

Our View: Insurance rates should reflect states good fortune

By AP

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When it comes to Florida's property insurance rates, what a difference a little pressure from the state's chief financial officer can make.

In 2013, most of Florida's property insurers, as usual, filed for rate increases — despite eight straight years without a hurricane and sharp reductions in insurers' costs.

And why not? The state Office of Insurance Regulation had approved more than 100 rate increase requests each year since 2009 — many of them in double digits.

As result, Florida's average property insurance premium — \$1,933, based on 2011 figures — became the highest in the nation, and double the national average, according to the National Association of Insurance Commissioners.

Then, late last year, Florida CFO Jeff Atwater, who oversees insurance regulation, directed Insurance Commissioner Kevin McCarty to compile a report detailing how much property insurers had saved in 2013 and why consumers had not benefited.

After all, besides avoiding hurricane-damage payments since 2005, Florida insurers had saved hundreds of millions when the cost of reinsurance — the policies they buy to back up their claims — fell by 20 percent or more.

The 10 largest Florida-based property insurance companies had made "\$283 million in net underwriting profits through the third quarter of 2013," the Sarasota Herald-Tribune reported.

And most of the property insurers were looking for more.

But, after Atwater asked for the report, things began to change.

McCarty reported in January that "a half-dozen of the state's 30 major property insurers have a recently approved or pending request for a rate cut between 2.4 percent and 9.2 percent," the Tampa Bay Times reported.

Some companies that initially sought increases even have backtracked.

Castle Key Insurance, a subsidiary of Allstate and one of Florida's largest property insurers, had filed for a 12.2 percent average statewide increase, but it announced in January that, due to lower costs, it would no longer seek the rate hike. Castle Key was eventually approved for a decrease of 5 percent.

The single-digit reductions so far are dwarfed by the increases Florida insurers reaped for several years. Last year alone, homeowner insurance rates across the state rose 11 percent, according to insurance consultants Perr & Knight.

Still, the rate cuts that McCarty reported are a start and, thankfully, just a start, Atwater indicated in a recent statement.

"When Commissioner McCarty provided me his analysis of the property insurance

market, he said that he expected lower reinsurance costs to be reflected in lower rates for consumers in future rate filings," Atwater said. "I share the commissioner's expectations."

There's no doubt that Florida homes and businesses face special risks, including the threat of hurricanes and tornadoes, rising sea levels and even the increased frequency of sinkholes.

But when nature spares Florida from the onslaught of hurricanes for an eight-year period — and insurers benefit from reduced costs as a result — property insurance rates should reflect that good fortune.

Thanks to Atwater's pressure, the tide has begun to turn in favor of homeowners.

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