

## Insurance companies file lackluster rate cuts

Miami Herald

October 3, 2007 More than half of all insured Florida homeowners will see modest rate cuts in the next 12 months, but some insurance companies are still asking for large rate hikes. BY BEATRICE E. GARCIA

Lawmakers tried to lower insurance rates and regulators are getting tougher, but the bottom line still is below expectations.

More than 3 million Florida homeowners will see modest rate cuts on their homeowner policies in the next year, including a 9 percent cut requested by State Farm Tuesday.

Many officials and lawmakers agree the small reductions are a step in the right direction. But these decreases hardly wiped out the huge hikes many homeowners have seen since eight storms crisscrossed Florida in 2004 and 2005, playing havoc with the state's insurance market.

"No one should uncork champagne bottles over these decreases," Rep. Dan Gelber, a Miami Beach Democrat and House minority leader, said Tuesday.

Listening to pleas from desperate homeowners, lawmakers passed a massive reform bill in January that expanded the Florida Hurricane Catastrophe Fund to offer cheaper back-up insurance for companies selling homeowners coverage. Insurers were required to pass on the savings to policyholders.

The expectation was for rate cuts to average 24 percent statewide.

Yet most of the rate reductions filed with the Office of Insurance Regulation through late Monday, the deadline for complying with the new law, are under 20 percent.

Ten companies want to leave their rates unchanged. Then there are more than a million homeowners who could see another increase in their premiums, far from the original expectation.

Members of the military and their families could be the worst off. United Services Automobile Association has filed for an average statewide 50.8 percent hike for its 260,142 policyholders. USAA said the increase is needed to maintain its financial stability in Florida.

Some insurers initially estimated they would reduce rates. For instance, Florida Farm Bureau said in March that it could cut rates 24.9 percent.

But in July, it came back and asked regulators for a 26.8 percent increase, which has been denied.

BUT. . . WHY?

What happened?

Rather than pass on the savings from buying lower reinsurance from the CAT fund, Florida Farm Bureau decided to spend \$6 million on more reinsurance in the private market.

Last Friday, Allstate Floridian filed for a 41.9 percent increase, wiping out a 14.2 percent rate cut it had initially calculated to be effective June 1, leaving it now seeking a 27.7 percent increase. The company said it needed to buy additional reinsurance to ensure that it could pay claims if two massive storms hit the state. The company did get cheaper backup coverage from the state's catastrophe fund, but still had to purchase lots of very expensive private reinsurance. He also said the company's customers weren't paying enough before, and the back-to-back blasts of 2004 and 2005 made that clear. After those two years, the company didn't have any capital left.

Policyholders with a handful of small, Florida-based firms may be the ones most able to celebrate.

'GOLDEN OLDIES'

Coral Insurance, a three-year-old insurer based in Hollywood, has cut rates by 43.1 percent. It has more than 12,600 policies on its books, mostly in South Florida. The insurer prefers to write policies for what it calls "the golden oldies," older homes that have been totally updated and have loads of hurricane protection.

In all, less than 10 insurers are willing to cut rates by more than 30 percent.

Nearly 20 insurers have proposed dropping rates by more than 20 percent. Nationwide is among these.

Citizens Property Insurance, the state-run pool and the largest buyer of back-up insurance from the CAT fund, has already cut rates on its windstorm policies by 14.5 percent. Condo associations, many of which are based in South Florida, got a 14.7 percent rate reduction.

The insurer made the reduction retroactive to January, though it wasn't required by the new law.

Most of the rate requests from private insurers have yet to be approved by regulators.

Alex Sink, the state's chief financial officer, remains concerned these rate cuts aren't as substantial as state regulators had initially expected, said Tara Klimek, a spokesperson for the Department of Financial Services.

Sink believes since the rate-cut plan isn't working as expected, perhaps the state should reconsider taking on the additional risk. The CAT fund now can cover \$28 billion in losses.

Insurance Commissioner Kevin McCarty has already notified several firms that have filed for rate increases of his intent to deny them.

"He's doing great work, the commissioner is, he keeps rejecting the increases," Gov. Charlie Crist said Tuesday. ``And that's exactly what he should be doing."

The Associated Press contributed to this report.