



Co-Chair: Cecil Pearce - AIA • Co-Chair: John Sebree - FL Assoc. Realtors • Co-Chair: Bill Phelan - FHCA

September 6, 2006

The Honorable Toni Jennings
Chair
Property & Casualty Insurance Reform Committee
PL 05, The Capitol
Tallahassee, Florida 32399-0001

VIA HAND DELIVERY

Dear Lt. Governor Jennings:

We are writing to you and the members of the *Property & Casualty Insurance Reform Committee* (PCIRC) as the Co-Chairs of the **Florida Hurricane Crisis Coalition**, a consortium of businesses and associations that have come together to try and address some of the proposed solutions that the PCIRC is currently considering. Some of the proposals have to do with the imposition of assessments on commercial insurance policies (perhaps even including workers' compensation policies per one suggestion), which we consider to be additional taxes that will have a deleterious impact on the economic vitality of this great state.

In overview, we are very concerned about the general philosophy of how Florida should approach the problem of funding the claims derived from hurricanes that will hit this state. To date, despite the various entities (i.e., the CAT Fund, Citizens, CPIJUA, etc.) that have been established by the legislature to pay hurricane claims, it is apparent to the business community that rather than the state being prepared to pay up front to deal with these costs, that there is a desire to continue to pay these claims with post-catastrophe assessments and/or revenue bonds. We believe this is not the proper approach because it will put an undue burden on the individuals and businesses that will have to pay these taxes or assessments. The result will be to make Florida businesses uncompetitive in the global marketplace and may very well force some businesses to close or to move their jobs to other states, and certainly will be a significant disincentive for company's which might consider relocating here in the future.

Specifically, businesses have the potential of being liable for these taxes if there are any deficits in any of the current entities for payment of hurricane insurance wind claims such as the Florida CAT Fund, the Florida Insurance Guaranty Association (FIGA), Citizens Insurance Company or the brand new Commercial Property Insurance Joint Underwriting Association (CPIJUA). Each of these funding mechanisms has a premium tax that can be levied on *each* business property and casualty insurance policy as follows: CAT Fund – up to a 10% tax, FIGF – up to a 4% tax, Citizens – up to a 30% tax, and CPIJUA – up to a 10% tax. Cumulatively, these taxes on business insurance premiums could reach as high as a maximum of 54% if a major hurricane makes landfall in one of Florida's vulnerable urban coastal communities. And for some of these taxes, in a worst case scenario, they could easily last for more than one year, meaning that businesses would have to pay these new taxes annually on their insurance policy for an indefinite period of time into the future. How bad could these hurricane costs be? Since 1845, when Florida became a state, we have incurred \$22 billion in state debt. In just the past two hurricane seasons, we have already added another \$6 billion in new state debt, for a total now of \$28 billion!

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The **Florida Hurricane Crisis Coalition**, as a representative of the business community, is a major stakeholder in what this Committee may ultimately recommend and we respectfully request time to present our suggestions as to how best approach this critically important issue. Also, there is an Attachment "A" to this letter, and it outlines what the impact would be on the current commercial insurance policy for Associated Industries of Florida, which has already seen a 233% increase in the cost of it's insurance this year and which has had no claims for the past 10 years, a situation not unlike what many businesses in Florida are currently facing, if they can secure insurance at all.

Thank you in advance for your time and consideration. In the meantime, if we can be of any assistance, please contact anyone of us. We are,

Sincerely yours,

CECIL PEARCE
American Insurance Association

BILL PHELAN
Florida Health Care Association

JOHN SEBREE
Florida Association of Realtors