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PROPERTY INSURANCE

Citizens proposes massive insurance increases

Businesses face 600% rises; home policies could double

By Kathy Bushouse
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Coastal South Florida commercial property owners could get hit with massive property insurance price increases up to 603 percent in Broward County and 592 percent in Palm Beach County, while some homeowners along the coast could see their premiums more than double, under rate increases proposed Thursday by state-backed Citizens Property Insurance Corp.

The increases are a "stake through the heart" for the state economy and homeowners alike, said House Democratic Leader Dan Gelber of Miami Beach.

The startling increases for home and condominium owners would enable Citizens, Florida's largest property insurer, to comply with a new state law forcing the company to set rates high enough to cover losses from a major catastrophic storm without relying on all Floridians to bail out the state insurer.

The increases will be phased in over three years, starting in March, if approved by state insurance regulators. Citizens' board of governors will vote on the proposed price increases at its December 7 meeting in Gainesville. Should the board approve them, the rate adjustment request will be reviewed by the state Office of Insurance Regulation.

The large increases proposed for commercial property owners have nothing to do with the law legislators passed in May at the end of the 2006 session, Citizens spokesman Rocky Scott said. Citizens decided to bring its commercial rates in line with premiums charged by a new state pool that provides commercial insurance to business and property owners that can't get coverage from a private insurer, he said.

Small business owners in South Florida already are feeling the pain of higher insurance premiums, with many forced to pay substantially higher rents because property owners are paying much more to insure their buildings.

Even though Citizens' planned commercial insurance increases aren't tied to the new insurance legislation, lawmakers "knew this was going to be the result of the bill, yet Republicans voted for it and Gov. Bush signed it into law," Gelber said.

And if Citizens substantially increases its rates, Gelber said private insurers will continue to do the same.

"Citizens ... creates almost an upward draft for rates across the state," Gelber said. "I think you can probably expect the private market to follow suit."

But state Rep. Dennis Ross, chairman of the House Insurance Committee and one of the architects

of the insurance bill passed this year, said the law never was meant to make Citizens' rates affordable.

The law is intended to ensure that Citizens had the financial ability to stand on its own, without relying on extra charges paid by Florida property insurance policyholders, said Ross, R-Lakeland.

As the state's insurer of last resort, Citizens must have higher rates than private companies, "unless the people of the state of Florida want the state to be an insurance company," Ross said. "The rates for Citizens are not going to be a question of affordability."

Citizens' business and homeowner customers could start being charged the higher prices starting in March, Scott said. But some home and condo owners wouldn't see the increases at one time.

Home and condo customers whose policies renew between January 1 and May 1 would see their rates go up by as much as 40 percent in Broward and 30 percent in Palm Beach County, with the rest of the increase -- averaging 55.8 percent -- coming when they renew in 2008, Scott said.

Customers whose policies renew after May 1 would see the entire increase at once, he said.

Regulators can't reject the proposed rates simply because of their size, said Bob Lotane, an insurance department spokesman. "If these rates prove to be actuarially sound under the new law we would have no legal basis to deny them," Lotane said.

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