

CITIZEN SHEDS CUSTOMERS AND CREDIBILITY AS CHANGES REDUCE COVERAGE



It is accepted financial acumen for an insurance company to cover only that many risks, whose customer obligations it is capable of meeting. Hence, there is nothing palpably wrong in Citizen Property Insurance wanting to cut 678,000 customers from its rolls, to give stability to its financial position. In case of another natural calamity, like Hurricane Andrew, everyone in Florida with an insurance policy, will be in serious trouble, if the state's publicly held finance company cannot meet its financial obligations to its 1.4 million customers. However, the way the company is going about it, is beginning to rankle customers and they are questioning the company's motive. If the goal had been to handle as much as it can and ease its burden, it would have been fine, but now customers are finding themselves paying more for less coverage and the changes are too drastic. In the wake of the Hurricane Andrew that hit the state in 1992 with devastating effects, Florida should have been able to establish an affordable, viable windstorm-insurance system, however, it has failed to do so. Citizen Property Insurance the largest property-insurance company in the state has never been able to create reserves or reinsurance funding strong enough to cover another Andrew like hurricane or other natural calamities. Citizen's aggressive "depopulation" plan is imperfect and inconsistent in a number of ways. The decision to limit personal liability coverage from \$300,000 to \$100,000 in new Citizens homeowners' policies is totally inadequate and a failure to fulfill its duty to the citizens. Moreover, this could force customers to seek coverage in the private market, which is burdensome, more expensive and in case of incurring high-risk losses, like the Hurricane Andrew, extremely risky as well. Customers could end up buying insurance from companies that may not have adequate resources of its own. A better change in their policy would have been to charge a higher premium to make the coverage profitable and would not force the homeowners to avail of private insurance policies. The changes could bounce back on Citizen and their purpose could be defeated and they actually lose their low-risk policy and end up with the high-risk one of windstorm. Most private companies refuse to write windstorm policies. Citizen will be left holding windstorm policies private insurers won't touch. The second change that is not going well with the customers is the re-inspection for mitigation credits. Even though there was extensive fraud in the original inspection process, but re-inspection process was penalizing the honest ones for being honest and also resulted in higher premiums, even if proven right. Moreover, it is virtually impossible to contest the revised estimation. Homeowners financially stressed and under pressure through harsh economic times should not have to bear this burden. Citizens is unlikely to lure new customers, just by removing old ones and financially sound companies, unable to get good secure state publicly held insurance, will simply not want to relocate or start their businesses in Florida. They seem to be sacrificing long-term gains for short-term ones.

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