of all stakeholders.

“The causes for these increases include the AOB document itself, referral fees and other inducements, unchecked solicitation for mitigation business, lack of licensing and regulation and a general lack of knowledge on the part of customers of the risks involved with an AOB,” Gilway said. “The bottom line is that this is a crisis, not just for Citizens, but the entire Florida property market.”

Under the proposed rates, inland homeowners with multiperil 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. Rates for condominium unit owners would rise by a statewide average of 7.1 percent. Despite statewide increases, thousands of Citizens customers will see rate reductions.

The 2017 proposed rates would have been higher had the Florida Office of Insurance Regulation not recently approved a set of Citizens policy contract changes regarding emergency services and notification requirements before permanent repairs can begin. Following Citizens’ lead, many private insurance companies have filed similar requests.

The rate recommendations will be submitted to the Office of Insurance Regulation, which will make its decision after holding a public hearing later this summer. The new rates will go into effect after January 1.

“Every year, our actuaries use recognized standards to formulate the rate recommendations presented to this board,” said Chris Gardner, Citizens Chairman. “We don’t want to raise rates, but we must respond to the actuarial data. Unfortunately, our policyholders are being required to pay higher rates because of inflated claims, increased litigation and abuse. We can’t keep asking them to do that.”

continued on page 2

June 24, 2016

Events

September 28 @ 9 a.m.
[Board of Governors](#)

Spotlight



Violet Bloom

Vice President, Human Resources

Policies in Force

490,231

as of June 17, 2016

continued from page 1

Citizens' analyses show water losses have increased in both severity and frequency. Claims filed with Citizens under an assignment of benefits are more expensive and far more likely to lead to litigation, which only adds to the cost of the claim. Under current conditions, rates in Miami-Dade County would need to nearly triple to adequately pay claims. Statewide, personal lines rates would have to rise an average of 65 percent.

South Florida policyholders are far more likely to assign benefits to a third party – a contractor, water mitigation company or public adjuster – before submitting their claim. Nearly one in four South Florida policyholders assign their benefits to a third party.

Citizens is required by law to recommend rates that are actuarially sound, while complying with a legislative glide path that caps rate increases at 10 percent, excluding coverage changes and surcharges. In July, Citizens will submit its 2017 recommended rates to the Office of Insurance Regulation, which must establish rates for Citizens before they take effect.

Citizens has prepared a [2017 rate kit](#) to provide information about its recommended rates for 2017, including [county-by-county estimates](#) for particular policy types. Additional information and answers to common questions about Citizens' rates and premiums are included in Citizens 2017 Rates Frequently Asked Questions. The kit also includes additional information about Citizens' costs and projected rate need for 2017.

Quick Links

[Newsroom](#)

[Legislative Resources](#)

[Outreach Form](#)

[Online Sunshine](#)

[The Florida Channel](#)

[Board of Governors](#)

[Materials](#)



[Unsubscribe](#)



Public forum attempts to build bridge over 'troubled waters'

BOCA RATON, FL – Major players facing the complex challenge of skyrocketing water loss claims, assignment of benefits abuse and rising insurance rates brought their concerns and possible solutions to a public forum earlier this month to air differences and find solutions to an increasingly costly issue.



The daylong public forum: titled "Troubled Waters: Finding a Balanced Approach to Florida's Water Loss Crisis," was sponsored by the Florida Insurance Consumer Advocate Sha' Ron James to gather information from various stakeholders about water loss claims abuse. Barry Gilway, Citizens President, CEO and Executive Director, was among a group of more than 100 industry leaders, trade group representatives and consumers to bring their experience and expertise to the debate.

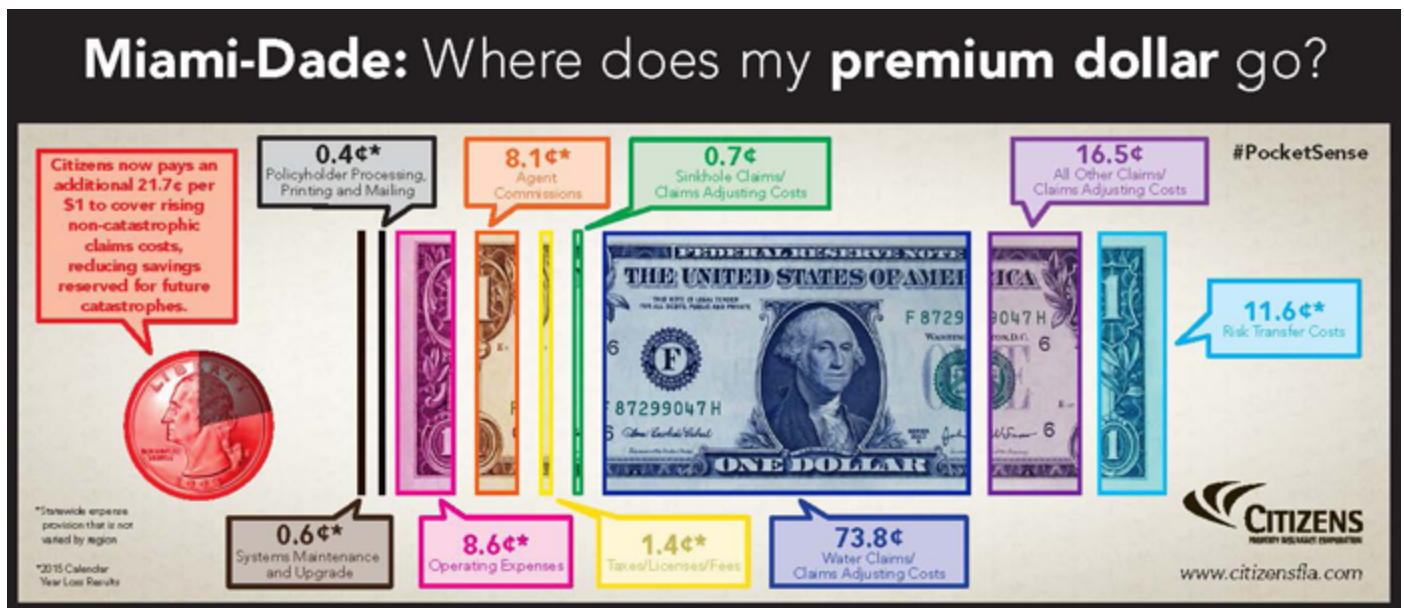
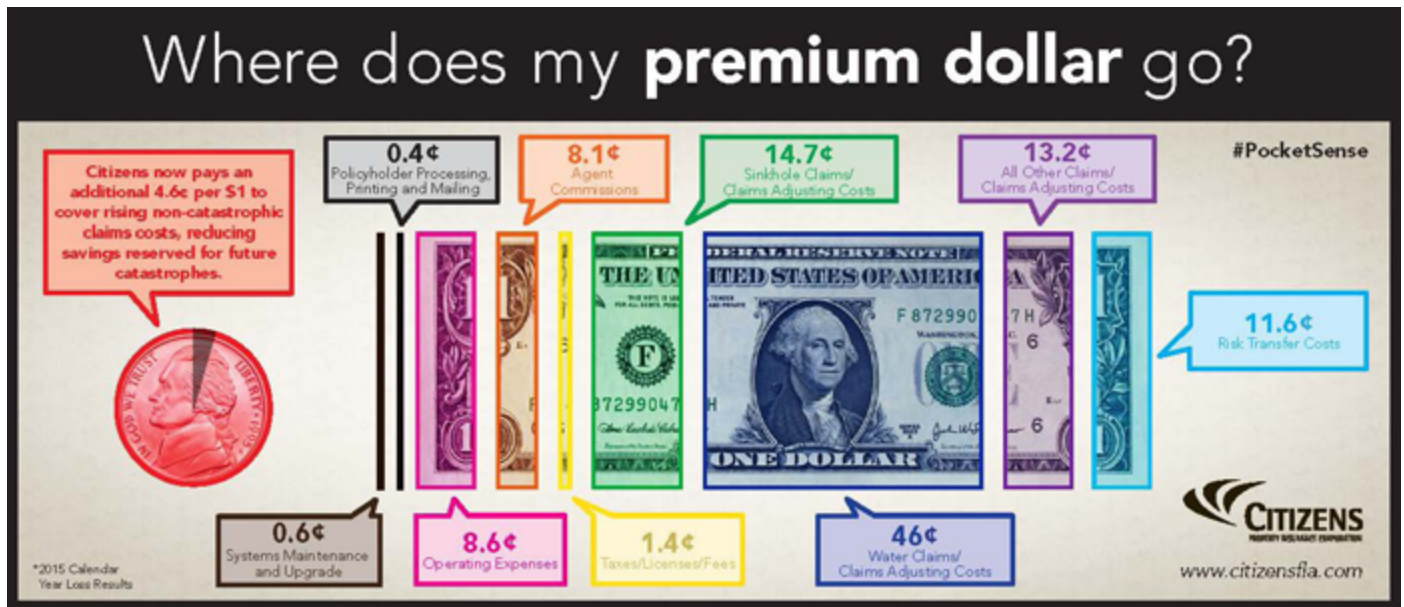
Gilway outlined Citizens' experience with the rising costs of water loss claims and how they are forcing Citizens to request a statewide rate increases for 2017. Rate hikes have been proposed by numerous companies this year, including Heritage Property & Casualty, which seeks an average 14.9 percent statewide increase. Such increases threaten Citizen's successful depopulation efforts.

"This is not merely a Citizens' problem," Gilway said following the meeting. "This is a crisis that affects the entire property market in Florida."

Insurers say water restoration companies pressure homeowners to sign over the rights to collect policy benefits after emergencies such as broken pipes or water heaters, then inflate invoices and file suits if insurers deny claims or offer too little. Though originally concentrated in South Florida, the problem is spreading statewide and will likely require the Florida Legislature to take action.

"State legislators and insurance regulators have received clear evidence for four years now that this scam is growing and spreading statewide," said Mark Wilson, President and CEO of the Florida Chamber of Commerce. "We can't ignore it and think it will go away on its own. We have to take action now."

Did You Know?



News Links

[Citizens delaying managed repair program rollout until 2017](#)
Sun Sentinel

[Citizens Insurance: Pay 9 percent more, Palm Beach County homeowners](#)
Palm Beach Post

[Water-damage claims have state-backed insurer asking for 6.8 percent rate hike](#)
Northwest Florida Daily News

[Public hearing requested over Heritage's 14.9-percent insurance rate increase](#)
Sun Sentinel

[Sides in insurance standoff find reason for optimism](#)
Sun Sentinel

[Claims crisis needs attention, warns departing FL insurance commissioner](#)
Insurance Business America