

ASSOCIATED INDUSTRIES OF FLORIDA

LEGISLATIVE DAILY BRIEF



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FROM JANUARY 22, 2007

As was expected, the legislature adjourned “Sine Die” this evening at approximately 5:40 pm, twenty minutes before the 6:00 pm deadline set by Governor Charlie Crist (R). After an exhausting weekend of conference committee meetings and negotiations between the two chairmen, Senator Bill Posey (R-Rockledge) and Representative Ray Sansom (R-Ft. Walton Beach), both chambers passed out the conference committee bill - HB 1A. This sweeping legislation is aimed at reducing property insurance rates for all policyholders in Florida. The bill also contains numerous reforms designed to increase the accountability and performance of private insurance companies and Citizens Insurance Company.

It is difficult to determine what the bill’s ultimate impact will be on property insurance rates. Several figures were thrown around throughout the day ranging from as little as 5 percent savings to as much as 30 to 40 percent savings on the wind portion of a property insurance policy. To further complicate matters, the bill contains several provisions that make it harder for private insurers to do business in Florida. These range from requiring CEOs and company officers to sign oaths, under penalty of perjury, every time they make any sort of filing to requiring that insurance companies who provide auto insurance in Florida and write homeowners policies in other states, to sell property insurance in Florida (this is the so-called “cherry-picking” issue).

The bill sets out to reduce property insurance rates by increasing the amount of reinsurance coverage provided by the Florida Hurricane Catastrophe Fund (CatFund) for private insurers and by rolling back rates for Citizens to 2006 levels. The bill also allows Citizens to offer multiperil (fire, burglary, etc.) policies in the High Risk Areas (HRA) when before they could only sale the windstorm portion. In addition, the bill allows Citizens to provide coverage to applicants who have been offered a policy from a private insurer, if the premium under a private insurer is 25 percent greater than the premium would have been under Citizens. This provision greatly expands the ability of Citizens to compete with private insurers. The resulting expansion of Citizens is supposed to result in lower rates for its policyholders.

For a more detailed description of the provisions contained in HB 1A please read our Daily Report from Jan. 21, 2007.

In the Senate, the bill was unanimously passed 40-0. However, there were some senators that expressed concerns with the bill. Senator Nancy Argenziano (R-Crystal River) questioned the real impact of savings on the residents of her district. She was also concerned with the provision that allows Citizens to offer commercial coverage across the state. Others including Senators Evelyn Lynn (R-Ormond Beach) and Carey Baker (R-Eustis) brought up the subject of Florida's bond rating and the effect expanding the CatFund and the state's exposure to huge hurricane losses would have on Florida's excellent bond rating. The response from Senator Steve Geller (D-Hallandale Beach) and Chairman Posey, the bill's main proponents, was that there would be enough revenue in the CatFund and a large enough assessment base to cover most hurricanes. Thereby negating any affect on Florida's excellent bond rating. Furthermore, in the case of a super storm like Katrina or worse, the state would have no option but to rely on assessments or federal government aid.

One of the main complaints heard today was that the rate reductions for Citizens were not as high as anticipated by Citizens' nearly 1.3 million policy holders. Senator Mike Fasano (R-New Port Richey) addressed this very issues and expressed his disappointment that the reductions in premium were not more meaningful.

In the House, the bill was passed 116-2; the two dissenting votes being Representative Don Brown (R-DeFuniak Springs) and Representative Dennis Ross (R-Lakeland) who from the very beginning of the special session philosophically disagreed with the way the legislature was approaching the issue of rate reduction. Several Democratic members also expressed their dissatisfaction with the amount of savings resulting from the passage of HB 1A.

"While I respect the efforts of all parties who have diligently worked on this legislation, I have grave concerns that the property owners of Florida will think we have not done enough for long enough," said Representative Jim Waldman (D-Coconut Creek). "This bill's success is based upon a game of chicken with Mother Nature. That makes me very uncomfortable."

"Simply repealing rates that were never in place does not constitute a victory for the people of Florida," said Representative Shelley Vana (D-Lantana). "We have significant work ahead. We cannot lose sight that South Floridians have been paying obscene rates. Today's rate relief is only a drop in the bucket and we have the responsibility of delivering meaningful rate reduction for our constituents."

The overall sense is that this was a first step and by no means the definitive solution for addressing Florida's property insurance crisis. The public policy implications of this bill are yet to be determined. The legislature may very well have to readdress some of the decisions made over the weekend during the upcoming 2007 regular session. AIF will be there to make sure the business community's views are considered and that its voice will be heard during this ongoing debate.

AIF applauds the efforts of Governor Crist and lawmakers for their efforts to bring lower property insurance rates to Floridians. However there is still much work to be done. The business community is concerned about some aspects of the bill such as the decision to expand Citizens – which could further aggravate the problem of unlimited liability and result in substantial policy surcharges for businesses and all property owners when a hurricane strikes. AIF looks forward to continuing to work with state leaders on long-term insurance solutions.

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.