

# 300 WORDS (more or less) about CITIZENS' RATES

**PROBLEM**—Because of a state-imposed rate freeze for Florida's residual property market entity, most believe Citizens' rates are woefully inadequate to cover its exposure and carry an unfair burden of assessments on voluntary market policyholders.

**BACKGROUND**—In January 2007, the Florida Legislature froze rates in Citizens and directed it to charge the rate level that was in place prior to January 1, 2007. At the time, Citizens had just been granted its first rate increase since 2005, for new rates to take effect on January 1, 2007. Citizens had requested a 20.7 percent rate increase in the Personal Lines Account (PLA) and a 44.9 percent rate increase in the High Risk Account (HRA). But those rate increases never took effect because the Legislature rolled the rates back to 2005 levels and froze the rates going forward until January 1, 2009. Last session, the Legislature extended the rate freeze until January 1, 2010. Senator Fasano has introduced SB 862 and Rep. Gonzalez has introduced HB 1723 to extend the rate freeze for an additional year even though extending the freeze was specifically rejected by the statutorily-created Citizens Mission Review Task Force (MRTF) in its final report.

The MRTF instead proposed allowing the Citizens' rates to increase over the next three years on a statewide average of 10 percent, and no more than 15 percent for any rating territory, or 20 percent for any single policy. But, it did not consider whether the rates should be non-competitive with the voluntary market once the three years were up.

House Bill 1495 by Rep. Nelson implements the recommended annual increase of the MRTF, but addresses the non-competitive rate issue by requiring the annual increases to continue until Citizens rates can cover all expected losses and expenses of Citizens plus a 15 percent factor for a capital charge.

**SOLUTION**—Support the "glide path" rating reform for Citizens outlined in HB 1495 by Rep. Nelson and oppose any bills that extend Citizens' rate freeze.

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