

January 4, 2011

The Honorable Rick Scott
Governor
The Capitol
Tallahassee, Florida 32399

Dear Governor Scott:

As a group of charitable, nonprofit and business organizations working to meet our clients' needs during these times of economic recession and elimination and reduction of state outlays, we appreciated hearing your important voice during the campaign regarding Citizens Property Insurance Corporation and how critical it is to get out of the business of paying for post hurricane damages. For the past four years, we have worked together championing to return Citizens to its original role as the state insurer of last resort and the Florida Hurricane Catastrophe Fund (Cat Fund) to its original mission of providing stability for huge hurricane events. Accordingly, we ask that you prioritize eliminating the hurricane taxes on insurance premiums which afflicts charities, non-profits, businesses and families statewide.

As you are probably aware, Citizens and the Cat Fund are exempt from capital and solvency requirements and are primarily dependent on issuing new debt to pay claims after hurricanes hit Florida. To service this debt, hurricane taxes are levied on the insurance premiums of Florida businesses, charities, schools, churches and renters and automobile policyholders across the state. Many of these parties subject to the tax are excluded from the "benefits" of the program. Because of this borrow-and-tax burden designed into the structure of the government-run Citizens and Cat Fund, our organizations are still paying for the storms from 2004 and 2005. Furthermore, we will be forced to continue paying for these storms each year for at least another five years. In addition, we are critically concerned about the amount of future hurricane taxes which our state's businesses, charitable organizations and families may be forced to pay. After a large storm, or series of storms, we may be taxed at a rate over 50 percent of our insurance premiums each year for up to 30 years. These hurricane taxes essentially subsidize homeowners living on the coast.

According to an April 2010 Florida TaxWatch report, despite the absence of land falling storms, both state-run entities have faced enormous potential shortfalls because of limiting bonding capabilities. The report indicated a 100-year probable maximum loss would have left Citizens with a deficit of \$10.6 billion and Cat Fund with a shortfall of \$24.9 billion. Additionally, Florida TaxWatch reported assessments to repay the combined \$35.5 billion shortfall, spread over 30 years, at an assumed interest rate of 4 percent, are \$117.9 billion.

Working in conjunction with the Florida Legislature, we urge you to eliminate these hurricane taxes and make reforming both Citizens and the Cat Fund one of your top priorities. It is inexcusable for Florida to continue to require our businesses and charities as well as other Floridians – even those who are not Citizens policyholders – to subsidize many of the state's most fortunate living in expensive homes on the coast. Remarkably, this system results in charities subsidizing the owners of \$3 million vacation homes.

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There are many of us who exist solely to provide services to the state's most vulnerable. We need your help to strengthen our mission by eliminating this inequitable tax.

Please do not hesitate to contact us if we can provide you with any additional information. We look forward to working closely with you and your administration during your tenure as you work to solve Florida's insurance and "hurricane tax" crisis.

Sincerely,



Barney T. Bishop, III, President, Associated Industries of Florida



Ted Granger, President, United Way of Florida



Jay Liles, Policy Consultant, Florida Wildlife Federation



Christian R. Cámara, Director of Florida Insurance Project, The Heartland Institute



Louis Garcia, CEO, Big Brothers Big Sisters of the Big Bend

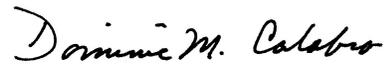


Larry Pintacuda, Executive Director, Florida Afterschool Network

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Apryl Marie Fogel, State Director, Americans for Prosperity- Florida



Dominic M. Calabro, President, Florida TaxWatch

cc: The Honorable Jennifer Carroll, Lieutenant Governor
The Honorable Col. Mike Prendergast (USA, Ret.), Chief of Staff
The Honorable Jon Costello, Legislative Affairs Director