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Florida insurance numbers deceive

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It was bad enough to learn earlier this summer that the overwhelming majority of \$4.9 billion in new capital in Florida's property insurance market — a number trumpeted relentlessly by Gov. Charlie Crist — had come from unregulated carriers. But here's an even more shocking number: \$277 million. That's the paltry amount of capital provided by regulated companies that didn't get a taxpayer handout to set up shop in the state.

State lawmakers never heard that fact as they contemplated insurance reform during the last legislative session. Instead, they got relentless spin from Crist and Insurance Commissioner Kevin McCarty implying that the private homeowners insurance market was on a healthy rebound. Their pitch, in hindsight, was nothing less than deception.

Florida's property insurance crisis is complex. And it's hard to say, had McCarty and Crist been forthright in the numbers, what impact that would have had during the 2009 legislative session. Lawmakers reduced the state's hurricane exposure by increasing rates for state-run Citizens Property Insurance Corp. and cutting the level of reinsurance the state would offer to all retail insurers.

But sound policy requires honest information. While Crist might be expected — unfortunately — to twist information for political cover, McCarty's job is to be the honest broker for Floridians who count on his office to regulate the industry in their interests. What's more, he works not just for Crist, a Republican, but also for the Cabinet, including Chief Financial Officer Alex Sink, a Democrat, and Attorney General Bill McCollum, a Republican — the two leading candidates for governor.

After a *St. Petersburg Times* story on the subject, Sink raised the specter last month that McCarty's staff had masked the true makeup of Florida's new insurers. She demanded the regulator provide a better accounting.

The result, released last week, shows just 5.6 percent of the new capital since January 2006 comes from regulated insurers who did not get a state handout to do business here. Another 6.6 percent is from regulated insurers who received either a state loan or payments for accepting former Citizens customers. But 87.8 percent of the new insurance capital came from "surplus lines carriers," companies that are not subject to state regulation in areas such as price, coverage or customer service.

Last week, Crist seemed to want to simply cover over these details, evoking the reduction in property insurance costs for some homeowners. McCollum appeared to miss the point altogether, saying, "I think this is a very positive report, and I appreciate it." Despite McCarty's deception, his job appears secure as long as Sink is the only one to object to his behavior.

Thanks to Sink, at least Floridians know the facts: Just 5.6 percent of the new capital is a purely private investment from insurers willing to abide by the consumer protections afforded by regulation. That indicates the private insurance market is not growing nearly as well as the governor and the state insurance commissioner suggest.

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