Fla. ‘Consumer Choice’ Bill Angers Consumer Groups

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A Florida bill that would allow some insurers to charge rates above those approved by the Office of Insurance Regulation provided they meet certain capital requirements has drawn the ire of consumer groups.
In order to charge rates above those approved under H. B. 1171—also called the “consumer choice” bill—a carrier must have a surplus of at least $200 million and a ratio of net written premium to its surplus of no more than 2-to-1.
The consumer groups drafted a letter earlier this month urging Governor Charlie Crist to veto the measure, as did Florida Insurance Commissioner Kevin McCarty.
Commissioner McCarty and the consumer groups contend the bill would not make the Florida insurance market more competitive, and would instead hurt consumers by sending rates spiraling upward.
Commissioner McCarty said the 2004 and 2005 hurricane seasons resulted in dramatic increases in homeowners insurance rates. Since then, H.B. 1A was passed in Jan. 2007, which lowered rates by an average of 15.9 percent.
“H.B. 1171 will reverse the trend begun by H.B. 1A by exempting certain insurers from a determination that their rates are ‘excessive or unfairly discriminatory,’” Commissioner McCarty wrote. He said significant and unpredictable rate increases could result.
He further noted the bill will affect emerging Florida domestic companies by treating them differently than other established companies

that meet the bill's requirements.
"Largely because of this new capital [from new Florida domestics], more than 400,000 policies were taken out of the state-run Citizens Property20Insurance Corporation in 2008, reducing its exposure by more than 20 percent," Commissioner McCarty's letter said.
The consumer groups—consisting of Consumer Federation of America, Center for Economic Justice, United Policyholders and Consumer Watchdog—said consumers are already at a disadvantage when shopping for insurance.
"Normally, if a seller of a product asks too much for it, the consumer can walk away," they wrote. "But home insurance is not like that. Lenders require maintenance of hazard insurance as a condition of keeping the mortgage effective."
This bill, they noted, puts them at an even greater disadvantage while allowing insurers to hike rates.
But Julie Pulliam, spokesperson for the American Insurance Association AIA), said she does not understand how consumers could be hurt because they would have the choice to go with a company that is operating under the bill or one that is not. "So consumers are in the driver's seat here," she said.
While the consumer groups argued that, given the option, all insurers would choose to operate under the bill and therefore charge rates that are not regulated, Ms. Pulliam said insurers have to meet certain requirements to operate under the bill, and some companies may choose not to do that. Additionally, she said consumers could always go with Citizens.
A spokesman for Governor Crist said the governor has not yet received H.B. 1171. He said it should reach the governor's desk in the next week, after which Governor Crist will have 15 days to either sign or veto the measure.
The spokesman said Governor Crist has no position as of yet.