

300 WORDS

(more or less) about

ELIMINATING WIND-ONLY COVERAGE FROM CITIZENS

PROBLEM—SB 2860 by Sen. Atwater includes a proposal eliminating the requirement that Citizens Property Insurance Corporation (Citizens) offer wind-only coverage in coastal areas for new policies written after July 1, 2008.

BACKGROUND—Citizens and its predecessor, the Florida Windstorm Underwriting Association (Windpool or FWUA), have been writing wind-only coverage for over 40 years in most coastal areas while voluntary carriers write non-wind perils such as fire, theft, liability, etc. This gives policyholders more comprehensive coverage, often at a lower price than a full perils policy from Citizens. While last year's CS/HB 1-A authorized Citizens to write full perils policies (including wind) outside of the windstorm areas, it specifically provided that Citizens must continue to offer wind-only policies so existing policyholders would not lose additional coverage options, multi-policy discounts, and any benefit from lower assessments from the voluntary market.

DISCUSSION—SB 2860 removes the safeguards in CS/HB 1-A by prohibiting Citizens from offering new wind-only policies in coastal areas after July 1, 2008. For thousands of homes and businesses, voluntary market wind coverage isn't available in coastal areas at any price. This change forces new policyholders to buy all perils with Citizens. Here's why that's bad.

- ◆ Many of those policyholders will pay more for their insurance, because: 1.) they will lose significant multi-policy discounts available

when auto, watercraft, or personal umbrellas are written along with the Citizens wind-only policy; and, 2.) a Citizens multi-peril policy with wind may cost more.

- ◆ New policies will suffer these drawbacks, creating a disparity in cost and coverage for real estate transactions and closings.
- ◆ Most commercial policies provide coverages customized to unique commercial exposures. A "vanilla" package of perils from Citizens cannot (nor should it) meet the needs of every coastal business. This will eliminate discounts from existing package policies, drive up costs, reduce options, and create confusion.
- ◆ Under SB 2860, and currently, policyholders who must buy from Citizens are forced to suffer higher and more likely assessments.
- ◆ Residential policyholders could lose numerous coverage options not offered by Citizens when they lose their voluntary carrier.
- ◆ For the last 40 years, every property policy in Monroe County has obtained their wind coverage from the residual market. Without wind-only coverage from Citizens, every new property policyholder in Monroe County would have to obtain their entire coverage from the residual market. Agents could suffer dramatic revenue reduction in Monroe and parts of other counties due to Citizens' commissions being about half that of the regulatory market.

SOLUTION—Unless SB 2860 is amended to maintain current law with respect to Citizens' wind-only policy options, oppose it and support any amendment that maintains the status quo in this regard.

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