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Our Opinion: Insurance queasiness

The industry needs to be hardened, too

Property owners in Florida need to hope it's true, that all the new insurance companies that Insurance Commissioner Kevin McCarty has been touting as stabilizing the Florida market are solid and available to everyday homeowners.

So far, there's little evidence, however, that if major hurricanes hit Florida, that property owners would be sufficiently covered — or that when giant State Farm Florida withdraws from the state there'll be adequate coverage available for its 770,000 customers.

CFO Alex Sink expressed appropriate skepticism earlier this month when she wrote Mr. McCarty sharply requesting more detailed information on the financial status of the 29 new companies that have come into the state since 2006. She wanted to know how many personal lines of insurance they write and to otherwise gather data to judge how well the homeowners market would be covered, given discounts they must give for storm "hardening" of homes and difficulty in finding backing in the reinsurance market.

It's not 100-percent certain that State Farm will pull out of Florida. It was denied a 47-percent statewide average rate increase in January but will challenge the state's conditions for withdrawing in an administrative hearing in October.

Meanwhile, thousands of State Farm customers have come to the company's defense, saying that when they tried to find insurance elsewhere, their new rates were often going to be more than that 47-percent increase — and with smaller, newer companies they had no history with in terms of paying claims.

On Tuesday, however, Ms. Sink, other Cabinet officers and Gov. Charlie Crist were told that about half of the 210 companies offering insurance in the state have been experiencing underwriting losses and, along with State Farm, are facing pressure to ask for rate increases. Mr. McCarty's report to Ms. Sink and the others could hardly be called reassuring.

Of course the governor wants to avoid rate hikes for consumers — as demonstrated by his veto of a bill last session that would have allowed rate increases and more competition.

Yet, as Ms. Sink said, that's not a reassuring sign when, even during four years without hurricanes, the companies are reporting underwriting losses — paying out more than they're taking in in premiums.

Mr. McCarty suggested that the problems are with possible fraud in the hardening program and the fact that we're a vulnerable coastal state. But neither of those are as persuasive as the fact that homeowner's insurance has simply been too great of a bargain for too many coastal property owners for too long.

Legislation that might be considered tough love is expected to be reintroduced this session by co-sponsors Sen. Mike Bennett, R-Bradenton, and Rep. Bill Proctor, R-St. Augustine. The legislation, called the Consumer Choice Act — which was supported by 86 percent of lawmakers and then vetoed by the governor — would open up more competition by allowing rates that are more true to actual risk.

No one likes the idea of rate increases, but with the state's backup insurer, Citizens Corp., perpetually

underfunded — and a good many of those new surplus-line companies not insuring everyday homeowners — the insurance market here is far riskier for all players than it ought to be.

If a catastrophic hurricane hits, and eventually it will, the industry as it now operates will never be able to pay claims for billions in destroyed and damaged properties.

As we've said before, politicians tend to be too quick to tell citizens what they want to hear, and too reluctant to speak of the reality they need to hear: that, when it comes to storm coverage, they're living on borrowed time.
