

Bill would let Citizens' cash be loaned to insurers

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TALLAHASSEE — A quarter of a billion dollars that state-backed Citizens Property Insurance has set aside to pay claims could be moved to a fund that would instead lend the money to private insurers.

The transfer is part of the Florida House's budget bill and would revive a program established in 2006 that makes \$250-million available as long-term, low-interest loans to new or recently established insurers.

Last year, 13 companies borrowed \$247.5-million, all but exhausting the fund. This year, with the state facing a revenue shortfall, lawmakers had to look for another source. They found Citizens.

The transfer would remove 1/14th of Citizens' \$3.5-billion surplus set aside for handling a major storm.

Rep. Ron Reagan, R-Bradenton, said the goal is to move more homeowners' policies out of Citizens into the private market, reducing Citizen's exposure to hurricane damage claims by \$2.5-billion.

"(The loans) are going to be paid back," Reagan said. "It's not a grant. We're not stealing it from (Citizens). We're paying it back."

The budget proposal will ultimately be negotiated with the Senate and is still several steps from becoming a done deal. Lawmakers in both chambers have said they're concerned Citizens — even with a \$3.5-billion surplus — doesn't have enough money socked away to pay claims in case of a massive storm.

Coupled with a rate freeze entering its second year, the removal of \$250-million could make the situation worse, argued Citizens board chairman Bruce Douglas. He said that would make it even more likely that all Florida policyholders would be assessed if Citizens runs a deficit, as it did in 2004-05.

"The idea of taking money out of Citizens, which is there for the sole purpose of paying claims, then loaning those monies to entities that will not even begin to benefit anyone until 2009, makes no sense," Douglas said.

Most of the companies that got the loans last year avoided high-risk policies, said Michael Letcher, president of www.homeinsurancebuyers.org, a Web site that tracks available homeowners' policies in Florida. The companies tended to limit the number of older homes and those built close to the coast. They were also careful, Letcher said, about what policies they took out of Citizens.

Citizens had 407,000 policyholders in its high risk, or coastal, account at this point last year. Today, it has about 40,000 more.

"Are (the new companies) reducing Citizens' risk?" Douglas asked. "Minimally."

Rep. John Legg, R-Port Richey, said he voted against the measure in a House committee last week because while the loan program is worthwhile, the source of funding is questionable. "Citizens is a risky venture to begin with," Legg said, "and now we're gambling even more. I know these new companies are not going to take my residents in West Pasco."