

ASSOCIATED INDUSTRIES OF FLORIDA
**LEGISLATIVE
DAILY BRIEF**



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FROM JANUARY 17, 2007

Legislators in the House and Senate unanimously passed their respective insurance proposals in record time this afternoon after passing them out of committee this morning. These bills are designed to produce immediate reductions in property insurance rates for policyholders covered by Citizens, the state insurer of last resort, and those in the voluntary market. The Senate has sent SB 4A Relating to Hurricane Preparedness and Property Insurance by Senator Bill Posey (R-Rockledge) to the House for consideration, while the House has sent the Senate a package of six bills, five substantive bills each dealing with similar subjects found in the Senate proposals and one House Memorial aimed at urging the US Congress to create a National Catastrophe Insurance Program.

It is expected that Senate will amend their language onto each of the five House bills before sending them back the House for consideration. At this point it will be up to Senate and House leadership to decide whether a formal conference process will be needed to resolve some of the differences between the bills or if the two chambers will be able to informally negotiate with each other.

Senate Proposal

The Senate Banking and Insurance Committee unanimously passed SB 4A this morning after adopting some key amendments, the most important of which, was an amendment by Senator Ted Deutch (D-Delray Beach) which caps the amount of exposure of the Florida Hurricane Excess Loss Program (FHELP) at \$23 billion dollars. The FHELP is a program designed to provide an extra layer of coverage beyond the CatFund in which the state would pay 90% of all losses resulting from a storm or hurricane season with losses beyond the amount covered by the CatFund (approximately \$25 billion). Senator Deutch explained that the reason for his amendment was to set a limit at which the state would be liable for paying hurricane losses thereby softening the blow on Florida's bond rating. Currently, Florida enjoys a AAA bond rating – the highest rating possible.

Other changes to the Senate bill included an amendment by Senator Don Gaetz (R-Niceville) that would require the Office of Insurance Regulation (OIR) to do a retrospective study of an insurer's rates, if they had been granted a double digit increase, in order to determine whether conditions still existed that would justify this type of rate increase.

In addition, Senator JD Alexander (R-Lake Wales) was successful in adopting an amendment that removes medical malpractice insurance from the base of insurance lines that are subject to assessments by Citizens Insurance.

During the committee meeting, Senator Ronda Storms (R-Brandon) offered an amendment that would address the issue of “cherry-picking” by insurance companies. This term is used for companies that only offer one type of insurance product in Florida, but provide multiple insurance products in other states. Senator Storms’ amendment would label this practice as “unfair and deceptive.” After much debate, the amendment was defeated. Chairman Bill Posey (R-Rockledge) characterized this amendment as “trading one problem for two” and questioned the practical implications of trying to implement it.

AIF applauds Chairman Posey for his stance on this issue. Telling insurance companies which products they can or cannot sell would only exacerbate the problem of affordability and accessibility of property insurance in Florida by weakening the already fragile market conditions in our state. Furthermore, it violates Principle #3 of the Florida Hurricane Crisis Coalition’s “Guiding Principles” which states that “allowing the free market to work is the best way to make property insurance available and affordable.

Unfortunately, this would not be the end for the “cherry-picking” amendment. This idea was later added to the bill during this afternoon’s Senate session by an amendment from Senators Mike Fasano (R-New Port Richey) and Ronda Storms (R-Brandon).

Ultimately, SB 4A was passed out of committee and taken up by the entire Senate. The bill was further amended during the Senate Session. Language was added that strengthened provisions aimed at ensuring that insurance companies actually reflected the amount of savings on a policyholder’s premium. Other amendments were defeated including one by Senator Fasano that would have eliminated Florida “pup” or subsidiary companies. The bill’s sponsor Senator Posey remarked that doing this would cause a severe market crisis. Also defeated was an amendment by Senator Al Lawson (D-Tallahassee) that would have undone the repeal of the “panhandle exemption” to the Florida Building Code.

Debate on the bill was rather tame given the complexity and importance of the bill’s subject matter. Most of questions tried to get at the amount of savings policyholders would receive from changes proposed by the bill. According to Senator Posey “he would be very disappointed if they walked away with less than a 25% decrease in rates.”

AIF and the Florida Hurricane Crisis Coalition (FHCC) will continue to work with the Senate members to try to achieve meaningful legislation that achieves positive impacts on rates while not creating an onerous regulatory environment.

House Proposals

The House of Representatives passed all six of their House proposals today. There are five substantive bills and one House Memorial. Each of the substantive bills speaks to a different aspect of the property insurance crisis and corresponds to a certain degree with provisions found in the Senate bill. The five House proposals include:

- HB 1A by Representative David Rivera (R-Miami) also known as the “Insurance Industry Accountability & Consumer Protection Act.” This bill tackles issues such as “cherry-picking,” “pup” companies, excess profits for insurance companies, and rate filing requirements. It contains several provisions that violate a number of the “Guiding Principles” as adopted by AIF and the Florida Hurricane Crisis Coalition. The provisions in this bill increase government intrusion in the free market and de-stabilize competition.
- HB 3A by Representative Dick Kravitz (R-Jacksonville) also known as the “Homeowners Rate Reduction Act.” This bill addresses changes to the CatFund retention levels similar to those found in the Senate bill. One major difference from the Senate bill is that it repeals the 25 percent rapid cash build-up factor.
- HB 5A by Representative Trey Traviesa (R-Tampa) also known as the “Home-Enhancement & Loss Prevention Act.” HB 5A addresses issues concerning hurricane damage mitigation programs that are intended to harden residential buildings, so that they can better withstand windstorm damage. The bill further attempts to establish uniform inspection forms and a uniform evaluation process. It provides for a windstorm study commission to report to the legislature during the next legislative session. It encourages insurers to recognize consumer improvements (price of policy set by insurers must reflect consumer improvements, insurer must allow lower deductible as an option for homeowners to reward mitigation activity, and agents must inform policy buyers of the various insurance benefits of mitigation and options available relative to premium reduction and deductibles). Finally, in order to stimulate awareness, the bill appropriates \$100M appropriation from HUD (Housing and Urban Development) through the Community Development Block Grant program for a not-for-profit entity to increase awareness of mitigation strategies throughout the state.
- HB 7A by Representative Marti Coley (R-Marianna) also known as the “Uniform Building Code Act.” Primarily, the bill repeals the “panhandle exemption” in the Florida Building Code and requires the Florida Building Commission to develop “Code Plus” guidelines to improve and strengthen the construction across the state.

- HB 9A by Representative Ellyn Bogdanoff (R-Ft. Lauderdale) also known as the “Citizens Reform & Private Market Restoration Act.” This bill contains many provisions designed to expand Citizens Insurance Company by allowing them to offer coverage to commercial property owners and by allowing them to sell multiperil policies. The bill also expands Citizens’ assessment base to include all owners of property insurance in Florida.

Again, it is remarkable how easy these bills were passed. There was very little debate and the spirit of bi-partisanship was clearly evident. Speaker Marco Rubio (R-Miami) thanked the House sponsors and co-sponsors and praised them for their ability to pass such complicated legislation.

AIF and the Florida Hurricane Crisis Coalition (FHCC) will continue to work with House members to try to achieve meaningful legislation that achieves positive impacts on rates while not creating an onerous regulatory environment.

Please send your comments or suggestions to us at aif@aif.com or call the Governmental Affairs department at (850)224-7173.

- For more information on all of the important legislative information concerning the business community, go to our “members only” Florida Business Network web site at <http://fbnnet.com>
- Send us your E-mail address and we will begin to send this report to you automatically via E-mail.