

Snafu blocks big discounts from Citizens for home fixes

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A year ago, the Florida Cabinet offered hurricane-weary homeowners a deal that was hard to refuse.

Make your home safer from hurricanes and you'll be eligible for bigger discounts on your homeowners' insurance, the state promised.

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over discount forms.



The Cabinet even ordered insurance companies to double the discounts.

But now, Citizens Property Insurance Corp., the state's largest insurer with nearly 1.4 million policies, says it will not be giving policyholders those big discounts for storm-proofing their homes.

Implementing the discounts, Citizens officials say, could in some cases wipe out the premiums they collect or even require the insurer to pay policyholders.

"We can't give away our insurance," said Paul Palumbo, Citizens' chief underwriting officer.



And that's precisely what could happen, Citizens says, if a homeowner makes multiple improvements and then seeks a premium discount for them.

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Because Citizens' system is not set up to cap the discounts, it treats them as cumulative. That means a policyholder who decides to harden his home by strengthening the roof and adding certain types of shutters could ring up more credits than premiums.

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As a result, Citizens officials decided not to implement the double discount program, leaving more than 180,000 homeowners in Palm Beach County and the Treasure Coast with no way to recoup hundreds or even thousands of dollars in promised discounts for storm-proofing their homes.

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Further, Citizens officials were unable to say when they could start doubling mitigation discounts, which were supposed to go into effect Sept. 1.

"We're working as quickly as possible," said Christine Turner, a spokeswoman for Citizens.

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Citizens' plan to offer the bigger discounts was approved in May. The idea was to

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encourage Florida homeowners to make improvements before the next storm hits and insurers to whittle away at skyrocketing premiums.

But officials at the state Office of Insurance Regulation, which oversees the industry, didn't realize there was a problem until about six weeks ago. That's when they began testing adjusted rates in computer systems.

Instead of capping premium discounts for multiple improvements at, say, 88 percent, the system would allow them to keep adding up to more than 100 percent. But rather than notify policyholders, Citizens officials simply decided to hold back on doubling the discounts until they could fix the problem.

Spokesman Rocky Scott said this week that Citizens is in the process of tracking how many policyholders are due the bigger discounts.

"This suggests that their rating system had long-standing problems," said Robert Hartwig, chief economist at the Insurance Information Institute.

Hartwig said he was shocked to learn that Citizens can't modify its rate to take into account the fact that an insurer can't give away a policy.

Citizens is not the only homeowner insurer experiencing problems implementing the discounts. Allstate Floridian Insurance Co. officials said the company can't double discounts before completing a major reprogramming of their computer systems.

Citizens, however, is a bigger concern because it covers some of the state's oldest, most expensive and most vulnerable properties close to the coast. Moreover, the insurer continues to pile on these properties as other insurers dump them.

Thousands of Citizens policyholders either have made improvements or are in the process of making them to qualify for lower premiums and for state grants of up to \$5,000 through the My Safe Florida Home program that help pay for the renovations.

About 30 percent of the 90,000 homeowners that have received state-sponsored hurricane-strengthening inspections were customers of Citizens, said Brannon Jordan, a spokeswoman for the state Department of Financial Services.

Last October, complaints from homeowners about meager discounts for major home improvements prompted Gov. Charlie Crist and the Florida Cabinet to order insurers to double mitigation discounts. But the improvements were supposed to benefit insurers as well, because losses would be less in the event of a hurricane.

Under the old system, a Citizens windstorm customer in Palm Beach County who pays \$3,000 a year to insure a home receives a maximum 33 percent premium reduction, or \$990, off the wind policy if hurricane shutters are installed.

As of Sept. 1, that reduction was supposed to increase to a maximum of 66 percent, saving the homeowner \$1,980. Instead, the homeowner still will save \$990.

The real problem for Citizens arises when a homeowner gets multiple credits for a combination of elements, such as hurricane shutters and a hip roof. A homeowner with a hip roof would be eligible for a maximum \$690 credit. Double that to \$1,380 under the new scale, and combine it with the nearly \$2,000 double discount for hurricane shutters, and Citizens ends up paying out more in discounts than the \$3,000 in premiums it has collected.

Palumbo, the Citizens official, said changing the insurer's rating system to cap the discounts is more complicated than it seems.

He said such a change could increase the rates of Citizens policyholders who received previous discounts for making improvements. That's because the legislature froze Citizens' rates until January 2009, and an increase would violate that.

Palumbo also said Citizens didn't run into problems under the old rules because the mitigation discounts were smaller and didn't come close to the amount paid in premiums.

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