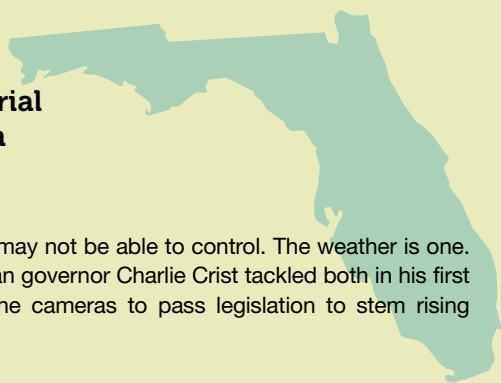


HOW IT WORKS

Merging Formal and Informal Gubernatorial Powers: Florida's Governor Crist Takes on Category 5 Insurance Problems

As powerful as they are, there are some things governors may not be able to control. The weather is one. The insurance industry may be another. Florida's Republican governor Charlie Crist tackled both in his first term as he worked behind the scenes and in front of the cameras to pass legislation to stem rising insurance costs in the state.



THE PROBLEM. The disastrous 2004 and 2005 hurricane seasons left many of Florida's homeowners with more than just flattened roofs: it landed them with crushing insurance bills. The cost of insuring a home more than doubled in 2006, and many residents considered leaving the state altogether. Joining a chorus of voices advocating for a host of insurance reforms, Governor Crist urged Floridians to stay put and promised to work with lawmakers to help bring down insurance rates.

That's no small feat. Insuring property in a state that saw nearly \$36 billion in storm damages in one year alone is an expensive business—and regulating that industry is the state's responsibility. Even the industry's harshest critics understand that

the premiums homeowners pay on a regular basis to insure their homes must keep pace with the amounts that agencies anticipate will be paid out in future claims. That's basic math. But, critics say, insurers' profits have soared in recent years. Some agencies have adopted such misleading or unfair practices as creating differently named subsidiary companies that offer different rates than their parent agencies. Others offer restricted insurance plans to Floridians (for example, they offer auto but not homeowners insurance). Still others refused to offer policies in that state, leaving many without coverage.

In their wake stands Citizens Property Insurance, a state-run agency created in 2002 by the Florida legislature as an insurance "safety net." Under its original rules, homeowners were allowed to switch to Citizens only if they had been denied coverage by a national company or if their premiums were quoted at more than 25 percent higher than Citizens's rates. By 2006, however, Citizens was set to become the insurer for more than half of all of Florida's homeowners—about 1.3 million policyholders—making it the state's largest insurance company rather than the agency of last resort.

With so many homeowners forced to pay exorbitant rates or cut loose from national policies altogether and Citizens stepping in to fill the gap, Governor Crist and Florida's lawmakers were made to reconsider the role that Citizens should (or could) play in wholesale insurance reform.

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