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Home insurance rates to rise, top regulator says

The pending deregulation legislation would allow large insurers to sell essentially unregulated home and condo insurance policies at whatever price they want. The House of Representatives passed its bill last week by a 105-13 margin and the Senate plans to discuss its version Tuesday.

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TALLAHASSEE

Florida Insurance Commissioner Kevin McCarty said Monday he expects that rolling back home and condominium insurance regulation will trigger "substantial" rate increases and won't keep insurers in Florida - the reason many lawmakers support it.

"Not a single company has indicated to me a willingness to either stay in Florida or write new business if this proposal is adopted," he said in a statement.

The pending deregulation legislation would allow large insurers to sell essentially unregulated home and condo insurance policies at whatever price they want. The House of Representatives passed its bill last week by a 105-13 margin and the Senate plans to discuss its version Tuesday.

Under the both bills, the state would still be able to deny a rate request if the premium is too low -- and would undercut regulated rates -- and is deemed calculated in an "unlawful" manner. And the House bill would require insurers selling the unregulated policies to provide estimates for similar policies from at least one other insurer.

Lawmakers in the House who voted for the bill said they had hoped it would lure insurers to the state and allow people to choose a pricier policy from a more experienced insurer. Insurance industry representatives said Florida's aggressive rate regulation has kept some insurers from growing so stripping some regulation would probably do the opposite. But of several insurers contacted by the Sun Sentinel Monday, none confirmed they would sell more policies if rates were deregulated.

Support for the measure has been fueled by State Farm's Jan. 27 announcement that it's leaving



Florida's property insurance market after McCarty and a state judge rejected the company's requested 47 percent or 67 percent rate increase. Lawmakers say many State Farm policyholders say they'd pay more if they could keep their policies.

Chris Neal, a State Farm spokesman, said any changes to the state's insurance market would have to be both "permanent and transformational" for the state's largest private insurer to rethink its decision to exit. McCarty said a range of mid-size to large property insurers that are scaling back in Florida have told him they'd sell few – if any – more policies if they could charge any rate they want because of the state's hurricane risk.

Roger Desjardon, the chief executive officer of Boca Raton-based Florida Peninsula Insurance Co., said any rate deregulation measures wouldn't affect his company's plans to grow beyond its roughly 100,000 policies.

McCarty said he's worried the deregulation bills would create a competitive disadvantage for smaller, Florida insurers such as Florida Peninsula. McCarty said his office and the Legislature have worked hard to support dozens of new insurers that have emerged the past few years through low interest state loans and other programs.

What's more, McCarty said rate deregulation failed a few years ago. In 2002, State Farm asked for a 132 percent statewide rate increase for its 4,700 condominium association policies. A few months later, the insurer threatened to drop its policies because of major losses and it was unable to get the rate hike it needed, according a letter from the company. So the state allowed State Farm to apply to its condo association policies a state law that allows insurers to charge an unregulated rate to businesses for up to 10 percent of their policies.

State Farm increased its condo association rates by a statewide average of 70 percent. The company had canceled most of its policies by 2004 and all of them as of last year, said Ed Domansky, a spokesman for the Office of Insurance Regulation.

"There is no reason to believe that this proposal will result in anything different," McCarty said, adding that it would "almost assuredly" boost rates.

State Farm spokesman Chris Neal said the 2002 example isn't comparable to current legislation because the company had so few policies to start with.

"It's a whole different ballgame," Neal said.

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