



October 18, 2006

The Honorable Toni Jennings
Lt. Governor
State of Florida
PL 05, The Capitol
Tallahassee FL 32399-0001

Re: Florida Apartment Industry Property Insurance Crisis

Dear Lt. Governor Jennings,

The affordability and availability of commercial property insurance have placed apartment owners and the economic future of Florida at risk. The members of the Florida Apartment Association offer the following background and suggested solutions for the current statewide crisis.

Local communities and the State are looking to the apartment industry to meet a large share of Florida's need for affordable, workforce housing. Try as we might, the "double whammy" of sky-rocketing property insurance premiums and property appraisals have made it impossible for private interests to develop low-cost, quality housing. Property insurance and property taxes comprise 50% or more of the operating expenses of the typical apartment community - costs that have to be passed onto apartment residents.

Apartment owners are experiencing 600% to 800% increases in property insurance premiums, this year over last. These increases are due to a rise in premiums, increased property valuations and increased lender requirements. These increases translate into an additional \$50 to \$75 on the monthly rent of the typical multi-housing rental unit.

The members of The Florida Apartment Association (FAA) represent the owners and managers of more than 345,000 apartment homes in Florida. Approximately 30% of the state population lives in rental housing.

The property insurance and property tax challenges are not alone in making it difficult for FAA members to retain rents at an affordable level. The economic health of the industry has been challenged by a three-year condominium conversion boom that greatly reduced the available supply of rental housing; the rising cost of land and construction supplies have made it difficult to develop new communities; and an increasingly hostile legal environment has affected several large owners/developers.

FAA supports the Property & Casualty Insurance Reform Committee's (PCIRC) efforts to create more competition and increase the capital available to insure the homes of Floridians, whether they are owned or rented.

FAA leaders, including me, are not experts in the complex insurance marketplace and so we hope that the members of PCIRC will analyze the following ideas which we feel have the potential to alleviate the crisis in Florida.

- 1.) De-couple commercial property insurance from homeowner insurance and then de-regulate the commercial market. Encourage competition and capital and allow for lower rates and stability in the future.
- 2.) Extend the Florida Hurricane Catastrophe Fund to commercial properties, at least to multi-family residential. Currently, this fund is not available to "backstop" the commercial property insurance market.

Page 2 – Florida Apartment Association
October 18, 2006

Re: Florida Apartment Industry Property Insurance Crisis

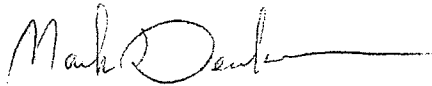
3.) Lobby the United States Congress to create a National or Regional Catastrophe Fund. The National Apartment Association is supportive of a national fund that would cover wind, flood, earthquakes, terrorism, and other natural disasters.

4.) Apply the more-stringent Florida Building Code uniformly statewide. We are aware that some hurricane-prone areas of the state do not enforce the proven-effective regulations adopted in the wake of Hurricane Andrew.

The apartment industry stands ready to support Florida's efforts to provide quality, affordable housing to the workforce. However, government and private, business interests must first work together to solve the current property insurance crisis. Please call on me for any assistance that FAA can provide.

Thank you for your consideration.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mark Decker", followed by a horizontal line extending to the right.

Mark Decker, FAA President
Lane Company, Maitland