



December 7, 2006

*Preparing for Special Session*

## **Florida House Members get a Crash Course in Property Insurance**

*Florida House Speaker Marco Rubio called a three-day Conference on Property Insurance this week to educate new representatives and*



*provide background information on issues like the nature of catastrophic storms, the history of the property and casualty insurance industry, and the economics behind the insurance market.*

**I**n anticipation of a January Special Legislative Session, House Speaker Marco Rubio (R-Miami) scrapped a planned week of committee meetings, opting instead to educate newly elected representatives about the workings of Florida's volatile property insurance market. Monday's program opened with a tinge of partisan positioning, but by Wednesday's "idea" segment, House members seemed to be walking in better tandem about what the end results should be, but not necessarily how to achieve them.

House Minority Leader Dan Gelber (D-Miami Beach) complimented the Speaker on Wednesday for a program that was done in a "high-minded" way.

The cost of property insurance in Florida has increased dramatically following the bashing nature of the 2004 and 2005 hurricane seasons. The state-created insurer of last resort, Citizens Property Insurance Corporation, has swelled to become the state's largest carrier as private carriers try

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and minimize their risk following losses of over \$35 billion.

Rep. Don Brown (R-Defuniak Springs) is handling the issue in the Florida House in his capacity as the new chairman of the House Council on Jobs and Entrepreneurship. Brown told his fellow House members that the reaction of Florida's insurance market was similar in nature to the post-Hurricane Andrew period in the mid-nineties.

Florida's geographic vulnerability to catastrophic storms is the bottom line reason we are in this situation, he said. "Florida is a money losing return for insurers," he continued. "Capital investors take their money where they can get the best return."

Right now, that is not in Florida.

Brown continued by saying that Florida has become known as the most regulatory intense state in the nation. We have to look at whether over-regulation works to our benefit or our detriment. Florida presents many impediments to companies who are here and those that might otherwise be here if not for over regulation.

### **Political Pressure Mounting**

Florida's political leaders find themselves in a particularly dicey situation because, aside from direct reimbursement to homeowners, there are few, if any, legislative options that will result in immediate relief to rising premiums. That reality is especially difficult for newly elected freshmen, many of whom campaigned on a promise of relief.

The cost to purchase property insurance quickly accelerated to the number one concern among citizens and business owners following the close of the 2006 Legislative Session. And it gets worse. Assessments for 2005 losses have yet to be levied and paid by policyholders. So, unless policymakers

can intercept the issue, premiums will further soar throughout 2007.

Current premium increases teamed with higher property tax assessments, which together comprise an escrow payment, have Tallahassee leaders extremely concerned about the future of the state's otherwise robust economy. Escalating costs have dramatically impacted businesses' ability to attract and recruit talent to Florida, and the state has begun to lose citizens who can not afford to start or maintain a home.

"Floridians cannot withstand another hike in property insurance costs," said Senator Jeff Atwater (R-West Pam Beach). "The dream of the young Florida family wishing to buy a house is rapidly disappearing. Retired Floridians, despite every heroic effort they are making, now fear the prospects of giving up their home."

Those concerns were echoed Tuesday by incoming CFO Alex Sink in remarks before the House. Speaking about a statutorily mandated premium increase by Citizens Property Insurance Corporation, she said, "...we are in a situation where if the rate increases as proposed we are going to destroy our economy."

State leaders expect little or no help from Washington, leaving the state to resolve its own problem.

### **The Governor's Plan**

Governor Jeb Bush pulled together a Florida Property and Casualty Insurance Reform Committee earlier this year to make recommendations about how to solve the problem. The report released by the committee, which was chaired by Lt. Governor Toni Jennings, is the basis of a bill that will be considered during January's Special Session. Recommendations fall into five general categories:

1. Provide for transparency of the policy and give consumers more options.
2. Establish a uniform building code throughout the state and eliminate the "panhandle exemption" to the current building code.
3. Enhance the construction mitigation program and increase the benefits to homeowners who participate.
4. Open Citizens Property Insurance Corporation up to full coverage.
5. Create market incentives, including tax incentives.

### Varying House Ideas

The House Democratic Caucus led by Rep. Dan Gelber wants to create a "Rate Reduction Authority" under the Joint Legislative Auditing Committee. The authority would be "incredibly powerful" and have broad executive authority with a purpose to "save the citizens" and to meaningfully reduce premiums. Authority members would be industry experts. Gelber represented the idea as similar to Franklin D. Roosevelt's New-Deal program in the post-depression era.

The Democratic plan calls for 30-day legislative oversight in relation to decisions, meaning there would be a requirement for the Joint Legislative Auditing Committee to meet every 30 days. This, Gelber said, gives the Legislature a means to stay involved during interim periods.

The authority would work with the Insurance Commissioner to monitor property insurance availability, company profits, the state's catastrophic fund, and reinsurance. The body would have a statutory authority to act, Gelber said.

As an example, Gelber said the Authority could order the Office of Insurance

Regulation to require companies to re-file rates that reflect savings and delve into the collateral requirements for reinsurance companies.

Whether an idea that creates more government can pass a House of Representatives dominated by Republicans is doubtful, at least as the proposal is currently written.

### Coming Together

A story by Alex Leary appearing in the *St. Petersburg Times* reported that by the end of the day Wednesday, Republicans indicated a consensus had been reached in three areas, including an opt-out provision for certain coverage, increased deductibles, and measures to make the purchase of reinsurance by insurance companies easier.

Speaker Marco Rubio told House members that ideas where a clear consensus of the House is apparent will be combined in a bill to be drafted by the Council on Jobs and Entrepreneurship. The bill will be used as a starting point for discussion of the property insurance issue when the Special Session convenes January 16.

#### Legislative Dates:

*Special Session on Property Insurance:*  
January 16, 2007

*Organization Session:*  
November 21, 2006

*First Day of Regular Session:*  
March 6, 2007

*Last Day of Regular Session:*  
May 4, 2007



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