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813.264.2954

Why Are Homeowners Rates Going Up?

When you receive your renewal offer, most of you will probably notice a 10-15% rate increase. Following are some reasons why:

- **REINSURANCE** rates that are charged to insurance companies by worldwide insurance underwriters such as Lloyds of London, Swiss Re have gone up significantly. Reinsurance is an insurance policy that our Florida carriers take out on themselves to give them protection in the event of a catastrophe. Even though we have experienced no major storms in 5 years, catastrophes have occurred all over the world (ex Haiti, Chile) which require massive insurance payouts, which affect all of us.
- **FRAUD** has skyrocketed in Florida, especially since the economic downturn. The abuse of homeowners insurance for fraudulent claims hurts all of us.
- **SINKHOLE CLAIMS**, especially in the Tampa Bay area, are crushing insurance companies. It costs an insurance company \$8,000 to \$10,000 just to send a geotech vendor out to "test" whether there is actual sinkhole damage. Most of our carriers refuse to even write in Pasco and Hernando County due to the volume of sinkhole claims. Many claims result in payouts of hundreds of thousands of dollars to stabilize houses and repair damages. You don't have to be a mathematician to see a few of these claims adds up to a losing proposition for the carriers.
- **PUBLIC ADJUSTERS**, while in many cases offering good representation to clients through the claims process, have a portion who are ENCOURAGING people to file bogus sinkhole claims, reopen hurricane claims from 5 years ago, and similar activities that result in unnecessary payouts by carriers. Again, ultimately, this hurts all of us with higher rates.
- **EXAGGERATED WINDSTORM MITIGATION CREDITS** due to direct political pressure from the State, have contributed to rising rates. A comprehensive study done for the State a few years ago concluded that houses built to better code and more hurricane resistant roofs should lower hurricane damage. The study concluded that appropriate credits should be approximately 15-30% for the wind portion of the total premium, depending on how many features a house had. The State ignored the data, and mandated that carriers give credits ranging 30-70% of the wind premium. Many of you have experienced these significant savings which is good for your wallet but the carriers now know they have not collected enough premium to pay future claims. Fraud from inspectors and even clients and agents statewide has exaggerated this problem.

If you're wondering what you can do to offset these increases, be sure to read next month's feature article: "Ways to Reduce Your Homeowners Rates."

Scott Love
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