

Stop Treating Citizen's Property Insurance Policyholders Like Second Class Citizens

One of the most controversial issues facing our state is the future of Citizen's Property Insurance Corporation and its stated role to provide Floridians with affordable homeowner's insurance. Many policy makers want to find solutions to restore a robust private market and return Citizens to a true "last resort" option. Others, including Governor Scott, want to eliminate Citizens altogether. Either way, Citizens has a huge target on it and is being fired at from all directions.

Unfortunately, Citizen's policyholders are getting caught in the crossfire. Citizen's policyholders already have fewer rights and choices than do policyholders who buy insurance through private companies. For example, private companies have a duty to act in good faith when adjudicating claims. When they commit bad acts they are subject to pay punitive "bad faith" damages to dissuade them from future bad acts. Citizen's is immune from this law. As a result, despite wide spread complaints about controversial claims practices, Citizens can't be held legally accountable to the same extent as private carriers. Another example of this second-class treatment involves the right of a policyholder to hire a public adjuster during the claims process. A public adjuster is a licensed regulated professional who not only assists consumers in settling claims, but also is the only professional with a duty to protect the policyholder's interests, not the insurance company's. This choice costs the insurance company nothing but often ensures that policyholders receive all of the benefits they are entitled to under the policy. Legislation passed last year restricted this choice for Citizen's policyholders. Legislation proposed this year would take away this choice entirely.

The rhetoric keeps getting worse. In a recent Senate committee hearing, a prominent Senator called the very concept of Citizens "socialist" and suggested that Citizen's policyholders should have fewer choices because they were in effect "a burden on their neighbors."

Sadly, this rhetoric and intense political pressure has infected Citizen's management. The recent class action lawsuit against the company by policyholders being gouged by grossly inflated replacement values is the latest example. For years Citizens has been provided with countless certified appraisals showing that, in case after case, actual replacement values were often less than half of what their software calculated. Instead of properly and honestly addressing these legitimate complaints, Citizens not only neglected to properly fix the software but also started to stubbornly refuse to accept these appraisals and correct policy coverage limits. The result was that homeowners, who had no other choice for insurance but Citizens, saw their premiums double. One large insurance company has television ads that remind us that "everyday millions of people choose to do the right thing." Unfortunately, Citizens stubbornly refused to do the right thing, forcing policyholders to seek redress through the last resort available, the courts.

This legislative session other proposals (S.B. 578 and H.B. 245) would create a loophole that would allow Citizens policyholders to have their policies assumed by unregulated

surplus lines carriers. These carriers are not subject to the standards and regulations in place governing how insurance companies set rates, provide policy coverage, or pay claims. In fact, these unregulated carriers can reduce coverage or raise rates at will, with no recourse to the consumer other than to find another carrier, which in Florida is often not an option. Most ominously, policyholders covered by these unregulated carriers are not protected by the Florida Insurance Guarantee Fund, a safety net to pay claims if an insurance carrier fails. Since at least six such failures have happened in Florida in just the last couple of years, this is plainly dangerous for consumers. Yet, proponents who voted to strip away other consumer choices ironically praise the "choice" this would provide to Citizen's policyholders. It is a false choice. Citizen's policyholders would receive a letter informing them that their policy will be assumed by the unregulated carrier. Policyholders who do nothing because they didn't read the letter or thought it was junk mail or simply didn't understand their options would automatically be taken out of Citizens and could find themselves with few options in the future. Every state sharply restricts the sale of these unregulated policies to homeowners either outright or by requiring the consumer to sign a detailed notice explaining that they are losing protections, Florida included. But this proposal would side step those existing requirements. Proponents also argue that policyholders hit by huge rate increases and/or reduced coverage could go back to Citizens. Every day our organization receives complaints by people arbitrarily cancelled or non-renewed by Citizens. Do we really trust them to suddenly do the right thing? This bill has already passed the House and is awaiting a vote in the Senate. It's not too late for Floridians to contact their Senators on this issue, but it needs to be done now, before it's too late.

We need to remind those legislators who continue to vote against the interests of Citizens policyholder's about something very important. You and the management at Citizens are breaking your own law. FL Statute 627.351 states that "It is the intent of the Legislature that [Citizens] policyholders receive service and treatment of the highest possible level but never less than that generally provided in the voluntary market." Take careful note of the use of the word "never", rarely found in legislation of any kind. Not sometimes, not generally, but **never**. So follow your own law and quit treating Citizen's policyholders like second class citizens. These people pay good premiums to an entity you created and are legally entitled to better treatment. You cannot continue to try to solve Florida's insurance problems on their backs.

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