

TALLAHASSEE, Fla. – Feb. 8, 2007 – An emergency rule issued last week that freezes homeowner insurance rates and prevents policy cancellations or non-renewals through May 1 looks to be retroactive, halting previously announced plans by some insurers to pare the number of policies on their books.

Most immediately affected is Allstate Floridian, which had announced in early January that it would begin non-renewing 106,000 policies by April 1.

Late Wednesday, the Office of Insurance Regulation issued letters clarifying the emergency rule that was signed by Gov. Charlie Crist and approved by the Florida Cabinet.

The OIR letters state no rate hikes, policy cancellations or non-renewals are allowed during the 90-day period ending May 1. Actions announced before the rule and effective during the freeze period, like Allstate's, are also barred.

The letters also say insurers aren't allowed to issue new cancellations or non-renewals until they make new rates taking into consideration how much they will lower rates after buying lower-cost reinsurance from the Florida Hurricane Catastrophe Fund. The lower-cost reinsurance was made available through a massive insurance reform bill passed by the state Legislature during a special session last month.

One company, American Strategic Insurance in St. Petersburg, has gone ahead with this filing. It will lower its hurricane base rates "a uniform 20 percent," resulting in a statewide average drop of 11.5 percent. That's because the company saved \$27.4 million on its reinsurance expense after it bought its coverage from the catastrophe fund for the coming hurricane season.

In its filing, the firm said if regulators expand the catastrophe fund by an additional \$4 billion, its savings would grow to \$31.5 million and allow for an additional 1.8 percent cut in its rates.

American Strategic has 151,000 policies in Florida. It wants to implement the rate cut as soon as March 1. "We are getting inundated with phone calls from policyholders asking when their rates will be reduced," said Kevin Milkey, American Strategic's executive vice president in the filing.

Allstate, in the meantime, is wrestling with the impact of the emergency rule.

Ryan Priest, an Allstate spokesman, said the firm is still trying to figure out the full meaning of the rule and OIR's clarifications.

"We fully intend to fully comply with the rule signed by the governor and OIR," said Priest.

The company had no immediate answer on what will happen to policyholders like Irving and Willa Ingwer, who received a non-renewal notice on their condo policy effective April 1. The couple is wondering whether Allstate will have to renew their policy for another year.

“We’re trying to figure out what it means for these policies,” added Priest.

The new insurance law also nips Allstate’s non-renewal plans in another way. It doesn’t allow policy cancellations or non-renewals during the hurricane season. This provision hampers Allstate’s most recent slate of non-renewals as the 120,000 policy non-renewals it began in November. Those non-renewals were announced by the company last May.

Allstate has arranged for Royal Palm Insurance, a newly formed company, to offer its policyholders new coverage as the policies came up for non-renewals.

In another insurance development, a class-action lawsuit was filed in Miami-Dade Circuit Court against Citizens Property Insurance, alleging the state-run insurer failed to properly adjust claims for window damage from Hurricane Wilma.

The suit claims that Citizens ignored building code provisions that require damaged or destroyed windows be replaced by impact-resistant windows or regular windows and hurricane shutters.

Paul Berger, the Boca Raton attorney who filed the lawsuit, said Citizens’ policyholders in Miami-Dade and Broward counties were underpaid because the company only paid to replace their damaged windows with simple glass. These homeowners are now at risk should another major storm strike South Florida, he added.

Rocky Scott, Citizens’ spokesman, said the company couldn’t comment on the lawsuit because it still hasn’t been served.

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