The Florida Senate

COMMITTEE MEETING EXPANDED AGENDA

BANKING AND INSURANCE
Senator Simmons, Chair
Senator Clemens, Vice Chair

MEETING DATE: Wednesday, January 23, 2013
TIME: 4:00 —6:00 p.m.
PLACE: *Toni Jennings Committee Room,* 110 Senate Office Building

MEMBERS: Senator Simmons, Chair; Senator Clemens, Vice Chair; Senators Benacquisto, Detert, Diaz de la Portilla, Hays, Lee, Margolis, Montford, Negron, Richter, and Ring

TAB	BILL NO. and INTRODUCER	BILL DESCRIPTION and SENATE COMMITTEE ACTIONS	COMMITTEE ACTION
1	**Workshop** - Discussion and testimony only on the following (no vote to be taken):		
	Citizens Property Insurance Corporation Continued		Discussed
2	**Workshop** - Discussion and testimony only on the following (no vote to be taken):		
	Personal Injury Protection (PIP) - Time Permitting		Not Considered
	Other Related Meeting Documents		

Robin Smith Westcott

Robin Smith Westcott is currently serving as the Florida Insurance Consumer Advocate, having been appointed to the post in July 2011 by Chief Financial Officer, Jeff Atwater. Robin began her legal career in 1993 with the Florida Department of Insurance, Division of Rehabilitation and Liquidation as an attorney handling legal matters relating to the receivership estates of insolvent companies. Robin served with the Receiver until 2001 when she left to enter private practice. Robin returned to the public sector in 2002 with the Florida Agency for Workforce Innovation where she served as Assistant General Counsel and Counsel to the Florida Partnership for School Readiness. In 2004, Robin returned to the Office of Insurance Regulation as an Assistant General Counsel. Robin was appointed as the Director of Property and Casualty Financial Oversight in 2007 and served as the Acting Deputy Commissioner for Property & Casualty prior to being selected by CFO's Atwater to serve as Executive Director for the Medicaid and Public Assistance Strike Force in March 2011.

As Florida's Consumer Advocate, Robin has sought to engage with consumers of our state to identify broad public policy insurance issues that deserve redress and bring facts, data and analysis to assist policymakers in developing good public policy to respond to these issues.

Robin earned a Juris Doctor from The Florida State University College of Law and was admitted to the Florida Bar in 1993. She received her Bachelors of Science from Florida State University in 1991.

MITIGATE BEFORE IT'S TOO LATE

Senate Banking and Insurance Committee

January 23, 2013
Robin Smith Westcott, Esq.
Florida Insurance Consumer Advocate
Tallahassee, Florida

Appointed by
JEFF ATWATER
CHIEF FINANCIAL OFFICER
STATE OF FLORIDA

OFFICE OF THE
INSURANCE
CONSUMER ADVOCATE

CENTRALIZE – CONSOLIDATE - MITIGATE

- ADVISORY COUNCIL
- PUBLIC MODEL
  - DATABASE OF MITIGATION
  - LEVERAGE OF FEDERAL FLOOD PROGRAM
  - RESTRUCTURE MITIGATION CREDITS
  - COMMERCIAL PROPERTIES
- MITIGATION PROGRAMS & GRANTS
- OUTREACH & EDUCATION

Move Responsibility for the Public Model

OIR

Office of Insurance Regulation

Public Model →

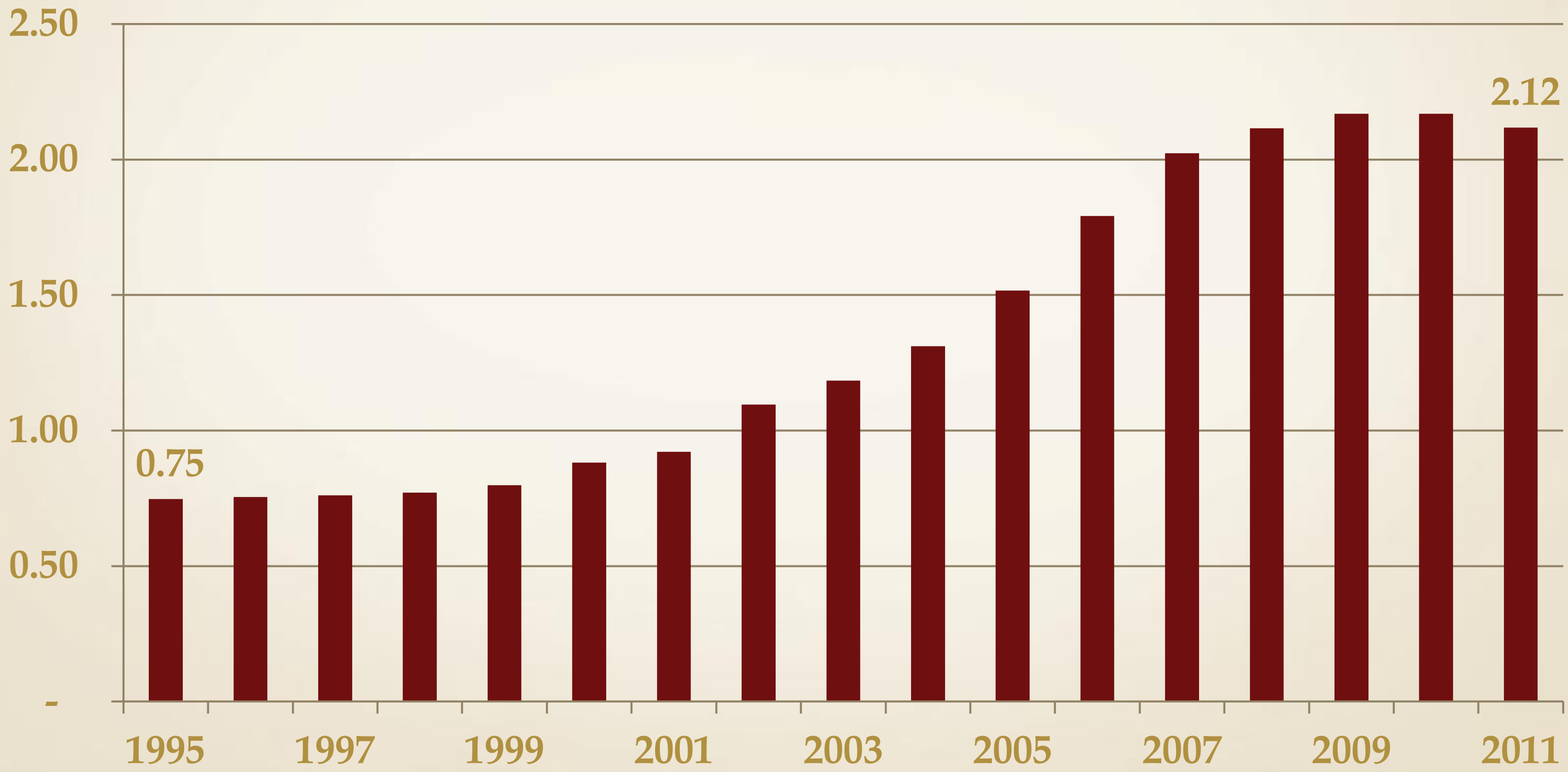
DEM

Division of Emergency Management

Centralize Data

- Hurricane Risk
- Sinkhole Risk
- Mitigation Features
- Insurable Values
- Rating Information

Residential Insured Property Values
State of Florida
$ Trillions



Source: 2012 FHCF Annual Ratemaking Formula Report

Market Value Does not Equal Replacement Cost

Broward County
Built 1978   Square Foot 1475

2001 Purchase Price $163,000
2003 Purchase Price $216,000
2008 Purchase Price $185,000
2012 Market Value $163,840

Insurance Coverage A Limit
$224,600 - Premium $2,420

Risk Profile
Coastal Account

	Hurricane Impact Opening Protection		
	Yes	No	Total/Avg
Number of Homes	76,225	228,423	304,648
Average Insured Value	628,806	363,193	429,651
Average Square Feet	2,279	1,733	1,870
Average Age	37	42	41
Average Premium	2,570	1,993	2,138

Note:

HW2, DW2, DP1, DP3, & HO3 policies as of 12/31/10.

Mitigation in the Coastal Account is Better Bang for Buck

- For every $1.00 spent on reinsurance and Cat bonds the expected recovery is .16 cents.
- For every $1.00 spent on mitigation the expected loss savings is $2.00.

Locke Burt, Chairman and President, Security First Insurance

W. Lockwood (Locke) Burt began his insurance career in 1974. Since 1980, he has served as President of Ormond Re Group. A licensed insurance and reinsurance broker, he served on the Board of the Florida Association of Domestic Insurance Companies, and as President of the Independent Reinsurance Underwriters and Brokers Association. He is a licensed attorney and former member of the Florida Senate.

Florida Property Insurance Market Analysis and Recommendations

Presentation to The Florida Senate

Banking and Insurance Committee

January 23, 2013

Locke Burt, Chairman and President
Security First Insurance Company
www.SecurityFirstFlorida.com

Florida Homeowner Insurance

Misconception #1

The **average Florida homeowner** is paying **twice as much** for insurance than just six years ago, according to industry statistics.

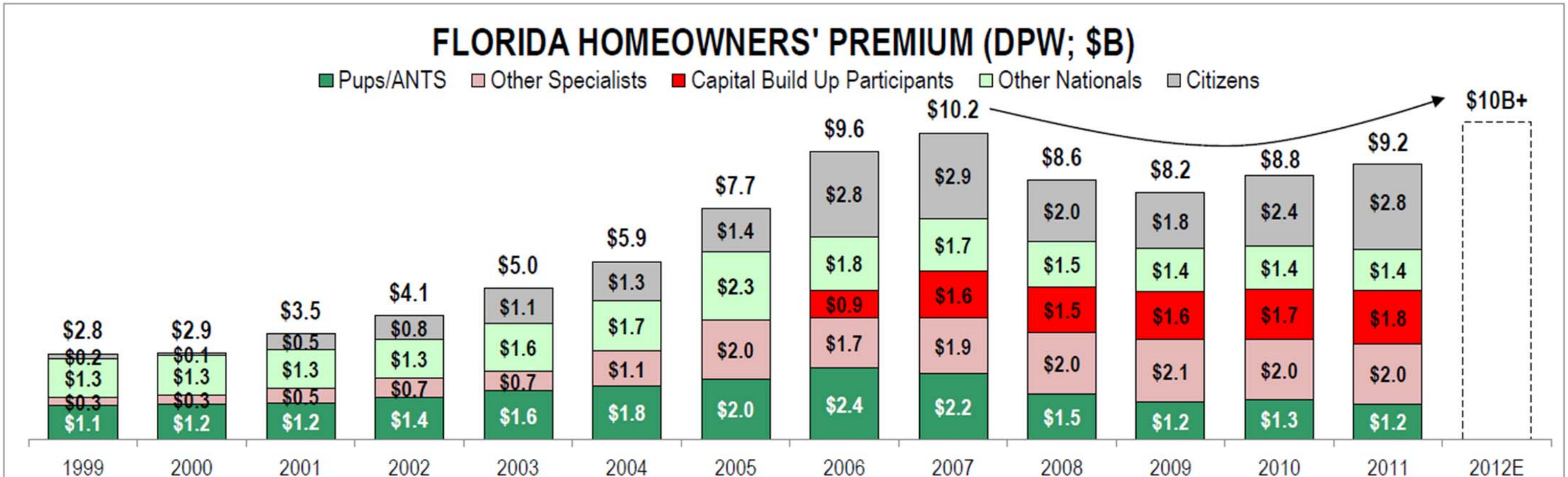
Associated Press Writer: Brent Kallestad

Published: January 2, 2013

Florida News Outlets That Published This Story:

Tallahassee Democrat	First Coast News	Tampa Tribune
Herald Tribune	Sunshine State News	TC Palm
Tampa Bay Times	Florida Today	Lakeland Ledger

Florida Homeowners Premium Declined $2 Billion Between 2007 and 2009



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Citizens	$0.2	$0.1	$0.5	$0.8	$1.1	$1.3	$1.4	$2.8	$2.9	$2.0	$1.8	$2.4	$2.8
Other Nationals	$1.3	$1.3	$1.3	$1.3	$1.6	$1.7	$2.3	$1.8	$1.7	$1.5	$1.4	$1.4	$1.4
Capital Build Up Participants								$0.9	$1.6	$1.5	$1.6	$1.7	$1.8
Other Specialists	$0.3	$0.3	$0.5	$0.7	$0.7	$1.1	$2.0	$1.7	$1.9	$2.0	$2.1	$2.0	$2.0
Pups/ANTS	$1.1	$1.2	$1.2	$1.4	$1.6	$1.8	$2.0	$2.4	$2.2	$1.5	$1.2	$1.3	$1.2
Total	$2.8	$2.9	$3.5	$4.1	$5.0	$5.9	$7.7	$9.6	$10.2	$8.6	$8.2	$8.8	$9.2

Source: Statutory Statements; Citizens FL; D&P Analysis. Note, Pups/"ANTS" are the FL-only subs of Allstate, Nationwide, Travelers and State Farm; Stand Alones = H/o "specialists" (those that participated in the 2006/2007 capital build up program + "other" specialists) + Pups/ANTS.

Average Florida Homeowners Insurance Rates

Owner-Occupied HO3 Homeowners Policy (Excluding Tenant and Condo) 2007-2012

	Average Policy Premium		Average Total Insured Value (TIV)		Premium Rate Per $1,000 Property Value	
Date	**Citizens**	**All Other Companies**	**Citizens**	**All Other Companies**	**Citizens**	**All Other Companies**
March 31, 2007	$2,746	$1,838	$278,362	$376,296	$9.83	$4.88
December 31, 2007	$2,458	$1,891	$278,243	$423,357	$8.84	$4.47
December 31, 2008	$2,155	$1,641	$305,439	$425,503	$7.05	$3.86
December 31, 2009	$2,094	$1,641	$333,384	$467,935	$6.28	$3.51
December 31, 2010	$2,147	$1,788	$330,776	$491,069	$6.49	$3.64
December 31, 2011	$2,265	$1,896	$339,030	$490,357	$6.68	$3.87
June 30, 2012	$2,337	$1,963	$334,290	$492,895	$6.99	$3.98
Percent Change	**-14.9%**	**6.8%**	**19.7%**	**31.0%**	**-28.9%**	**-18.4%**

Source: Florida Office of Insurance Regulation Quarterly Supplemental Report (QUASR)

Citizens average premium per policy: -($409)
Private market average premium per policy: $125

Policy Premium Percent Change 2007-2012

Tampa Bay and South Florida Areas
Owner-Occupied HO3 Homeowners Policy (Excl Tenant and Condo)

	Average Policy Premium Change		Total Insured Value Change		Rate Per $1,000 Property Value Change	
County	Citizens	All Other Companies	Citizens	All Other Companies	Citizens	All Other Companies
Hillsborough	-20.2	14.6	5.9	16.8	-24.6	-1.9
Pasco	-41.1	-4.2	40.2	25.3	-58	-23.5
Pinellas	-23.2	33.6	14	29.9	-32.7	2.7
Broward	-9.70	7.4	14.2	52.1	-20.9	-29.4
Miami-Dade	8.8	19.9	6.5	113.5	2.2	-48.8
Palm Beach	-15.8	-4.3	21	60.6	-30.4	-40.4

Source: Office of Insurance Regulation Quarterly Supplemental Report (QUASR)

Florida Homeowner Insurance
Misconception #2

Citizens is growing because the private sector isn't writing new business.

Top 10 Writers of Residential Insurance in the U.S. Have Reduced Policies In-Force in Florida by Nearly 600,000 in the Last Three Years

Company/Group	National HO Market Share	3/31/2009 Florida Market Share 3/31/2009	3/31/2012 Florida Market Share 3/31/2012	Market Share Change
State Farm Mutual	21.00%	12.45%	6.84%	-5.61%
Allstate Corp	9.50%	3.80%	3.98%	0.18%
Farmers Ins Grp	6.30%	1.42%	1.08%	-0.34%
Liberty Mutual	5.60%	1.44%	0.92%	-0.53%
USAA	4.70%	3.89%	3.49%	-0.39%
Travelers Cos	4.70%	0.44%	0.38%	-0.06%
Nationwide	3.90%	1.83%	0.71%	-1.12%
Chubb	2.40%	0.43%	0.50%	0.06%
American Family Mutual	2.10%			0.00%
Hartford Fin Svcs	1.50%	0.91%	0.66%	-0.25%
Total Market Share	**61.70%**	**26.62%**	**18.56%**	**-8.07%**
Top 10 Policies In-Force		**1,806,385**	**1,224,247**	**-582,111**
Total Policies In-force		**6,151,362**	**6,026,588**	

Source: Office of Insurance Regulation Quarterly Supplemental Report (QUASR)

New Policies Written By Type of Company

Owner-Occupied Homeowners Excl Condo and Tenant (First 6 mos 2012)

Type of Company	New Policies	Percent of Total
Florida Domestics	250,951	70.9%
Citizens	88,622	25.0%
Other	11,723	3.3%
State Farm, Allstate, Nationwide, and Travelers	2,915	0.8%
Total	**354,211**	**100.0%**

Source: Florida Office of Insurance Regulation QUASR report

New Policies Written By Private Market

Owner-Occupied Homeowners Excl Condo and Tenant (First 6 months 2012)

Type of Company	New Policies	Percent of Total
Universal Property & Casualty	25,133	10.0%
Security First Insurance	**20,636**	**8.2%**
United Property and Casualty	18,337	7.3%
Florida Peninsula Insurance	14,713	5.9%
Tower Hill Prime Insurance	14,229	5.7%
St. Johns Insurance	13,272	5.3%
American Integrity Insurance	11,932	4.8%
Federated National Insurance	13,158	5.2%
Southern Fidelity Insurance	12,722	5.0%
All Other Specialists	106,819	42.6%
Total	**250,951**	**100.0%**

Source: Florida Office of Insurance Regulation QUASR report

Florida Homeowner Insurance
Misconception #3

Citizens is growing because Citizens is cheaper.

Citizens Competitive Rate Analysis (HO3)

- **Our competitive rate analysis rated 558,078 Citizens HO3 policies**

- **The private market had a lower premium than Citizens on 217,000 of the policies rated (38.9%)**

- **The private market rates fell within 15% of Citizens' rates for 105,477 of the policies rated (18.9%)**

- **In total, 322,569 of these Citizens' policies can be insured by the private market at a comparable rate, and in most cases, better price (57.8%)**

Citizens Competitive Rate Analysis (HO6)

- **Our competitive rate analysis rated 83,941 Citizens HO6 policies**
- **The private market had a lower premium than Citizens for 50,532 of the policies rated (60.2%)**
- **The private market rates fell within 15% of Citizens' rates for 10,000 of the policies rated (12%)**
- **In total, 60,773 of these Citizens' policies can be insured by the private market at a comparable rate, and in most cases, better price (72.4%)**

Florida Homeowner Insurance
Misconception #4

Citizens provides the majority of homeowners insurance in Florida.

Citizens Market Share Analysis

Personal and Commercial Residential Policies (June 30, 2012)

Product Type	State Total	Citizens	Citizens' Market Share	Private Sector Market Share
Homeowner (Owner-Occupied)	3,443,220	592,744	17%	**83%**
Condominium Unit Owners	776,761	113,635	15%	**85%**
Dwelling Fire	720,370	281,948	39%	**61%**
Mobile Homes	380,550	146,992	39%	**61%**
Renters	374,889	16,663	4%	**96%**
Wind-Only	255,858	240,511	94%	**6%**
Commercial Residential	72,592	20,159	28%	**72%**
Allied Lines	59,119	0	0	**100%**
Farm-owners	2,983	0	0	**100%**
Total	**6,086,342**	**1,412,652**	**23%**	**77%**

Source: Florida Office of Insurance Regulation QUASR report

Citizens Market Share by Insured Value of Coverage A (Main Structure)

Insured Value (Coverage A)	Total Market	Citizens	Citizens Market Share
Less Than $400,000	2,675,382*	568,747	21.30%
More Than $400,001	767,838*	23,997	3.10%
Total	**3,443,220**	**592,744**	**17.20%**

*Estimated based on US Census 2006-2010 American Community Survey

Citizens Market Share by Year Built

Age of Home	Total Market	Citizens	Citizens Market Share
Pre-Florida Building Code (2000 or older)	2,807,258*	548,739	19.50%
Post-Florida Building Code (2001 or newer)	635,962*	44,008	6.90%
Total	**3,443,220**	**592,747**	**17.20%**

*Estimated based on US Census 2006-2010 American Community Survey

Citizens Market Share by County

Personal Residential Owner-Occupied HO3 (Excl Condo and Tenants)

County	Market Total	Citizens	Citizens Market Share
Non-Coastal Counties (32)	874,567	7,226	0.8%
Coastal Counties (35)	2,568,653	585,518	22.80%
Total	**3,443,220**	**592,744**	**17.2%**

Source: Office of Insurance Regulation QUASR Report June 30, 2012

What's happening to my friends, neighbors, and constituents?

Citizens Market Share By Committee Member (HO3 Owner-Occupied)	
Committee Member	**Citizens Market Share**
Senator David Simmons (R)	2%
Senator Jeff Clemens (D)	34%
Senator Lisbeth Benacquisto (R)	31%
Senator Nancy C. Delert (R)	49%
Senator Miguel Diaz de la Portilla (R)	25%
Senator Alan Hayes (R)	4%
Senator Tom Lee (R)	14%
Senator Gwen Margolis (D)	48%
Senator Bill Montford (D)	2%
Senator Joe Negron (R)	19%
Senator Garrett Richter (R)	24%
Senator Jeremy Ring (D)	22%

Source: Citizens Property Insurance Corporation, US Census, American Community Survey Data December 31, 2011

Grove Isle Drive, Coconut Grove, 33133

Year Built: 1979-81	**Units Per Building: 169**
Stories: 18	**Unit Square Feet: 1,404 – 5,8112**
Sales Price Per Unit: $400,000 - $1,000,000+	

2 Grove Isle Drive, Coconut Grove, 33133

- Citizens insures 11 condos at this location
- Average insured value: $159,000
- Average premium: $2,374

What about the other 158 units in that building?

Source: Citizens Property Insurance Corporation

Citizens Rate Comparison Zip: 33133

Policies In-Force Homeowners (HO3) as of March 31, 2012

Rating Group	# Policies	Avg Prem Citizens	Avg Prem All Other	% Prem Diff	% Prem Less Than Citizens	% Prem Less Than 15%
$50,001-$75,000	2	$2,563	$2,591	-1%	69%	72%
$75,001-$100,000	21	$2,668	$2,777	-4%	46%	71%
$100,001-$200,000	657	$4,207	$4,574	-9%	39%	65%
$200,001-$300,000	526	$6,123	$6,186	-1%	49%	75%
$300,001-$400,000	150	$8,882	$8,584	3%	56%	79%
$400,001-$500,000	84	$12,204	$11,618	5%	58%	81%
$500,001-$600,000	38	$14,175	$13,279	6%	61%	81%
$600,001-$700,000	19	$16,898	$15,104	11%	67%	85%
$700,001-$800,000	20	$16,643	$14,942	10%	67%	84%
$800,001-$900,000	10	$17,788	$15,337	14%	73%	85%
$900,001-$1M	1	$18,849	$13,204	30%	96%	100%
$1M +	7	$18,901	$21,116	-12%	54%	80%
Totals	**1,535**	**$6,535**	**$6,572**	**-0.57%**	**47%**	**72%**

$1 Million+ homes cancelled by Citizens have found replacement coverage in the private market

Insured Value: $2.5 million	
Year Built: 1994	
Square Feet: 6,571	
Zip Code: 33133	

Citizens Price: $24,735

Security First Price: $14,792

Rate suppression by regulators prevents private companies from writing more business in Zip Code 33133

Security First History of Recent Rate Requests *Rating Territory 310 – Miami-Dade Coastal HO3 Policies*			
Effective Date	**Indicated Change**	**Company Proposed Change**	**OIR Approved Change**
April 1, 2011	26.7%	13.4%	11.6%
October 1, 2011	41.8%	24.0%	18.9%
April 1, 2012	12.3%	10.6%	9.2%
October 1, 2012	14.6%	14.0%	14.0%
April 15, 2013	2.7%	2.7%	Pending
Cumulative Change		82.0%	69.8%*

*Assumes approval of 2.7% pending rate increase

Top 3 Changes to Reduce the Size of Citizens

#1

Clarify existing law to make the 115% rule apply to new and renewal business.

F.S. 627.351(5)(a): the risk is not eligible for any policy issued by the corporation unless the premium for coverage from the authorized insurer is more than 15 percent greater than the premium for comparable coverage from the corporation.

1. Clarify existing law to make the 115% rule apply to new and renewal business.

Clarifying the 115% rule <u>DOES NOT</u> mean:

- Florida residents will be required to accept a takeout offer from a company they've never heard of and don't want to do business with (no change in consumer choice).

- Florida residents will be forced to work with an agent that they did not choose.

Top 3 Changes to Reduce the Size of Citizens

#2 **Require Citizens to Implement a "Clearinghouse" for New and Renewal Business**

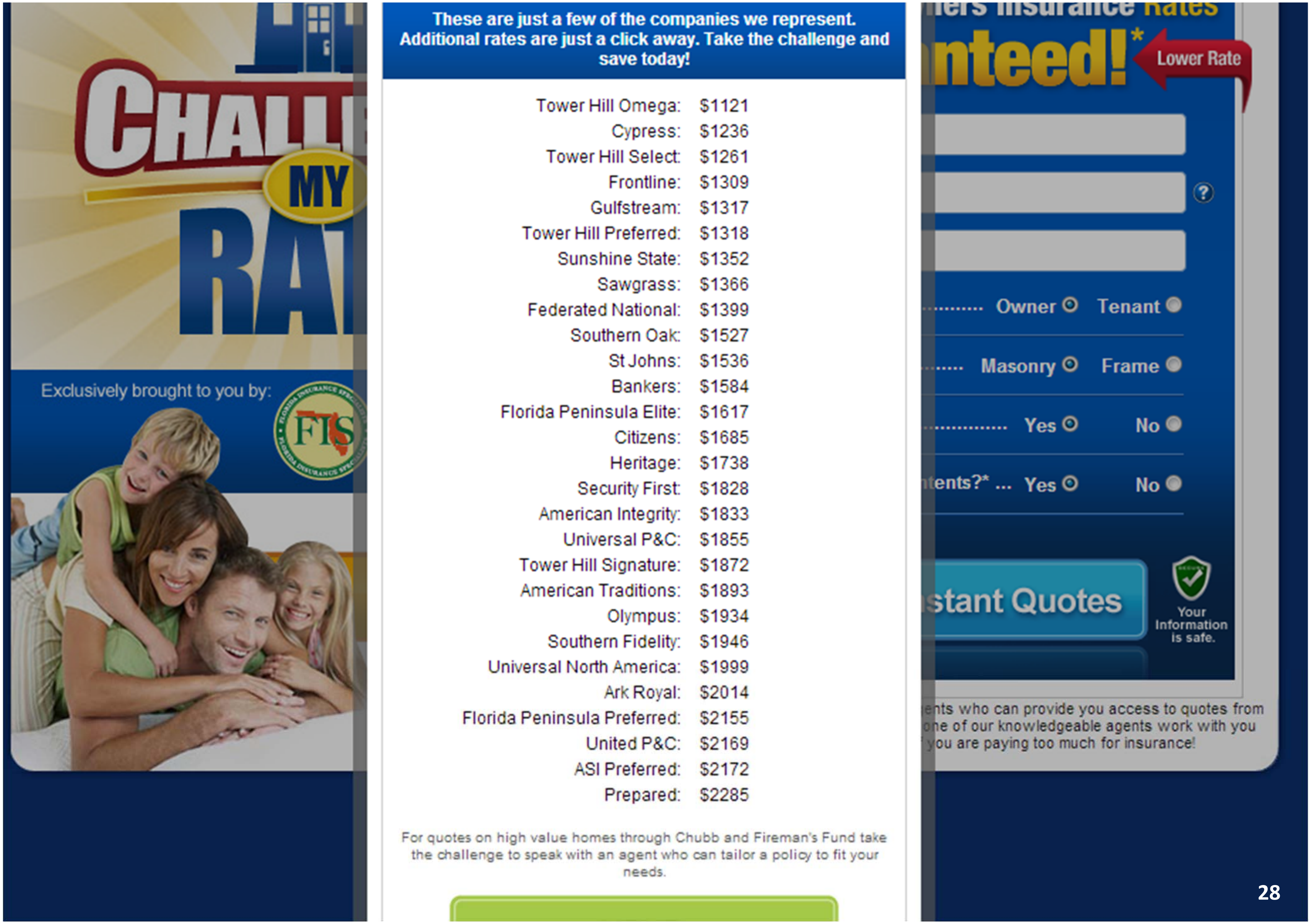
There are two parts to the "Clearinghouse" proposal:

1. Provide Florida residents with more choices and enforces current eligibility rules (115%).
   This requires no change in current law.

2. Enable Citizens to operate as a local insurance agency. This will require changes to F.S. 626.752(4), F.S. 627.351(6)(c)5.

Under current law, Citizens could easily provide potential customers with price comparisons using existing technology

Florida Insurance Specialists – ChallengeMyRate.com



Security First supports legislation filed by Senator Brandes which does the following:

- **Implements "Clearinghouse"**
- **Makes 115% rule apply to new and renewal business**
- **Gives Citizens a new financial tool, reinsurance, to encourage depopulation**

Top 3 Changes to Reduce the Size of Citizens

#3

Citizens to Stop Writing New Wind-Only Policies on July 1, 2013. Non-Renew All Existing Wind-Only Policies Beginning Jan 1, 2014.

3. Citizens to Stop Writing New and Renewal Wind-Only Policies

Citizens Policies Wind Only vs. Multi-Peril Coverage (Personal Residential)			
Date	**Coastal (Wind Only)**	**Coastal (Multi-Peril)**	**Total Count**
Nov. 2012	240,184	165,729	405,913
Dec. 2011	245, 506	173,798	419,304
Dec. 2010	248,328	154,663	402,991
Dec. 2009	251,287	114,561	365,848
Dec. 2008	328,775	67,672	396,447
Dec. 2007	421,505	24,676	446,181
Dec. 2006	403,509	0	403,509

3. Citizens to Stop Writing New and Renewal Wind-Only Policies

Advantages for Citizens:

- Less work – no rate fillings for wind only policies
- More revenue – they get the profits on the x-wind accounts that they are missing
- Increased opportunities for depopulation when those policies becomes rate adequate

Advantages for Florida residents:

- One policy instead of two
- Still maintain access to Citizens at subsidized rates

History of Depopulation in Citizens' Coastal Account – Multi-Peril Business

Year	Number of Policies
2007	0
2008	21,519
2009	16,842
2010	2,231
2011	7,750
2012	24,034
Jan 2013	1,786
Total	**74,164**

Security First is Not Recommending an Increase in the Glide Path

Product Type	Average Premium	Cost of Glide Path: Current Law 10%	Cost of Glide Path: Proposed by Mission Review Task Force 20%
Homeowner (Owner-Occupied)	$2,337	$234	**$467**
Condominium Unit Owners	$725	$73	**$145**
Dwelling Fire	$1,482	$149	**$296**
Mobile Homes	$974	$97	**$195**
Renters	$373	$37	**$75**
Wind Only	$1,917	$192	**$383**

Source: Florida Office of Insurance Regulation QUASR report

Citizens' rates should not decrease in any territory while the glide path is in effect.

Factors to Consider When Debating Changes to the Glide Path

1. **The price difference between a 10% and 20% glide path for the average Citizens' policyholder is 60 cents/per day.**
2. **Any change in the glide path won't be effective until 2014.**
3. **You don't have to treat all Citizens' policyholders the same. The glide path could vary based on :**
   - New vs renewal
   - Value of home
   - Location of home
   - Policy type (mobile home, tenant, dwelling fire, etc.)
   - Line of business (personal vs. commercial)

How much can Citizens' customers afford to pay?

Homeowners Underwriting Resistance Index (H.U.R.T.)

County	Average Premium 6/30/12 QUASR HO3 Owner Occupied (Excl Tenant and Condo)	Mean Household Income Past 12 Months Ending 12/31/11*	Premium/Income Ratio
Miami-Dade	$3,308	$65,652	5.04%
Broward	$2,894	$72,242	4.01%
Gulf	$1,906	$49,654	3.84%
Pinellas	$2,297	$64,111	3.58%
Palm Beach	$2,888	$81,578	3.54%
Collier	$2,855	$94,212	3.03%
Florida	**$2,027**	**$67,065**	**3.02%**
Hillsborough	$2,033	$69,276	2.93%
Sarasota	$1,820	$71,767	2.54%
Seminole	$1,708	$79,008	2.16%
Duval	$1,291	$65,839	1.96%

On a relative basis, homeowners in Miami-Dade county spend 2 ½ times more than homeowners in Duval and Seminole counties.

How do you solve the affordability issue for those customers who are struggling financially?

Permit Citizens' Board of Governors to Waive a Portion of Premium in Cases of Demonstrated Financial Need

The biggest obstacle to increasing Citizens' rates to the level of "actuarially sound" as required by current law is the concern that actuarially sound rates might be unaffordable for many Citizens' customers. **This statutory change would eliminate that concern.**

Additional Recommendations for Florida Property Insurance Market Reform

Proposed Statutory Changes to the Timing and Collection of FIGA Assessments

Issue:

Under current law, FIGA assessments are directly levied on insurance companies that could be required to pay up to 4% of the company's direct written premium within 30 days of an assessment – reducing the insurance company's surplus and the funds available to pay its own claims.

Proposed Statutory Changes to the Timing and Collection of FIGA Assessments

Solution:

Amend F.S. 631.57 in two ways:

1. Align FIGA's statute with how emergency assessments are levied by Citizens and the Cat Fund—insurance companies reimburse FIGA as assessments are collected from policyholders unless FIGA Board determines funds are needed immediately.
2. Give FIGA's board the authority to determine if regular assessments will be levied directly on insurance companies, policyholders, or a combination thereof.

Both the emergency and regular assessments will remain capped at 2% each.

Security First Insurance Supports the Following Recommendations by the OIR

1. **Expand consumer choices by changing Consent to Rate statute**
2. **Give consumers more deductible choices**
3. **Transfer evaluation and determination of wind mitigation credits and surcharges to the Florida Commission of Hurricane Loss Methodology—OIR will continue to regulate rate impact.**
4. **Create the "Clearinghouse."**
5. **Re-establish the Citizens' rating plan based on the top 20 private homeowners insurance companies.**
6. **Allow Citizens to enter into risk-sharing arrangements with the private market.**

Another Choice for Consumers

Consent to Rate – What does it mean?

Policy Type	Rate Approval	Form Approval	Guarantee Fund Protection	Fees
Standard (AKA Admitted)	OIR	OIR	Yes	No
Consent to Rate	Consumer	OIR	Yes	No
Excess and Surplus Lines (AKA Non-Admitted)	Consumer	None	No	Yes

Consent to Rate is a consumer friendly alternative to the Excess and Surplus lines market for customers unable to purchase admitted coverage at filed rates.

Security First Insurance Does Not Support the Following Recommendations by the OIR

1. **Institute rate band for private carriers**
2. **Increase current rate threshold of 15% for public rate hearings**
3. **Creation of a sinkhole facility**
4. **Separating Citizens' Coastal Account from Citizens**
5. **Creation of a new reinsurance pool for private insurance companies**

Security First Insurance Supports the Following Recommendations by the Office of the Insurance Consumer Advocate

1. Transfer public model oversight and development to Department of Emergency Management (D.E.M.) from the OIR to expand its role in mitigation and risk assessment for wind and flood
2. Transfer responsibility of wind inspections, including the 1802 Form to the D.E.M. from the OIR
3. Create mechanism to consolidate and expand mitigation programs under D.E.M. with funds from various private sources, potentially Citizens and Federal Grants

Additional Recommendations for Florida Property Insurance Market Reform

1. **Clarify Civil Remedy Notice law 624.155(3) to require a specific cure amount**
2. **Eliminate requirement for annual rate filing**
3. **Eliminate abuses with Assignment of Benefits by requiring the assignee to complete a Proof of Loss and submit to an examination under oath when required**
4. **Simplify initial rate filing for both new products and new companies where there are no existing policyholders**
5. **Allow Citizens and private carriers to fund positions at the Division of Insurance Fraud and State's Attorneys' Offices**
6. **Change the insurance rating law to provide for the use of multiple hurricane models**

Florida Hurricane Catastrophe Fund
Proposed Statutory Changes

1. **Make the FHCF rate-making process transparent**
2. **Align FHCF coverage with private reinsurance coverage**
3. **Repeal the Statute, F.S. 627.062(5), which prohibits companies from including the cost of reinsurance which duplicates all or part of the coverage provided by the main layer of the FHCF in its rate filings**
4. **Clarify existing law regarding the FHCF's obligation to pay 100% of its statutory limit**
5. **Require one bonding estimate in January of each year rather than the two estimates required under current law**

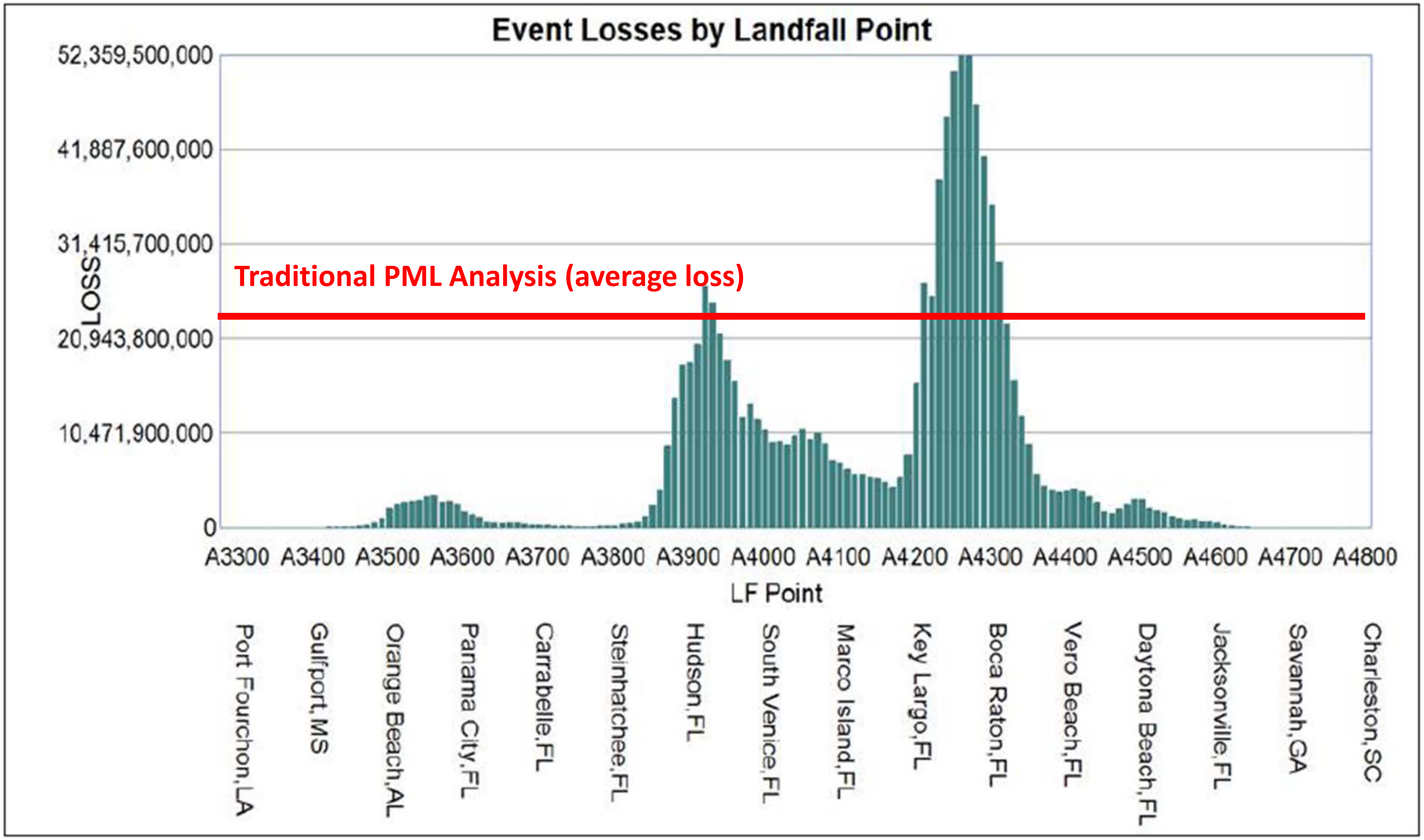
Florida Hurricane Catastrophe Fund
Proposed Statutory Changes

6. Significantly reduce the state's exposure to loss with minimal impact on consumers (about 1% rate increase per year)

- Freeze industry retention at its current level of \$7.389 billion; and
- Reduce the limit of the main layer from \$17 billion to \$12 billion over 5 years. The limit would be reduced by \$1 billion per year beginning with contract year 2013/2014; and
- Reduce the rapid cash buildup factor from the current level of 20% to 0% over four years

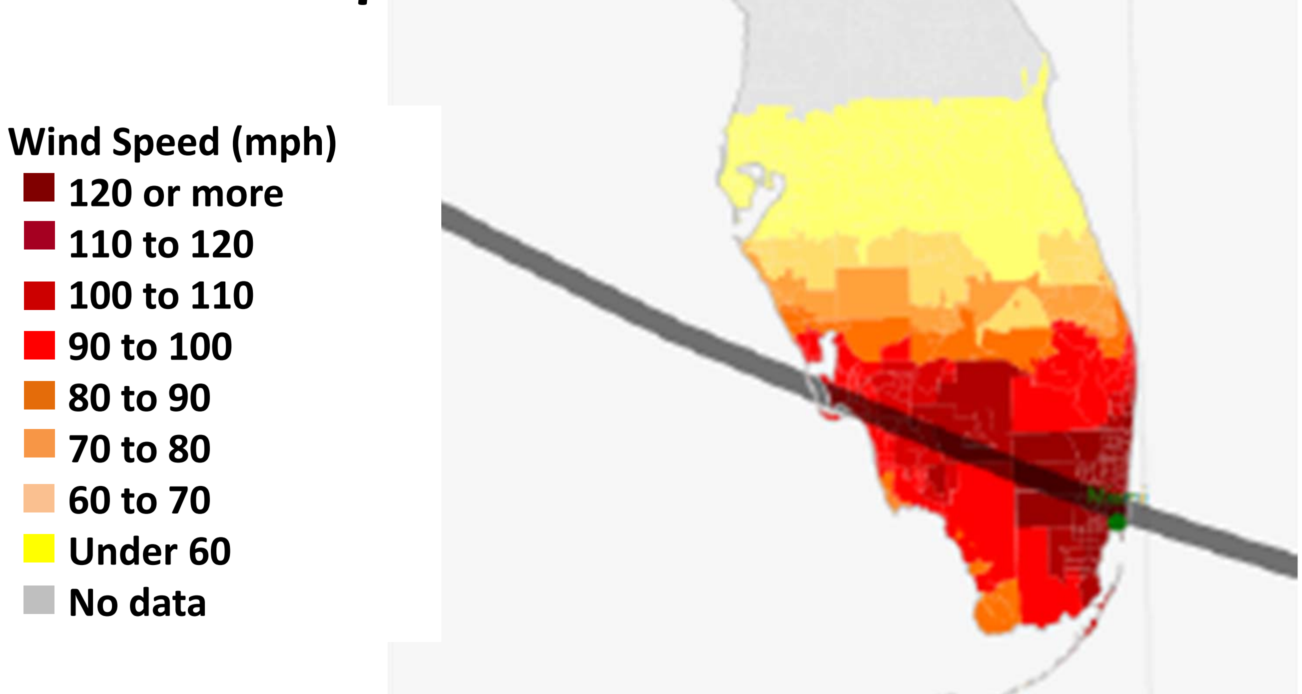
Why it's important for the legislature to reduce the size of Citizens. . .now?

Total Portfolio Multi-Peril 100-Year Characteristic Event Loss Estimates (June 2012)



Risk InSight's new computer model shows how a meteorological event that has a 1% chance of occurring would cost Citizens vastly different amounts of money depending on where it made landfall.

100-Yr Characteristic Event
Miami Landfall
Total Loss: $52 Billion



Risk InSight's new computer model shows how a meteorological event that has a 1% chance of occurring would cost Citizens vastly different amounts of money depending on where it made landfall.

Q&A

Locke Burt
Chairman and President
Security First Insurance Company
(386) 523-2300
Lburt@SecurityFirstFlorida.com

Stephen Pociask, The American Consumer Institute Center for Citizen Research

For over thirty years, Mr. Pociask has been involved in consumer public policy research. He has published numerous economic studies, including three books for the Economic Policy Institute, and policy studies for numerous independent nonprofit organizations. Many of his research studies have focused the consequences of public policies on consumer welfare. He has extensive experience in various policy issues, including energy, insurance, consumer products, information technology and healthcare. He has conducted surveys of consumer opinion covering a wide variety of public policy issues. He has participated as a consumer advocacy representative for policymaker organizations. He is a member of the FCC's Consumer Advocacy Committee, including the Broadband, Universal Service, Media and Consumer Empowerment subcommittees.

He has also written reports for the Small Business Administration's Office of Advocacy, including one on small businesses' telecommunications expenditures and use, and one on broadband use in rural America. He has testified before Congress. He has appeared numerous times in the media, including Bloomberg News, NBC, FOX, New York Times, and others.

From 1998 to 2000, Mr. Pociask served as chief economist and executive vice president for Joel Popkin and Co., an economic consulting firm in Washington, DC. Prior to that, he was chief economist for the Bell Atlantic Corporation. He has completed his Ph.D. coursework in economics and has an M.A. in economics from George Mason University.

Affordability and Florida's Homeowner Insurance Subsidies:

Who Wins and Who Loses?

Steve Pociask
President

January 23, 2013

The American Consumer Institute
Center for Citizen Research

Incomes Tend to be Higher Toward the South and Toward the Coast

Does Citizens Disproportionately Benefit the Rich, Second Homeowners and Non-Floridians?

Affordability?

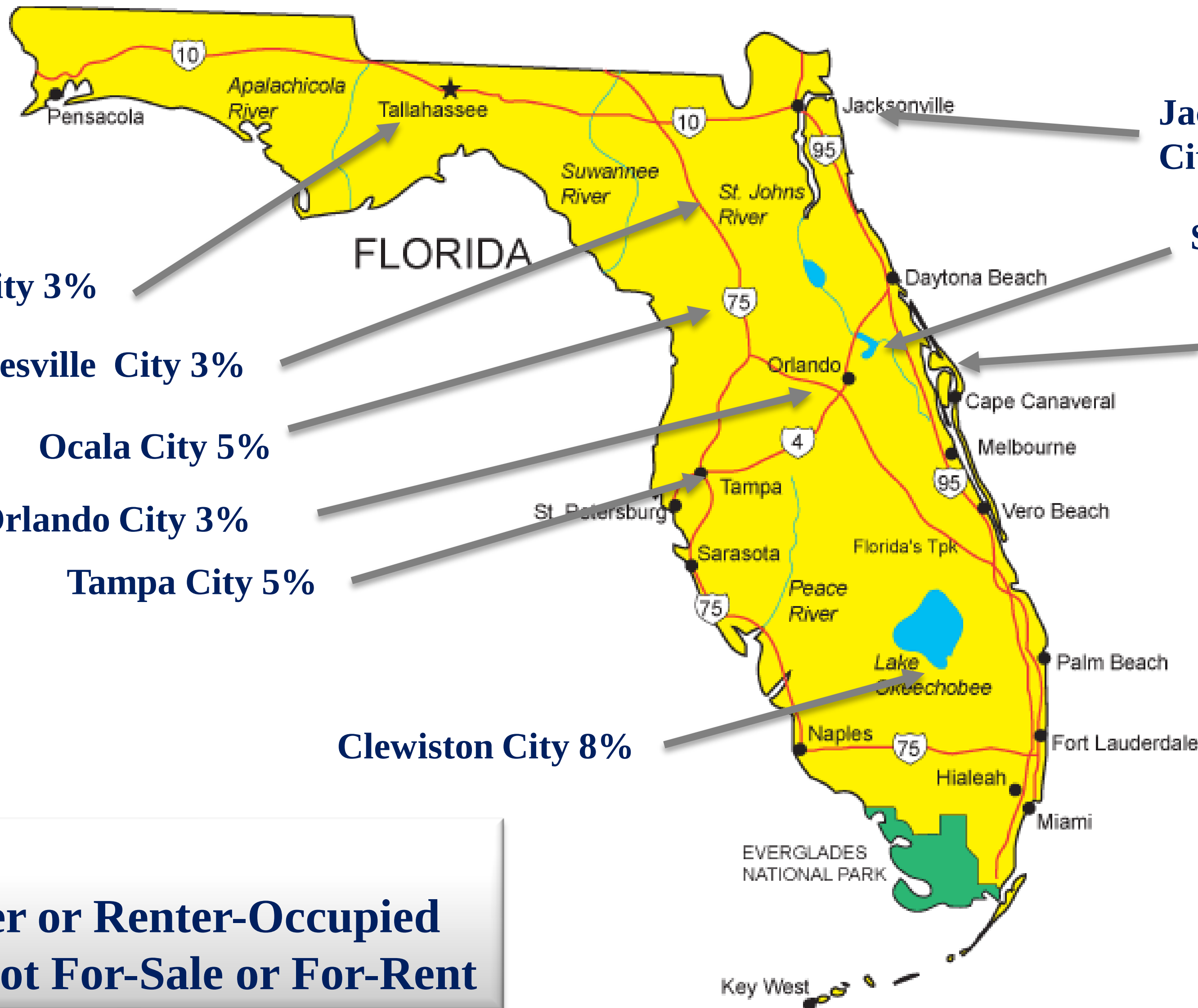
Who Pays

Citizens

Subsidies

Who Benefits

Vacant Homes
For Select Census Designated Places



Jacksonville City 4%

Sanford City 4%

Titusville City7%

Tallahassee City 3%

Gainesville City 3%

Ocala City 5%

Orlando City 3%

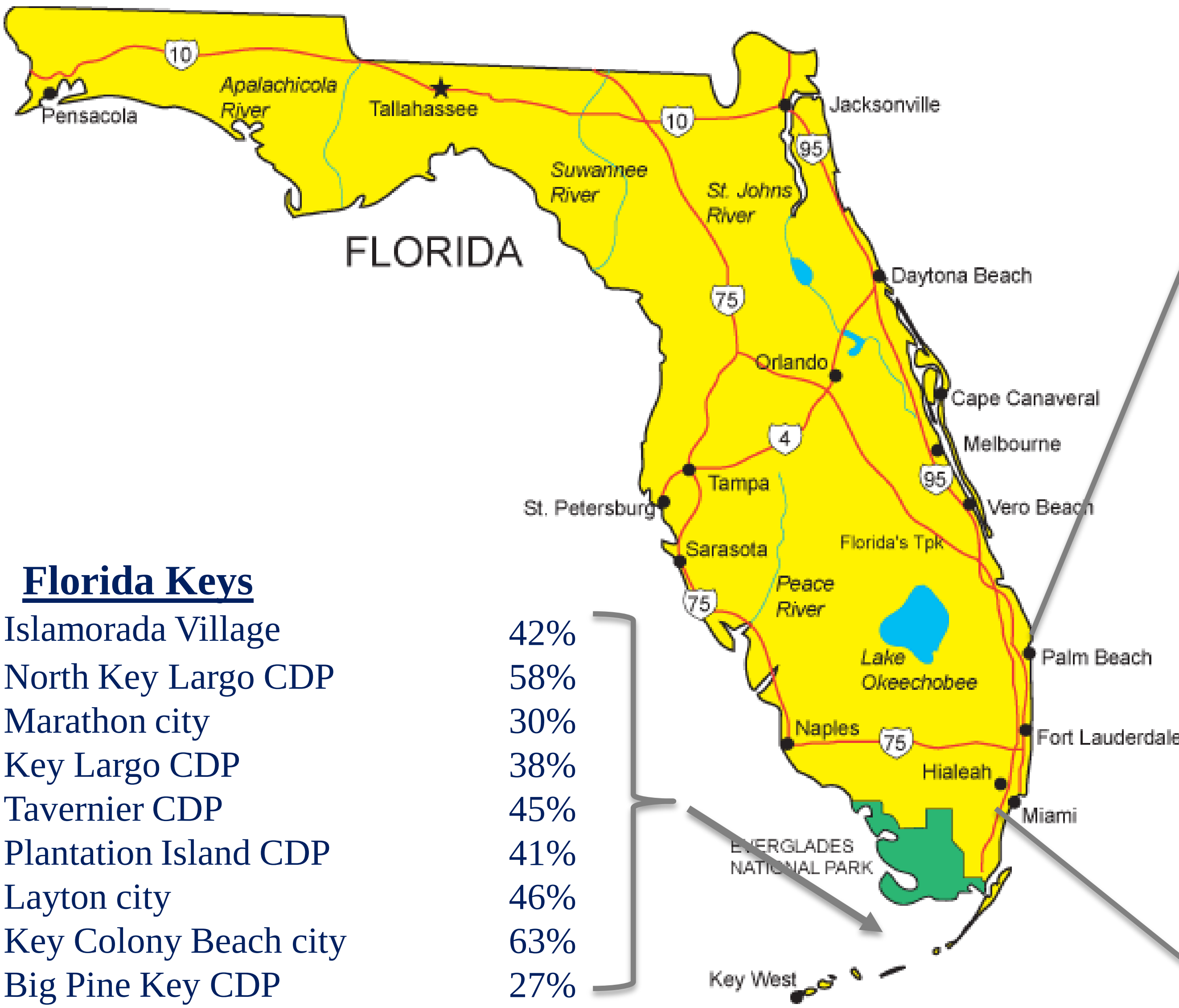
Tampa City 5%

Clewiston City 8%

Definition:
- **Not Owner or Renter-Occupied**
- **Vacant, Not For-Sale or For-Rent**

Vacant Homes

For Select Census Designated Places



Southeast Coast

Juno Beach Town	30%
Palm Beach Shores Town	30%
Palm Beach Town	42%
South Palm Beach Town	48%
Hypoluxo Town	28%
Ocean Ridge Town	34%
Briny Breezes Town	52%
Highland Beach Town	41%
Boca Raton City	13%
Deerfield Beach City	16%
Hillsboro Beach Town	47%
Lighthouse Point City	10%
Ft. Lauderdale City	13%
Dania	10%
Hallandale Beach City	26%
Ojus	8%
North Miami Beach City	7%
Miami Shores	4%
Miami Beach City	21%
Fisher Island CDP	62%
South Miami City	3%

Florida Keys

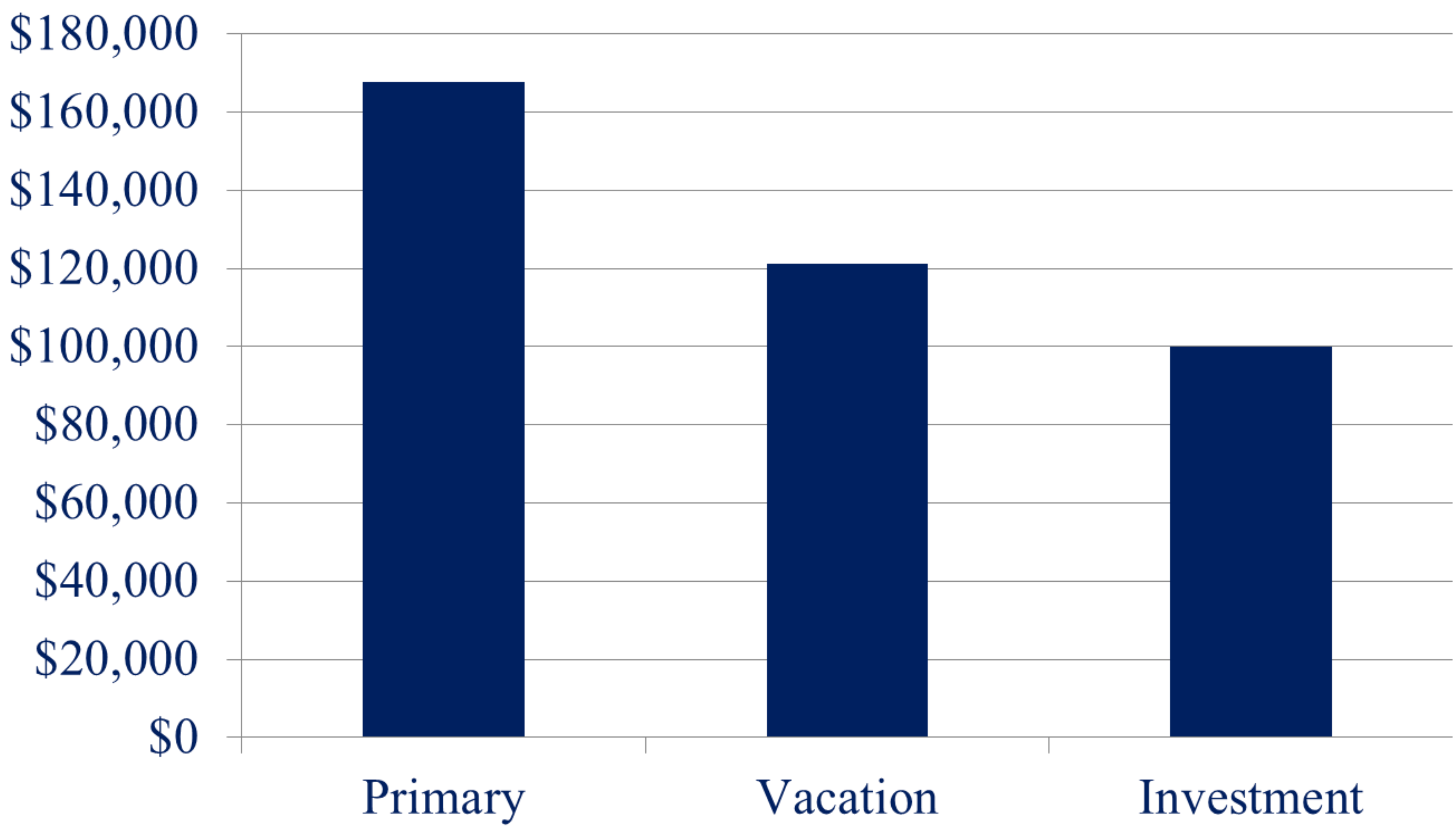
Islamorada Village	42%
North Key Largo CDP	58%
Marathon city	30%
Key Largo CDP	38%
Tavernier CDP	45%
Plantation Island CDP	41%
Layton city	46%
Key Colony Beach city	63%
Big Pine Key CDP	27%

General Profile of Second Homebuyers

(National Association Realtors – 2012 Survey)

- Can afford to have extra homes
  - 20% of homeowners have 2 or more homes
  - 5% have 3 or more homes
  - 42% of vacation homebuyers and 49% for investment homebuyers paid cash
- Vacation and investment homebuyers have higher incomes
  - 20% higher than primary homebuyers
  - 28% of primary homebuyers earn more than $100,000; 44% for vacation home buyers; and 43% for investment property buyers

While Second Home Buyers Have 20% Higher Incomes, they Buy Lower Valued Homes



Source: NAR, Survey, US data, 2012

Subsidies for Insurance Flow to Out-of-State Beneficiaries

- 50% of investment and vacation homeowners live more than 300 miles away
- 40% of investment and vacation homeowners live 500 miles away
- Many are Foreign Homeowners

Florida Vacation Homes Purchased By Foreigners

(National Association of Realtors – 2012 Survey)

- 26% of international transactions are in Florida
- 19% of all sales in Florida are by "non-resident foreigners"
- Median home price was $194,700
- 82% reported all cash transactions
- 80% of international clients view Florida's real estate prices as less expensive than their home country

Source: NAR, Survey, Florida data, 2012

Virtually All Foreign Purchases Would Not Be Subject to the $1 Million Limitation

- From 2010 to 2012, 3% and 7% of purchases buyers foreign buyers were over one million dollars

- Example: Canadian buyers account for 31% of foreign buyers. They typically buyer lower valued homes …. and 90% paid in cash:
  - Less than $199,999 65.4%
  - $200,000 to $499,999 27.8%
  - $500,000 to $749,999 4.0%
  - $1,000,000 or more 2.9%

Citizens Disproportionately Benefits the Rich, Second Homeowners and Non-Floridians?

Who Pays

- Non-Citizens Policyholders
- Renters
- Non-profits
- Churches
- Motorcycle Owners
- Small Business Owners
- Boat Owners
- Taxpayers
- Inland Residents

Welfare for the Rich

Citizens

Subsidies

Who Benefits

- Citizens Policyholders, including:
  - Those with Higher Incomes and Wealthier Homeowners
  - Second Homes
  - Out-of-State Residents, including Foreigners

Could 40% of Policies Be Trimmed?

Citizens' Policies

	Primary	Rental & Other	Total
Homeowner Coverage	620,149	28,231	648,380
Dwelling Coverage	5,493	291,667	297,160
Condo Unit Owner	76,563	81,710	158,273
Mobile Home	75,104	70,593	145,697
Tenant/Renter Coverage	18,125	232	18,357
Total	**795,434**	**472,433**	**1,267,867**
% Relative Importance	**63%**	**37%**	**100%**

Source: Citizens, Data as of 12/31/2012

The New NFIP Reform Requires Immediate Risk-Based Pricing for Non-Primary Homes

Biggert-Waters Flood Insurance Reform Act (2012)

Sec. 100205. Reform of Premium Rate Structure

Immediately phases-in actuarial rates for other subsidized properties including: **second properties**, severe repetitive loss properties, properties that have incurred flood-related damage that exceeds the fair market value of the property, and commercial properties.

Regulatory Reforms

Get Capital Back into the Market

- **Citizens – Need a Keep Out Policy**
  - **Renew primary homes only and increase glide path**
  - **Lower $1 million limitation modestly**
  - **Take new policies at full cost or the Louisiana model (averaging the top 20 insurers plus 10%)**
  - **Use Clearinghouse**
- **Private Insurers**
  - **Increase pricing flexibility**
- **Cat Fund**
  - **Shrink it; make it self-sufficient based on capital**
- **Regulators**
  - **Focus on solvency; not on market rates**

JAY NEAL, Executive Director, FAIR

Jay Neal, JD, MBA, is Executive Director of the Florida Association for Insurance Reform (FAIR), a non-profit, non-partisan membership organization of insurance stakeholders dedicated to developing long-term balanced public policy solutions. Neal has over 25 years private sector experience in finance, insurance, and reinsurance.

Public Policy Recommendations for Florida's Property Insurance Market

Presented to:

The Florida Senate Banking and Insurance Committee

Senator Simmons, Chair

Senator Clemens, Vice Chair

January 16, 2012

FAIR
FLORIDA ASSOCIATION FOR INSURANCE REFORM

About FAIR

FAIR is a non-partisan, non-profit membership organization working to educate Florida consumers and insurance industry stake-holders about the effects of insurance public policy. Unlike other organizations that represent specific constituencies, FAIR works with *all* constituencies to facilitate ongoing dialogue and transparent communications. FAIR believes that there is a solution to every insurance problem that both promotes a robust insurance market and also protects consumers and policy holders.

Jay Neal, JD, MBA, has served as Executive Director of FAIR since February 2011. He served as a U.S. Army officer and pilot and has over 25 years private sector experience in finance, insurance, and reinsurance.

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Assumptions

- The problem is Florida's to solve.
- National carriers not coming back anytime soon.
- "Civil War" political rhetoric and press narrative destructive.
- Reduction of the state's role in property insurance and restoration of a robust private market requires a long-term staged process.
- Policy solutions must be balanced and narrowly tailored to survive the long-term.

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FAIR Policy Positions

- **Significantly reduce the size of Citizens Property Insurance Corporation.**
- **Avoid placing Citizens policyholders in the "cross fire" as the corporation is down-sized.**
- **Reduce private carrier cost factors to increase the effectiveness of the glide path in achieving actuarially sound rates.**
- ***Long-term balanced public policy* can create the stability necessary to attract and retain private risk capital in Florida.**

FLORIDA ASSOCIATION FOR INSURANCE REFORM

Recommendations to Downsize Citizens Property Insurance Corporation

FLORIDA ASSOCIATION FOR INSURANCE REFORM

Improve the Current Depopulation Program

- **Customer friendly offer letter.**
- **Reduce agent objections.**
- **Allow take-out companies to address rates.**
- **Create a more simple, less rigid, timeline for the takeout process.**
- **Increase acceptance through increased awareness of potential assessments.**

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1:100 Year Post Event 1rst Renewal Assessment

	Citizens Policyholder	Private Company Policyholder
Citizens Special Assessment* (Citizens Policies Only)	45% (30% weighted average %)	0%
Citizens Regular Assessment*	0%	2%
Citizens Emergency Assessment*	1.77%	1.77%
FHCF Assessment** (6% max less 1.3% current assessment)	4.7%	4.7%
FIGA Assessment** (Weighted Average %)***	4% (2.67%)	4% (2.67%)
Weighted Ave. Total	**39.14%**	**11.14%**

Source: *FAIR Florida Association for Insurance Reform June 2012*

1:100 Year 30 Years Assessment

Based on 6% Financing Costs FHCF and FIGA 6.94% Citizens	Citizens Policyholder	Private Company Policyholder
Emergency Assessment*	1.77%	1.77%
FHCF Assessment**	1.66%	1.66%
FIGA Assessment** (Weighted Ave. %)***	1.6% (1.56%)	1.6% (1.56%)
Weighted Average Total	**4.99%**	**4.99%**

Source: *FAIR Florida Association for Insurance Reform June 2012*

Assessment Calculation Assumptions

- *Projected Liquidity and Claims Paying Resources Chart 03A: Presented at Citizens Property Insurance Corporation Board of Governors Meeting on May 8, 2012 . Assumptions in Note #1 included. 6.94% financing rate not included in assumptions but calculated from other included variables.
- **Data calculated from report entitled *Potential Assessment From Florida Hurricanes* April 2, 2012 prepared by Stephen A. Alexander, FCAS, MAAA, Office of the Consumer Advocate.
- ***Weighted Average assumes that 2/3rds of household insurance premium is real property (includes all homeowners and rental policies) or other policies assessable by Citizens, FHCF, and FIGA. 1/3rd premium paid is paid on auto policies assessable by Citizens and FHCF but not FIGA.

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Reduce the Growth Rate of New Citizens Policies

- **Further Restrictions on Schedule A Values should only be made after careful market analysis to show private carrier alternatives.**
- Support the "Clearinghouse" approved by CPIC Board to keep policies which belong in the private market from coming in the "front door"
- **Require Agents to Annually Certify That They Represent At Least One Other Carrier That is Actively Writing Homeowner's Business in Florida.**

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Move Policies Out Where The Private Market is Working

Enact the following recommendations from the Citizens Mission Review Task Force:

- **Prohibit carriers from using Citizens policies to grant multi-policy discounts.**
- **Eligibility**
  - **Agents required to maintain documentation demonstrating that the agent searched for alternative coverage annually.**
  - **Limit automatic renewals to 2 years. Require new applications for those insured by Citizens for over three years. Renewal policies would go through the clearinghouse.**

FAIR FLORIDA ASSOCIATION FOR INSURANCE REFORM

Lower Rate Need for Private Companies

- **Enhanced Wind Mitigation to Reduce Potential Catastrophic Losses to Pre Florida Building Code Homes.** (nearly 480,000 CPIC HO3 policies 1994 or older construction as of March 12, 2012)
- **Lower Claims Costs from Abusive Assignments of Benefits, "Chipped Tile" Cases.**
- **Leverage the CAT Fund to Reduce Private Carrier Reinsurance Costs.**

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Wind Mitigation

- **Current information needed to establish credits.**
- **Transfer mitigation from OIR to Emergency Management.**
- **Better consumer information needed to help policyholders evaluate the cost-benefit of potential improvements.**
- **Changes to forms or credits should not be retroactive to policyholders who made investments based on previous information.**
- **Leverage Citizen’s surplus to harden pre-FBC homes.**

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Cat Fund Should be "right sized" to provide greater coverage not less

- Lower the retention level by a minimum of $2 billion tied (from $7.389 billion to $5.389 billion or less) to a program that rewards increased private carrier surplus.
- Significantly lowers private carrier reinsurance costs.
- Makes domestic private carriers more competitive with Citizens.
- Lower rates, increased surplus, increased depopulation activity.

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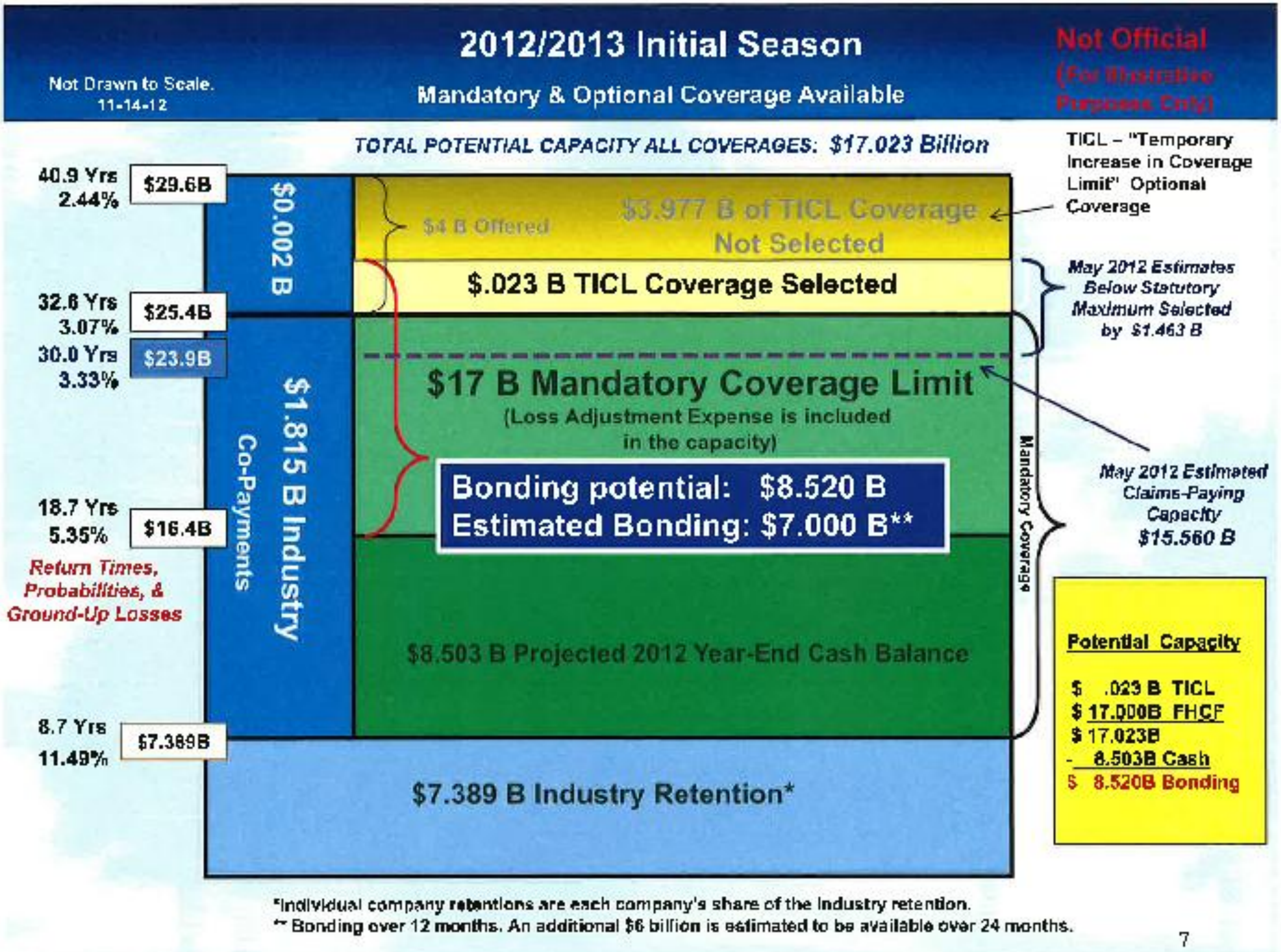
2012/2013 Initial Season
Mandatory & Optional Coverage Available
Not Drawn to Scale. 11-14-12
Not Official
(For Illustrative Purposes Only)
TOTAL POTENTIAL CAPACITY ALL COVERAGES: $17.023 Billion
TICL – "Temporary Increase in Coverage Limit" Optional Coverage
40.9 Yrs 2.44%
$29.6B
32.6 Yrs 3.07%
$25.4B
30.0 Yrs 3.33%
$23.9B
18.7 Yrs 5.35%
$16.4B
8.7 Yrs 11.49%
$7.389B
Return Times, Probabilities, & Ground-Up Losses
$0.002 B
$1.815 B Industry Co-Payments
$4 B Offered
$3.977 B of TICL Coverage Not Selected
$.023 B TICL Coverage Selected
May 2012 Estimates Below Statutory Maximum Selected by $1.463 B
$17 B Mandatory Coverage Limit
(Loss Adjustment Expense is included in the capacity)
Bonding potential: $8.520 B
Estimated Bonding: $7.000 B**
Mandatory Coverage
May 2012 Estimated Claims-Paying Capacity $15.560 B
$8.503 B Projected 2012 Year-End Cash Balance
Potential Capacity
$ .023 B TICL
$ 17.000B FHCF
$ 17.023B
- 8.503B Cash
$ 8.520B Bonding
$7.389 B Industry Retention*
*Individual company retentions are each company's share of the industry retention.
** Bonding over 12 months. An additional $6 billion is estimated to be available over 24 months.
7

Florida Hurricane Cat Fund

- **Bonding projections underestimate current capacity.**
  - **Assumptions limit bonding estimates to a single year, post catastrophe event. Require future projections to base estimates on a *minimum two year* bonding period.**
  - **Increase use of pre-event bonding in historically favorable rate climate.**
  - **Require FHCF to explore bank financing—just like any private entity would do if faced with a cash shortfall.**

FLORIDA ASSOCIATION FOR INSURANCE REFORM

Florida Hurricane Cat Fund

- Make the rate making process transparent. Require that annual rate determinations be peer reviewed.
- Align FHCF Coverage with private market Reinsurance Coverage to reduce private reinsurance costs.
- Clarify FHCF obligation to pay 100% of its statutory limit.
- Require a single bonding estimate in January of each year rather than the two estimate required under current law.

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FIGA Assessments

Current FIGA assessments negatively impact Florida's homeowner's insurance market:

- Accounting rules result in an immediate reduction in an insurance company's surplus.
- They are a disincentive for new companies and new risk capital entering the market.
- They are a threat to the solvency of homeowner's insurance companies after a storm.
- The assessments are unfair to policyholders since they are based on past market information.

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FIGA Assessments

Solution:

- **Align FIGA's statute with how assessments are levied by Citizens and the Cat Fund, and allow insurance companies to reimburse FIGA as assessments are collected.**
- **Combine the FIGA accounts into a single fund so that assessments for property catastrophes have a larger assessment base and can be compared to Citizens and/or Cat Fund assessments.**
- **Require FHCF to explore bank financing—just like any private entity would do if faced with a cash shortfall.**

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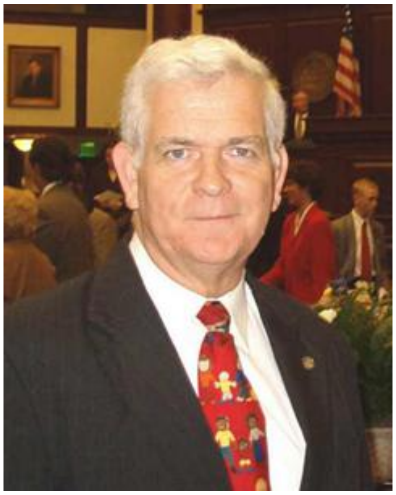


Don Brown is an insurance agent from DeFuniak Springs, Florida. He has served on the Walton County Commission, as Republican State Committeeman, Chairman of the Walton County Republican Executive Committee and as a State Representative in the Florida House of Representatives.

Don is a veteran of numerous campaigns and served as a County Chairman for Governor Jeb Bush and President George Bush.

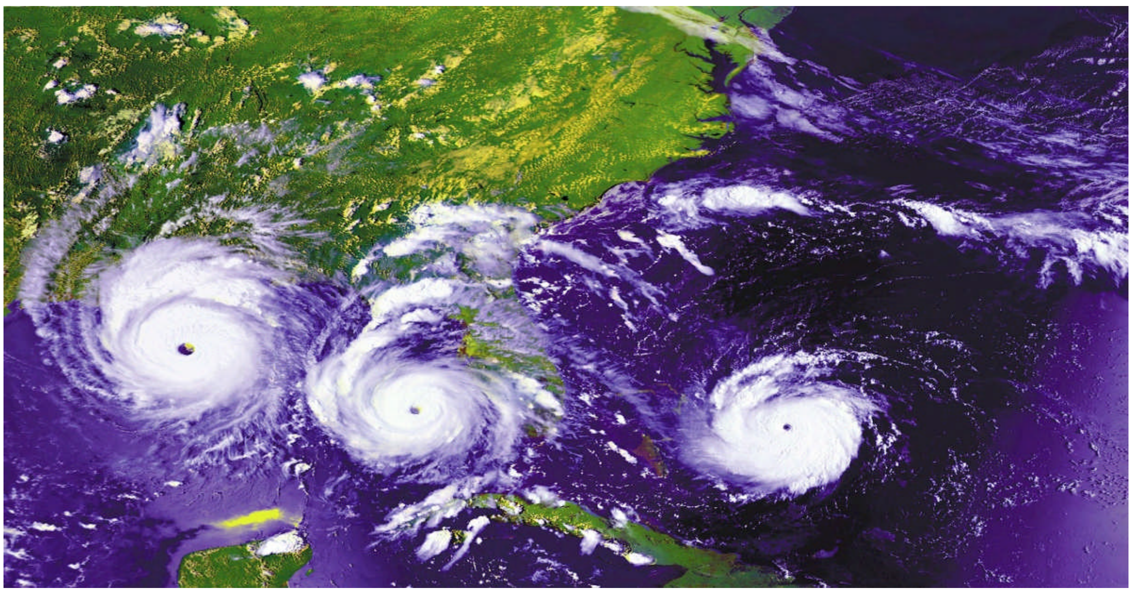
Don Brown is best known for his work on insurance issues. In the back-to-back years of 2002 and 2003 he was recognized by both the Florida Association of Insurance Agents and the Florida Association of Insurance and Financial Advisors for his significant contribution to insurance reform. Most notably, in 2007 Don was one of only two legislators to vote “No” on HB1A which significantly expanded the role of government into private markets. Since 2007, many of his objections to HB1A have proven to be correct.

Don Brown was known for being well prepared and for standing his ground during his tenure in the Florida House of Representatives. He was most vocal when advocating for smaller government, less taxes, the Free Enterprise System and Market Based Solutions. He was widely regarded as one of the top orators in the House.

While serving in the Florida House of Representatives Don was also known for his tireless work on such important issues as Medical Malpractice Reform, Elections Reform, Workers’ Compensation Reform and Tort Reform. In 2004 he was recognized by the Emerald Coast Association of Realtors for his work on real estate issues. He was also recognized in 2004 by the Florida Pharmacy Association as their Most Outstanding Legislator. In 2005 the Florida Retail Federation named him the “House Legislator of the Year” and in 2006 the Florida Chamber of Commerce named him “Most Valuable Legislator” after the passage of his HB73 which repealed the doctrine of Joint and Several Liability.

ASSOCIATED INDUSTRIES OF FLORIDA

Florida's Natural Disaster



(Florida's "problem" is NOT insurance. The problem is Florida's extraordinary vulnerability to Hurricanes.)

A Proposal for
Property Insurance Reform

January 8, 2013

Dear Chairman Simmons:

We thank you for the opportunity to share how we believe the Florida property insurance market could be improved for the benefit of Florida consumers and the business community.

First, we should recognize how vulnerable all Floridians will be when the next major storm, or series of smaller storms, makes a Florida landfall regardless of whether they are directly impacted, or whether they are insured by Citizens Property Insurance Corporation (Citizens) or not. Currently we rely upon billions of dollars of post event debt to finance hurricane exposure, which can result in tens of billions of dollars of taxes on Florida's citizens, churches, charities and businesses. We need to develop a financially sound and stable Florida property insurance market that relies substantially on private sector risk bearing. AIF believes the current regulatory environment and the current legal frameworks of both Citizens and the Florida Hurricane Catastrophe Fund (Cat Fund) deter private sector risk bearing.

In an effort to contain homeowners' insurance rates, our current system unfairly shifts cost from:

1) High risk areas to lower risk areas.

2) Citizens policyholders (23% of the homeowners market) to Non-Citizens policyholders (77% of the homeowners market).

3) Citizens policyholders to businesses, churches, charities and not for profit entities.

4) The current generation to future generations through long term post event debt, perhaps the most unfair cost shift of all.

Shifting the cost does **NOT** reduce the cost. Sadly, Florida unnecessarily retains far too much catastrophe risk, more than any other state. While some have argued we can no longer afford the price of homeowners insurance, we must realize that what we really cannot afford is the risk of **"self insurance"**. Retaining massive catastrophe risk is just not smart.

In order to manage the risk we face, AIF believes Florida must take prudent measures to encourage the spreading of catastrophe risk through the U.S. and global insurance, reinsurance and capital markets, instead of relying on intentionally underfunded post-event financing vehicles like Citizens and the Cat Fund, or by unrealistically hoping that Congress will create some sort of national catastrophe fund that will transfer Florida's risk to federal taxpayers. Florida's over-reliance on such mechanisms has distorted the true cost of risk in Florida to such a degree that 1) consumers receive inappropriate economic signals regarding risk; and 2) private capital has been either prevented or discouraged from participating in this sector.

Contrary to Florida's homeowners insurance market, both the commercial property insurance and reinsurance markets remain competitive and robustly capitalized. Since these markets face the same weather risks, AIF remains convinced that the problems of Florida's residential property insurance market has been complicated by the legal and regulatory framework created by Florida, not by meteorological events.

We also need strong building codes that are routinely reviewed, updated, and consistently enforced. Property insurance will naturally become more widely available and affordable as properties become better able to resist the impact of catastrophic storms. Thankfully, Florida is a leader in this area, but could be better still.

It is imperative for the state's long-term economic viability, and for serving Florida's insurance consumers, that the risk of both Citizens and the Cat Fund be reduced.

<u>Citizens needs to become a true market of last resort, and the Cat Fund needs to be right-sized</u>.

Real solutions are required but will not be painless to those currently being subsidized. They will, however, after implementation and absorption, leave the state and most Floridians in a better, more honest position, than we currently face. We congratulate you and your committee for your willingness to receive input on this difficult topic. We offer the following suggestions and trust that as this conversation continues the business community's ideas will be helpful.

Sincerely,

Thomas C. Feeney, III
President & Chief Executive Officer

"We have the worst of all possible worlds in Florida - a weak private sector, a public sector bearing enormous risk, and a plan to borrow money and sock it to everybody on the back end…we ought to try something different."

Howard Troxler, Columnist, *St. Petersburg Times*
Pay now or later, but we're paying
April 4, 2010

So – Which Way Should We Go

IN THE 1921 BOOK BY DR. FRANK H. KNIGHT TITLED: RISK, UNCERTAINTY, AND PROFIT – DR. KNIGHT DEFINED THE DIFFERENCE BETWEEN RISK AND UNCERTAINTY LIKE THIS…

"Risk is present when future events occur with measurable probability. Uncertainty is present when the likelihood of future events is indefinite or incalculable."

WHEN THE PROBABILITY OF RISK CAN BE QUANTIFIED THERE IS A CLEAR PATH FORWARD. WHEN UNCERTAINTY PREVAILS AND FUTURE EVENTS ARE INDEFINITE OR INCALCULABLE THEN THE PATH FORWARD IS CLOUDED AND FORWARD PROGRESS SLOWS OR, IN EXTREME CASES, STOPS ALTOGETHER.

Florida Hurricane Catastrophe Fund

AIF recommends legislation to restore the Florida Hurricane Catastrophe Fund (Cat Fund) to a safety buffer for Andrew-sized storms, thereby ensuring that it can meet its obligations in the event of a storm, reducing the hurricane taxes that fund its operations, and preventing the destabilizing effects its inability to meet its obligations would cause. Conversely, AIF is opposed to any reduction in the Cat Fund's industry retention level which would decrease its ability to meet its obligations and increases the likelihood of hurricane taxes.

By design the Cat Fund does not have adequate capital to cover all of its liabilities. To pay claims after exhausting its limited premium based resources, the Cat Fund relies heavily on the issuance of debt. This debt is not repaid by the Cat Fund solely from premiums, but rather through the levy of taxes on most insurance policies, including those not at risk. While this assessment tax mechanism is patently unfair, it is also incapable of meeting Florida's long and short term needs. The Cat Fund and its advisers recently informed the Cabinet that the bond market cannot finance the Cat Fund's full exposure, creating a shortfall of $1.5 billion or more. The Cat Fund's leadership has estimated that even slight under-performance could expose millions of policyholders to the risk of insolvency of their insurer. Absurdly, homeowners insurers in Florida are required by law to purchase Cat Fund coverage, and are effectively prevented from purchasing replacement coverage to supplement the Cat Fund's uncertainties, which puts them at risk of insolvency. No insurance regulator would allow a private insurer or reinsurer to sell coverage it knew in advance it might not be able to pay following a major disaster. The Cat Fund should be held to the same standard.

Even if the Cat Fund could meet its obligations for a first storm, it would then be required to offer completely unfunded, illusory coverage for the next season. In essence, in lieu of being a safety buffer, the Cat Fund is poised to be the cause of massive market instability.

It is also worth noting that Florida businesses currently pay insurance premiums to cover 100% of their own risk, but also pay an extra hurricane tax/assessment on their premiums to subsidize homeowners insurance. Businesses receive no benefit from the Cat Fund but still have to pay these taxes.

<u>To accomplish the recommendation shown above AIF recommends the following legislation:</u>

1. Lower the mandatory layer of the Cat Fund from its current statutory obligation of $17 billion to $12 billion over a period of five years ($1 billion each year).

2. Increase the participating insurer co-pay by reducing the maximum available coverage percentage from the current 90% over a three-year period. For instance, for 2013 reduce it to 85%; for 2014 reduce it to 80%; and for the 2015 and subsequent contract years, reduce it to 75%. The current lower coverage options (45 and 75%) would also remain available.

3. Increase insurer retention to $8 billion which is where it would have been had it not been reset in 2004 and 2005. Retain current provisions that automatically adjust retention each year based on the Cat Fund's exposure growth.

4. Encourage the Cat Fund to transfer some of its risk outside the state of Florida so homeowners and those businesses subsidizing the homeowners will pay less in hurricane taxes/assessments after a storm event.

5. Amend Section 627.062(5) F.S. to allow an insurer to recoup reinsurance costs that duplicate unfunded coverage provided by the Cat Fund. Because of changes in the bond market since the financial crisis in 2008, the Cat Fund's financial advisors have determined that the Cat Fund will likely be unable to fund its entire statutory obligation. It is against public policy and unfair to the insurance companies to not allow the insurers to recover reinsurance costs intended to replace Cat Fund reinsurance when even the Cat Fund says it may not be able to fund all of the reinsurance required by statute.

Finally, requiring businesses to pay hurricane taxes/assessments to subsidize homeowners insurance is a disincentive for businesses considering locating to Florida. In addition, businesses in Florida have an incentive to locate out of Florida since no other state has this tax.

Citizens

Citizens poses enormous risk of hurricane taxes to Florida's businesses. No other state has a residual insurance market as large, or as poorly funded, as Florida Citizens. In addition to Florida's employers, assessments are a risk to non-Citizens policyholders who do not own a home but invest in other insurance, and the homeowners who chose a private market insurer.

The risk in Citizens must be reduced promptly. The risk from Citizen's current actuarially unsound policy count must be transferred to the private market as soon and as much as possible. AIF believes that the shift of policies from Citizens to the private market will occur organically once Citizens' rates are closer to private market, risk-base prices. As its rates move toward risk appropriate amounts, Citizens should continue to manage its exposure by transferring risk to the reinsurance and capital markets. Accordingly, AIF supports incrementally increasing the current rate caps imposed on Citizens. This could be done at different levels for less affluent homeowners compared to higher value homes, or at different rates for primary residences compared to vacation or investment properties.

AIF has supported "depopulation" proposals in the past. The risk of poorly timed new taxation on Florida's businesses is so significant that it continues to be AIF's policy to encourage serious study of any proposal to reduce the economic risk in Citizens.

The standards for homeowners to jettison a private market carrier and move to taxpayer subsidized Citizens policies need to be reformed. AIF supports returning to the eligibility requirements that prevailed during the Jeb Bush administration and prior.

While these reforms take root, the taxpayer risk from Citizens' current portfolio needs to be reduced. AIF understands that no private carrier would have, and even no other state-sponsored wind pool currently has, the low level of risk transfer that Citizens maintains. Indeed, two years ago, this amount was actually zero. AIF supports the proposal, discussed in prior sessions, to require Citizens to impose a surcharge on Citizens policyholders, with the proceeds to be applied exclusively to real risk transfer protection. This proposal will increase solvency protection for Citizens' own policyholders, and reduce assessment risk for AIF members and other Florida businesses.

Citizens must not continue to expand, and certainly not at current rates. The economic exposure in Citizens needs to shrink to save our business community from assessment risk. We must not confuse proposals to change the form of the "product" sold by Citizens, or to exchange policy count for reinsurance or financing risk, with real taxpayer and business-friendly reform. It does not help the state's taxpayers to rearrange the chairs on the deck of Citizens' Titanic. Citizens should not expand into reinsurance, morph into a statewide pool, or otherwise expand its mission or reach. Our vision should be to return Citizens to its original mission of homeowners insurer of last resort.

AIF shares the concerns voiced by the Governor, the Chief Financial Officer and others regarding recent news of Citizens operations. Ultimately, AIF believes these issues substantiate why these operations and functions are better suited to the private market. In any case, Citizens should have higher standards for internal audit, compliance, transparency and conflicts of interest. We would support harmonization of the rules relating to Citizens with those of AIF members who are listed on major stock exchanges or otherwise subject to "best practice" governance standards.

Before launching into more specific ideas about what could be done to facilitate a smaller Citizens two very critical "first steps" should be mentioned:

1) Thoroughly review the 2009 Citizens Mission Review Task Force report that can be found at:

https://www.citizensfla.com/about/mrtf.cfm?show=pdf&link=/shared/mrtf/ComprehensiveFinalReport.pdf

Several of the recommendations of the Task Force were adopted, most notably, the rate cap glide path. However, many of the "better" recommendations have not been adopted. All the recommendations of the Task Force should be given serious consideration. There were also several recommendations that did not pass the Task Force on a tie vote. They should be reviewed as well.

2) More importantly, before specific ideas are considered, a critical question should be asked and all proposed ideas should be measured by the answer to that question: "Is the ultimate goal to provide insurance with real risk transfer or is the goal to provide the best 'self insurance' program possible?" Depending upon the answer to that question, each idea can then be judged on the basis of how well it accomplishes the desired goal.

Now, one other cold hard fact: **ANY** depopulation effort is doomed from the very beginning unless one critical factor is properly considered. THE MATH MUST BE RIGHT!

It goes without saying that depopulation of Citizens will not happen unless private capital is deployed and private capital will not be deployed UNLESS the math is right. By that it is meant, the policies modeled for takeout must meet certain financial criteria before investors will fund the deal.

Based upon credible estimates, currently there are only about 200,000 Citizens policies that justify serious take out consideration unless some additional incentive is offered. No one should be fooled. Additional incentives, such as cash bonuses, are a cost to the system and should be used VERY intelligently. Every take out deal should stand on its own merit if we are going to be totally honest with ourselves.

That leaves about 1.3 million Citizens policies that will not be financially attractive as a takeout target UNLESS you do one, or some combination, of three things:

A) Make Citizens rates less unfairly competitive with the admitted market such as increase the glide path or return to the original higher than the top 20 JUA standard;

B) Modify or eliminate so-called “consumer choice” for approved depopulation initiatives, i.e., disallow the rejection of an approved take out offer or raise the 15% threshold to something significantly higher, or;

C) Modify or eliminate the ability of agents to reject an approved take out offer.

Without these three changes (or some combination) 1.3 million policies are going to remain in Citizens and any effort to fund a take out with special incentives is just a temporary fix to a long term problem, and will likely result in a “revolving door” problem at Citizens, where policies leave and return on a regular basis.

Finally, and not specifically a takeout issue, modification of Citizen eligibility rules would be very helpful. When $1M plus homes became ineligible the world did not come to an end. Those folks have been able to find coverage in the marketplace. Implemented over time, further reductions to $750,000 and then $500,000 should be considered.

Again, if you want Citizens to be "real insurance" and not some elaborate "self insurance" program then only changes that address the "real" problem will do. Also remember, if you want to reduce the assessment risk that Citizens represents you MUST transfer some of that risk to someone else, i.e., the private market.

Specifically, **AIF recommends legislation to return Citizens to an insurer of last resort to reduce the enormous risk of hurricane taxes to Florida's businesses and individuals.**

To accomplish this goal AIF recommends the following legislation:

1. **Adopt a Rate Standard for Citizens That Works.** Require that Citizens' rates be non-competitive with private insurers so that it functions as a residual market mechanism to provide insurance only when the insurance cannot be procured in the private market. To be non-competitive Citizens' rates should be sufficient for Citizens to purchase reinsurance, whether or not reinsurance is actually procured, to cover probable maximum loss expected to result from a 100-year hurricane; include an appropriate catastrophe loading factor that reflects its actual catastrophic exposure; and be no lower than the average rates charged for similar coverage in a county by the 20 insurers with the greatest premium statewide.

2. **Alternatively, Increase Citizens' rate glide path from 10% to 20%.**

3. **Move the responsibility for the establishment of Citizens rates from the office of Insurance Regulation to Citizens' Board of Governors.**

4. **Change Citizens eligibility requirements to disqualify an applicant from coverage or an existing policyholder from being renewed if the applicant or policyholder is offered coverage from an insurer whose premium is not greater than 25% of the premium for comparable Citizens coverage.**

5. **Repeal the provision that allows an existing policyholder of Citizens to remain eligible for coverage from Citizens regardless of any offer of coverage from a private market insurer.**

6. **Improve the Florida Market Assistance Plan's database and systems necessary to help Citizens applicants and policyholders find coverage with private insurers.**

7. **Assessment Protection Surcharge.** AIF recommends the proposal, discussed in prior sessions, to require Citizens to impose a surcharge on Citizens policyholders, with the proceeds to be applied exclusively to real risk transfer protection.

Florida Insurance Guaranty Association

The Florida Insurance Guaranty Association (FIGA) is a not-for-profit corporation that was established by F.S. 631.5 to pay claims on behalf of insolvent insurance companies.

FIGA has two levels of assessments: emergency and regular. Both are capped at 2%, for a combined total of 4%, of the insurance company's direct written premium for the calendar year immediately preceding an assessment. FIGA has discretion on whether emergency assessments, which are only available after a hurricane, are paid by insurance companies within 30 days or spread out over 12 months. Regular assessments must be paid by insurance companies within 30 days.

The Problem: Under current law, FIGA assessments are directly levied on insurance companies that could be required to pay up to 4% of the company's direct written premium within 30 days of an assessment – reducing the insurance company's surplus and the funds available to pay its own claims.

The Solution: Amend F.S. 631.57 in two ways:

1. Align FIGA's statute with how emergency assessments are levied by Citizens and the Cat Fund, and allow insurance companies to reimburse FIGA as assessments are collected from policyholders, unless FIGA needs the money quickly and is unable to obtain funding.

2. Give FIGA's board the authority to determine if regular assessments will be levied directly on insurance companies, policyholders, or a combination thereof.

Both the emergency and regular assessments would remain capped at 2% each.

Several key points to keep in mind:

A. As the law currently stands, FIGA's assessments impact Florida's homeowner's insurance market in the following ways: 1) They immediately reduce an insurance company's surplus and the amount of business it can legally write; 2) They are a disincentive for new companies that are considering entering the market; and 3) They are a threat to the solvency of homeowner's insurance companies doing business in Florida after a storm.

B. Currently, the insurance company could face up to 4% of an assessment due with 30 days and the FIGA Board has very little discretion in levying assessments. If this proposal were to be adopted, an insurance company could face a smaller assessment upfront.

C. This proposal does not increase the amount of potential assessments or the financial exposure of Floridians. FIGA can still collect the same overall amount – these changes simply spread out the timing of the collection of the funds and reduce the total amount an insurance company would have to pay within 30 days to FIGA.

D. This proposal makes the assessments fairer and gives FIGA more flexibility.

<u>Summary of Proposed Changes</u>

"We have the worst of all possible worlds in Florida - a weak private sector, a public sector bearing enormous risk, and a plan to borrow money and sock it to everybody on the back end…we ought to try something different."

Howard Troxler, Columnist, *St. Petersburg Times*
Pay now or later, but we're paying
April 4, 2010

Currently, Florida citizens pay high homeowners insurance premiums and are subject to post-event hurricane taxes/assessments. By design, we rely heavily upon public debt rather than private capital to finance our exposure to hurricanes.

Several of the most important recommendations are summarized below.

1. The Cat Fund should be right sized. The mandatory layer should be reduced from $17 billion to $12 billion, $1 billion per year over five years.
2. Increase the minimum "co-pay" from 10% to 25% over three years.
3. Increase the Cat Fund insurer retention to $8 billion and retain current provisions that automatically adjust retention each year based on the Cat Fund's exposure growth.
4. Amend 627.062(5) F.S. to allow an insurer to recoup reinsurance costs that duplicate <u>unfunded</u> coverage provided by the Cat Fund.
5. Citizens should be reformed so that it becomes the insurer of last resort including a rate standard that requires Citizens rates to be non-competitive with private insurers.
6. Any proposal to reduce the economic risk in Citizens should be seriously studied.
7. Change Citizens eligibility requirements to disqualify an applicant for coverage or an existing policyholder from being renewed if the applicant or policyholder is offered coverage from an insurer whose premium is not greater than 25% of the premium for comparable Citizens coverage.
8. Higher standards for internal audit, compliance, transparency and conflicts of interest at Citizens should be adopted.
9. Adopt an Assessment Protection Surcharge requiring Citizens to impose a surcharge on Citizens policyholders, with the proceeds to be applied exclusively to real risk transfer protection.
10. Improve the Florida Market Assistance Plan's database and systems necessary to help Citizens' applicants and policyholders find coverage with private insurers.

AIF would welcome the opportunity to discuss the contents of this report and to provide additional detail upon request.

Jack E. Nicholson, Ph.D., CLU, CPCU
Chief Operating Officer -- FHCF

Dr. Jack Nicholson is the Chief Operating Officer of the Florida Hurricane Catastrophe Fund (FHCF) for the State Board of Administration of Florida. He is also on the board of directors and is the President of the Florida Hurricane Catastrophe Fund Finance Corporation, a statutorily created public benefit corporation created for the purpose of facilitating the issuance of bonds following a major catastrophe. In addition, Dr. Nicholson serves on the Florida Commission on Hurricane Loss Projection Methodology (Commission) and served as its chair for the first two years. The Commission was created as a panel of experts in 1995 by the Florida Legislature for the purpose of providing guidelines and standards in the review and evaluation of hurricane computer models used to project losses in residential property rate filings. At the State Board of Administration, Dr. Nicholson has the additional responsibility of overseeing the Insurance Capital Build-up Incentive Program. He serves on the Advisory Council to the Florida Catastrophic Storm Risk Management Center at Florida State University and also served on the Advisory Council of the My Safe Florida Homes Program.

Prior to coming to the State Board of Administration in September of 1994, Dr. Nicholson worked for the Florida Department of Insurance for eight years. At the Department, Dr. Nicholson held the positions of Director of the Office of Insurance Research and Data Analysis, Deputy Director of Property and Casualty Insurers, Assistant Director of Rating, and Bureau Chief of Rates. Dr. Nicholson was involved in many of the regulatory activities following Hurricane Andrew. These activities ranged from data collection and analysis to operating the Department's Miami Insurance Center. He served as the Insurance Department's liaison with the State Board of Administration regarding the FHCF from its inception and has played a major role in its implementation and development.

Jack Nicholson received his Ph.D. in Risk Management and Insurance from the University of Georgia in 1980 where he also earned his undergraduate degree in Business with a major in insurance. He received an M.B.A. from the University of North Dakota while serving as an officer in the U.S. Air Force. Dr. Nicholson also has the professional designations of C.L.U. (Chartered Life Underwriter) and C.P.C.U. (Chartered Property and Casualty Underwriter). He has taught in the area of Risk Management and Insurance at the University of Georgia, the University of Iowa, and Florida State University.

FLORIDA CHAMBER of Commerce

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January 14, 2013

The Honorable David Simmons
406 Senate Office Building
404 South Monroe Street
Tallahassee, FL
32399-1100

RE: Florida Chamber Response to Your Request for Solutions

Dear Chairman Simmons:

On behalf of the Florida Chamber of Commerce, it is my pleasure to respond to your request for credible, meaningful property insurance solutions for Florida.

Since 2008, the Florida Chamber has hosted the state's premier Insurance Summit – a leading platform for advancing Florida's property insurance marketplace debate. As Florida surpasses New York to become the third-largest state in America, the Florida Chamber is committed to securing Florida's future and helping to create a competitive and stable insurance market.

With over $2.5 trillion of total insured coastal property value (the highest of any hurricane exposed state), a concentration of hurricane risk, and the ongoing, destabilizing risk of hurricane taxes in the form of assessments or other means, a stable private insurance market is one of the most important issues facing Floridians.

As the voice of business, we look forward to partnering with you to identify true property insurance reforms. With that in mind, the Florida Chamber kindly offers up the following recommendations – many of which were included in *Into the Storm*, a report co-authored by the Florida Chamber and Florida Council of 100.

1. Reduce the Risk of Hurricane Taxes to our Businesses and Floridians

The Florida Chamber believes that Citizens Property Insurance Corporation (Citizens) is underfunded and inappropriately structured, relying on post-event assessments from policyholders statewide (including Florida's businesses and business owners) to meet its current obligations. Citizens' taxing power via assessments places the burden of paying for the next big storm on all Floridians, including those with little direct exposure to hurricane losses, those who are not in Citizens, or those who have chosen to insure their risks with a private carrier. Through the insurance policies responsible private businesses carry, Florida's businesses are at significant risk of being hit with these punitive taxes at a time when they would be most vulnerable, recovering from a storm. Returning Citizens to a market of last resort would reduce the risk of future assessments and put our state's insurance market back on solid footing.

Risk transfer also plays an important role in reducing potential taxes on our businesses and on individual Floridians. In the 2012 renewal season, CPIC secured $1.5 billion in private market protection through a combination of $750 million in traditional reinsurance and $750 million in catastrophe bond capacity for the 2012 hurricane season. We understand that this was the largest amount of private risk transfer ever purchased by Citizens, and reduces the amount of exposure Citizens represents for other policyholders in our state, including businesses and consumers not insured by Citizens. On the other hand, Citizens' management has testified that they invest in substantially less risk transfer than any similarly situated private insurance company would, or that Citizens' management would optimally recommend. We believe that Citizens should continue to protect Florida's businesses, homeowners and working families from assessment by investing in protection to the fullest extent possible. If Citizens needs more tools to better protect taxpayers and non-Citizens policyholders, it should be made available. Specifically, the Chamber supports the concept of a modest taxpayer protection surcharge, discussed in the Legislature in the past, to facilitate increases in Citizens' risk transfer. Businesses, non-Citizens homeowners and renters, all of whom are subject to Citizens-generated assessments, should be exempt from this surcharge. The proceeds of this surcharge should be limited to taxpayer protection and be walled off from overhead, SG&A, consulting or other expenses.

2. Return Citizens to a Market of Last Resort

Private capital and choice for policyholders are significantly reduced when residual markets are transformed, as Citizens was in 2006, from markets of last resort to markets of "first resort". Citizens' suppressed non-risk-based rates, its tax exempt status and its reliance on taxing Florida residents and businesses in the future rather than charging actuarially sound rates in the present have led to it becoming the largest homeowner insurer in Florida and the insurer of "first resort". With Citizens' policy count surging toward 1.5 million policies and total exposure approaching $500 billion, it is imperative that we return Citizens to a market of "last resort".

Citizens has made some positive steps towards reducing risk. Private insurers have been encouraged to remove blocks of polices from Citizens but the rate differential between Citizens' rates and those needed by private carriers to pay claims without the ability to assess policyholders makes it extremely challenging for private insurers to attract and retain policyholders who have become accustomed to the subsidies offered by Citizens. With legislatively mandated rate increases limited to a maximum of 10% on any single policy annually, closing the differential gap between Citizens' rates and the private market will not be achieved in the near future. The Florida Chamber believes that legislators should consider balanced, incremental adjustments to the current glide-path to help return Citizens to an insurer of "last resort." For example, the Legislature should examine the efficacy of allowing subsidized, Citizens policies from covering residential property and dwellings valued at more than $500,000.

3. Oppose Expansions of Citizens

Citizens cannot meet its obligations now. The management team and actuaries of Citizens have testified that its rates are actuarially unsound. The critical mission for the state is to reduce the risk of Citizens, not increase it in any way.

Proposals have been considered in the recent past to use Citizens' own surplus to support depopulation of its book of business. The Chamber believes the role of Citizens in the Florida market needs to be significantly reduced. Similarly, proposals to loan Citizens' surplus to private market carriers, while offering some structural benefits, also pose real challenges. Among other things, we believe that Citizens' financial position is so dire that any reduction in its capital resources – or any increase in the likelihood that Florida's businesses and working families will be required to fund a shortfall through assessments – must pass an extremely high bar of public policy benefit.

The Florida Chamber believes that free market competition is the best remedy for our property insurance challenges. Citizens will depopulate naturally when its rates approach those of the private market, which we believe will compete vigorously with superior service and innovation than a state agency, once our market is stabilized. We will respectfully suggest that the proposals summarized in this letter, if adopted as a package, would substantially advance that goal.

4. Foster a Stable Insurance Market and Right Size the FHCF

Citizens' ability to pay claims is substantially dependent on the Florida Catastrophe Hurricane Fund (FHCF), which reinsures Citizens. Indeed, an assumption that the FHCF will promptly pay its maximum obligations to Citizens has been, for years, the largest item on Citizens' balance sheet. However, the FHCF is also underfunded and overly reliant on post-event taxes on the same policyholders and businesses as Citizens. Accordingly, the FHCF's own management has warned there is real, ongoing risk the FHCF will be unable to pay hurricane claims, or to pay them on a timely enough basis. Any failure or delay in the FCHF's failure to pay claims would have devastating effects on our insurance market, and on consumer and commercial insurers. The Florida Chamber has long advocated for the FHCF to reduce its financial exposure, and to relieve the taxpayers of our state from the potential burden of both the tax risk of assessments and the recurring instability of an oversized agency. Important reform legislation to help stabilize the FHCF by "right-sizing" it is urgently needed to save Floridians from hurricane tax assessments. The Florida Chamber supports the proposal that these reforms should be phased in incrementally, but also believes they need to begin immediately.

5. Attract New Capital to Florida

The Florida Chamber believes that Florida's government reinsurance and insurance programs have interfered with the free flow of private capital. As demand for at-risk property in Florida is higher than ever with over $2.5 trillion of total insured coastal property value, we must attract new capital into our state.

The Florida Chamber promotes free trade and asks that Florida policymakers focus on creating a stable regulatory environment for private insurance companies ensuring that capital from around the world continues to be available to our state. Further, risk-based rates would bring competitive insurers into our state, change high-risk behavior and encourage mitigation.

The tone set by our political leaders is also relevant when it comes to attracting new capital to our state. Governor Scott, CFO Atwater and the other members of Cabinet have worked hard to assure the private market that Florida is open for business. The Florida Chamber urges our Legislative leadership to help ensure that, by word and deed, this message is consistently amplified.

6. Enact Legislation Supporting Fair Settlements

A proposed Fair Settlement Act bill would strike a balance for individual policyholders and ratepayers alike by (i) requiring that an insurer, who seeks to ensure proper claim handling, make a decision on whether to offer liability insurance policy limits within 60 days after receiving a demand for payment; and (ii) providing that an insurer who owes policy limits to multiple claimants may petition the court for instructions on how to distribute those policy proceeds.

7. Reform Public Adjuster Markets

Finally, the Chamber supports reforms of our public adjuster market. Most public adjusters run honest small businesses. However, a few bad actors have disproportionately harmed our market and consumers statewide. Simple, structural reforms could significantly reduce the endemic abuses we have seen over the last few years and spare consumers the costs of fraud and of sharp practices that are currently borne by Floridians statewide.

Thank you again for your attention to these important issues. The Florida Chamber looks forward to working with you and the Legislature to implement solutions for our property insurance market and return it to one of stability.

Sincerely,

David A. Hart
Executive Vice President
cc: Mark Wilson, President & CEO
Susan Pareigis, President Florida Council of 100
Senate Committee on Banking and Insurance

R Street

Free markets. Real Solutions.

R STREET POLICY STUDY NO. 8

January 2013

COASTAL PRESERVATION THROUGH CITIZENS REFORM

By Christian Cámara

ABSTRACT
The 30-year-old federal Coastal Barrier Resources Act has been successful in promoting conservation of natural resources, fiscal responsibility, and the reduction of inappropriate high-risk coastal development by restricting federal subsidies. Restricting insurance coverage from Florida Citizens Property Insurance Corp. for new construction in areas seaward of the Coastal Construction Control Line could yield similar results on the state level by ending subsidies to development that damages Florida's coastal environment and destroys natural storm barriers.

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FEDERAL LEGISLATION

In the 1970s and 1980s, lawmakers, environmentalists and fiscal watchdogs began to recognize that certain actions by the federal government had the unintended consequence of inflicting damage on the environment —and worse, placing life and property at great risk— at taxpayer expense. These included federal initiatives, programs and subsidies that encouraged development in, and consequent destruction of, coastal wetlands, beaches, and dunes that not only are ecologically sensitive and valuable, but that also acted as natural buffers[1] to protect adjacent and upland structures and infrastructure against wind, flood and storm surge.

In 1982, a Democratic-controlled House of Representatives and a Republican-controlled Senate came together with President Ronald Reagan and enacted the Coastal Barrier Resources Act (CBRA). That legislation removed these federal incentives by designating mostly undeveloped wetlands and barrier islands along the Gulf and Atlantic coasts as part of what is now called the John H. Chafee Coastal Barrier Resources System (CBRS). In 1990, the CBRA was reauthorized and expanded to include undeveloped coastal barriers along the Florida Keys, Great Lakes, Puerto Rico, and the U.S. Virgin Islands.[2]

In order to minimize high-risk development in these areas, stop wasteful expenditures and protect coastal resources, the CBRA restricts federal expenditures for activities such as beach nourishment and infrastructure construction and subsidies for flood insurance through the National Flood Insurance Program (NFIP). Despite the prohibition on federal subsidies in these areas, development is allowed by private landowners or other non-federal entities, provided that they bear the full cost while understanding that the federal government may never provide any financial assistance to maintain and/or protect what is developed.

Between 1982 and 2010, the CBRA saved the federal government at least $1 billion.[3] At the same time, it saved many lives and much property that natural disasters like floods and hurricanes would have otherwise endangered.

Congress acted appropriately to restrict subsidies as a way to promote conservation of natural resources, fiscal responsibility, and the reduction of inappropriate high-risk coastal development. Unfortunately, the State of Florida is in conflict with these federal policies by providing subsidized low-cost insurance in extremely high-risk and environmentally sensitive coastal areas, including in the very areas designated under the CBRA within Florida.

FLORIDA

FLORIDA HAS $2.46 trillion in total coastal exposure, the most of any state. By comparison, the *combined* coastal exposure of the other "hurricane alley" states (Virginia, North Carolina, South Carolina, Georgia, Alabama, Mississippi, Louisiana, and Texas) is only about $1.83 trillion. While it covers only about 1.5 percent of the lower 48 states' land area (55,000 square miles out of 3 million square miles), Florida has been struck by seven of the ten costliest hurricanes in U.S. history. It is also the site of the single most intense hurricane on record (1935's Keys hurricane) and the second deadliest hurricane (the Lake Okeechobee hurricane, also in 1935).[4] In short, hurricanes will always be a fact of life in Florida, as much as the heat, humidity and mosquitos are.

There is obviously nothing Florida can do to alter weather patterns or alleviate its position as a low-lying peninsula that extends 500 miles into the most hurricane-active waters in the world. As such, the state must cope with its vulnerability by mitigating against its enormous hurricane risk in three major ways:

1. Physically fortifying its built environment to better withstand windstorms and tidal surge;

2. Discouraging development in the riskiest areas along the coast; and

3. Preserving natural coastal buffers that protect inland areas against the effects of storms.

On the surface, the agenda described above might suggest a big government approach, including massive investment of state dollars to retrofit existing structures, the imposition of even stronger building codes and the infringement of private property rights. Obviously, this approach would be unreasonable, not to mention politically impossible, given current budgetary realities.

However, by revising Florida's current property insurance system, the state could achieve these goals without onerous new laws or regulations, all while actually saving taxpayer money.

Just as the federal government offered subsidized flood insurance to high-risk coastal areas before enacting the CBRA, Florida currently encourages development in and migration to some of the state's highest-risk coastal areas by making subsidized and underpriced property insurance available through the state-owned Citizens Property Insurance Corp. (Citizens)

Established as an "insurer of last resort," Citizens was initially open only to those property owners who were legitimately unable to find coverage in the private market. Its rates were required to be actuarially sound and higher than the average of the top 20 private insurers in the state.

However, former Gov. Charlie Crist's 2007 insurance reforms allowed Citizens to offer policies to any Floridian who gets even a single insurance quote more than 15 percent greater than Citizens' rates, which essentially imposed a de facto price control on Florida's property insurance market. Additionally, the 2007 legislation required Citizens to roll back its premiums to 2006 levels and freeze them at that level.[5]

Subsequent legislation eased the rate freeze by replacing it with a "glidepath" that allows yearly rate increases of no more than 10 percent until rates reach an actuarially sound level. With the current 10 percent cap, however, it will take Citizens several years to reach that level[6] and come close to matching the private market, which is required by law to charge adequate rates. As such, in most cases, Citizens charges considerably less than its private market competitors, especially in the highest-risk coastal areas.

Citizens is able to underprice its coverage and still remain in business because not only is it sponsored by Florida's government, but it also has the unilateral authority to impose a form of taxation on nearly every insurance policy issued in the state. When Citizens runs a deficit, it must first impose surcharges on its own policyholders (Citizens Policyholder Surcharge), but may subsequently impose assessments on every property and casualty insurance policy issued in the state except for medical malpractice and workers' compensation policies (Emergency Assessment).[7] This would amount to a "hurricane tax" that could add up to 30 percent to the cost of each insurance policy paid by the 77 percent of homeowners, renters, drivers, boaters, businesses, charities, and civic organizations statewide who derive no benefit from Citizens' subsidized, underpriced rates. These assessments could stretch over the course of several years, during which time the state could be hit by one or more storms, compounding the situation.

Its private market competitors, on the other hand, enjoy no such taxing authority. They are expected and legally required to have enough cash reserves and backup risk-transfer (i.e., reinsurance) to cover their obligations. A private insurer charging anything less than adequate rates would be penalized and eventually shut down by the state.

The Crist insurance reforms of 2007 – essentially requiring Citizens to charge rates below the private market – have had several unintended outcomes, including prompting most large, nationally known insurers to stop writing new coastal coverage in the state. However, an indirect consequence of the availability of underpriced, subsidized insurance is the irresponsible development it promotes in the highest risk areas and the consequent destruction of wetlands, sand

Beachfront houses built atop sand dunes

dunes and other natural buffers that studies have shown help protect inland areas from storms.

Simply put, Florida's insurance policies have had the unintended consequences of forcing residents to indirectly subsidize irresponsible development that create massive future taxpayer liabilities, damage the state's coastal environment and destroy natural storm barriers.

Without the current promise of underpriced property insurance, a developer would have to seriously consider the investment risk of building in an extremely disaster-prone coastal site. At the right price, private insurers would likely step up and offer coverage, as they did when Citizens recently stopped writing coverage for dwellings valued at more than $1 million. Those property owners were able to find coverage in the private market, albeit at risk-based (almost always higher) rates, but those policies were removed from Citizens and thus sizable risk was transferred from the state's taxpayers to private companies.

Without the cheap, subsidized insurance Citizens offers, potential buyers looking to acquire property in high-risk coastal areas might reconsider making such an investment. Developers, in turn, would be encouraged to build stronger structures to bring down the cost (or need) of insurance. This, of course, would increase building costs, eventual sale prices, and thus reduce demand, which may force builders and their investors to reconsider such projects and opt instead for lower-risk inland areas. Either way, the goals of fortifying Florida's built environment and reducing irresponsible, risky development are met by simply making subsidized insurance unavailable in the highest risk coastal areas.

Environmental concerns also would be positively addressed organically without additional property rights-infringing rules and regulations. Florida's taxpayers also would benefit from policies that restrict Citizens' coverage in the highest risk coastal areas, as such risk would be prospectively borne by private companies.

However, given Florida's economic and political realities, it would be utterly impossible to carve out entire sections of the state's coastal areas and suddenly make them ineligible for Citizens coverage on existing properties. There are countless existing dwellings and businesses that currently receive their coverage from Citizens who would not immediately be able to find coverage from the private market. As such, a realistic reform proposal would allow existing structures in designated high-risk coastal areas to be "grandfathered," essentially allowing them to keep their Citizens coverage, or be eligible for future Citizens coverage should they encounter problems renewing coverage through the private market. However, a proposal that would restrict Citizens from cover-

Coastal Construction Control Line segment

ing new construction in certain designated high-risk coastal areas should be examined.

The geographic extent of such coverage restrictions rests with the Legislature, but should at a minimum include areas currently designated within the CBRS. This would essentially harmonize state policy with federal policy by disallowing both state and federally-subsidized property insurance in the CBRS. Beyond that, the Legislature may also consider restricting Citizens coverage for new construction in areas seaward of the Coastal Construction Control Line (CCCL).

Per Section 161.053, F.S., the CCCL is a line of jurisdiction, defining the landward limit of the state Department of Environmental Protection's's authority to regulate coastal construction. The CCCL is not a setback or line of prohibition. New construction -- as well as additions, remodeling, and repairs to existing structures -- are allowed seaward of the CCCL; however, such structures and activities usually require a special CCCL permit.[8]

The CCCL has been established for most of the sandy beaches of Florida, but does not extend into the Florida Keys or to counties in the *Big Bend* area that have mostly vegetated shorelines. The CCCL represents the landward limit of the beach-dune system, which is subject to severe fluctuations based on a 100-year storm surge, storm waves, or other predictable weather conditions. But for a few exceptions, the CCCL and the regulations that it triggers apply only to the seaward-most line of beachfront properties, which are at exponentially higher risk of wind and flood damage than even nearby landward neighbors.

During Florida's 2012 Regular Legislative Session, an amendment was to be filed onto legislation that ultimately did not receive a hearing but would have restricted Citizens coverage for new construction in areas within the CBRS and the CCCL. The Legislature would do well to consider a similar proposal in 2013.

The 2012 language read as follows:

> 627.351(6)a.
> 7. Any major structure[9] as defined in 161.54(6)(a) for which a permit is applied on or after June 1, 2013 for new construction or substantial improvement[10] as defined in 161.54(12) is not eligible for coverage by the corporation if the structure is seaward of the coastal construction control line established pursuant to s. 161.053 or is within the Coastal Barrier Resources System as designated by ss. 16 U.S.C. 3501-16 U.S.C. 3510.

The above language would prohibit Citizens from covering new construction within CBRS and any territory seaward of the Coastal Construction Control Line. The risk of building in these storm- and flood-prone areas would therefore be borne by the owners or by private insurers, and not by Citizens or Florida taxpayers. As such, the added risk and expense would likely reduce such development and help preserve these areas' ecological integrity, as well as their ability to protect mainland areas from storms.

CONCLUSION

This year's legislative session offers lawmakers a great opportunity to enact reforms that would bring fiscal conservatives and environmentalists together to safeguard the state's precious coastal environment while protecting taxpayers and encouraging stronger building practices—organically and without new onerous regulations.

A state as disaster-prone as Florida needs to take steps to slow development along its highest-risk areas that could endanger life and property. A sensible approach that does not extend the arm of government, but relies on the free market and individuals making the right financial decisions for themselves can solve many problems, including those outlined here.

CHRISTIAN R. CÁMARA is Florida director and a co-founder of the R Street Institute. He previously was director of the Heartland Institute's Center on Finance, Insurance and Real Estate. He has worked in the Florida House of Representatives as a legislative analyst for the Committee on State Affairs and as a legislative aide to the chairman of the Pre-K through 12th Grade Policy Committee. Cámara earned his degree in political science and international relations from Florida International University.

ENDNOTES

1. Robert Costanza et al. "The Value of Coastal Wetlands for Hurricane Protection," Royal Swedish Academy of Sciences, Ambio Vol. 37, No. 4, June 2008.
2. U.S. Fish & Wildlife Service, "Website of the Coastal Barrier Resources Act," http://www.fws.gov/CBRA.
3. Ibid.
4. Eli Lehrer et al. "Workable Solutions for Florida's Challenging Insurance Problems," The James Madison Institute Backgrounder, Number 70, February 2012.
5. 627 Florida Statutes.
6. Barry Gilway, "Rates" in "Citizens Property Insurance Corporation" presentation before House Insurance & Banking Committee, December 2012.
7. Ibid.
8. Florida Department of Environmental Protection, "The Homeowner's Guide to the Coastal Construction Control Line Program (Section 161.053, Florida Statutes)," February 2006, http://www.dep.state.fl.us/beaches/publications/pdf/propownr.pdf.
9. 161.54(6)(a) "Major structure" means houses, mobile homes, apartment buildings, condominiums, motels, hotels, restaurants, towers, other types of residential, commercial, or public buildings, and other construction having the potential for substantial impact on coastal zones.
10. 161.54(12) "Substantial improvement" means any repair, reconstruction, rehabilitation, or improvement of a structure when the actual cost of the improvement or repair of the structure to its predamage condition equals or exceeds 50 percent of the market value of the structure either:

    (a) Before the improvement or repair is started; or

    (b) If the structure has been damaged and is being restored, before the damage occurred. The total cost does not include nonstructural interior finishings, including, but not limited to, finish flooring and floor coverings, base molding, nonstructural substrates, drywall, plaster, paneling, wall covering, tapestries, window treatments, decorative masonry, paint, interior doors, tile, cabinets, moldings and millwork, decorative metal work, vanities, electrical receptacles, electrical switches, electrical fixtures, intercoms, communications and sound systems, security systems, HVAC grills and decorative trim, freestanding metal fireplaces, appliances, water closets, tubs and shower enclosures, lavatories, and water heaters, or roof coverings, except when determining whether the structure has been substantially improved as a result of a single improvement or repair. For the purposes of this definition, "substantial improvement" is considered to occur when the first alteration of any wall, ceiling, floor, or other structural part of the building commences, whether or not that alteration affects the external dimensions of the structure. The term does not, however, include either any project for improvement of a structure to comply with existing state or local health, sanitary, or safety code specifications which are solely necessary to assure safe living conditions or any alteration of a structure listed on the National Register of Historic Places or the State Inventory of Historic Places.

State Board of Administration

Florida Hurricane Catastrophe Fund

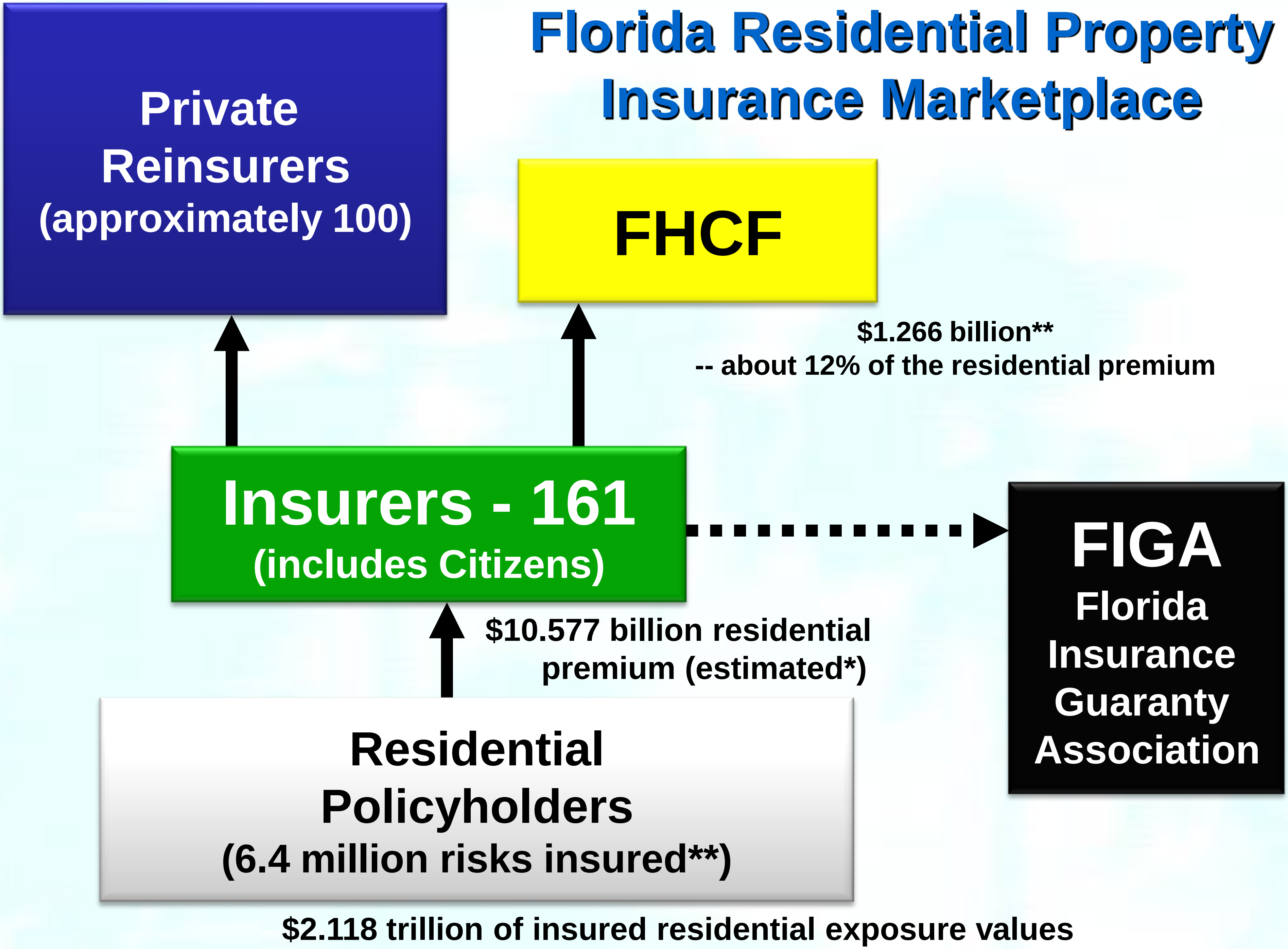
Senate Banking & Insurance Committee

January 16, 2013

Overview

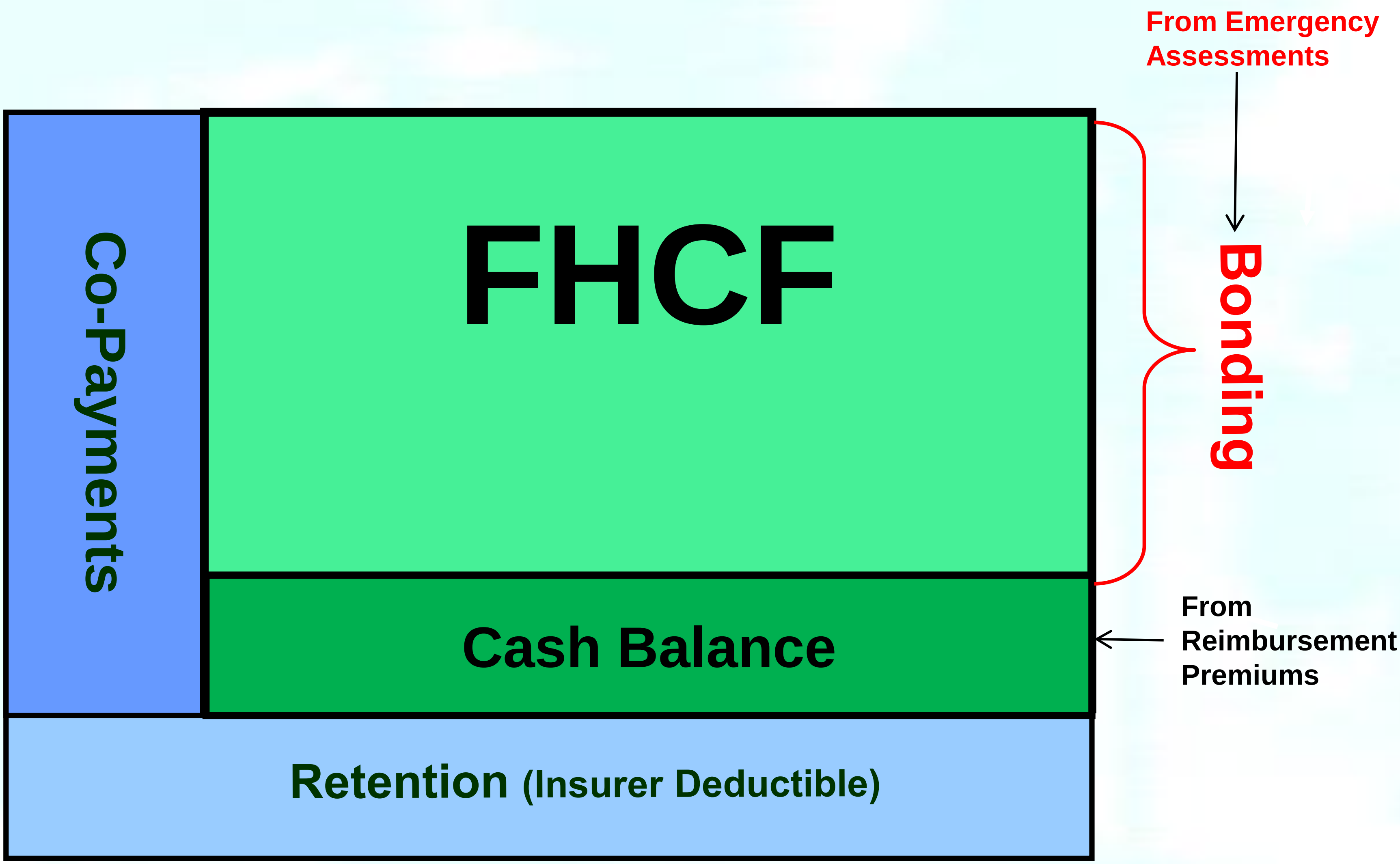
- What is the FHCF?
- Background
- Reasons for the creation of the FHCF
- Oversight
- FHCF's Role in the Florida Insurance Marketplace
- How the FHCF Operates
- Goals
- Topics, Issues, & Concerns

Florida Residential Property Insurance Marketplace

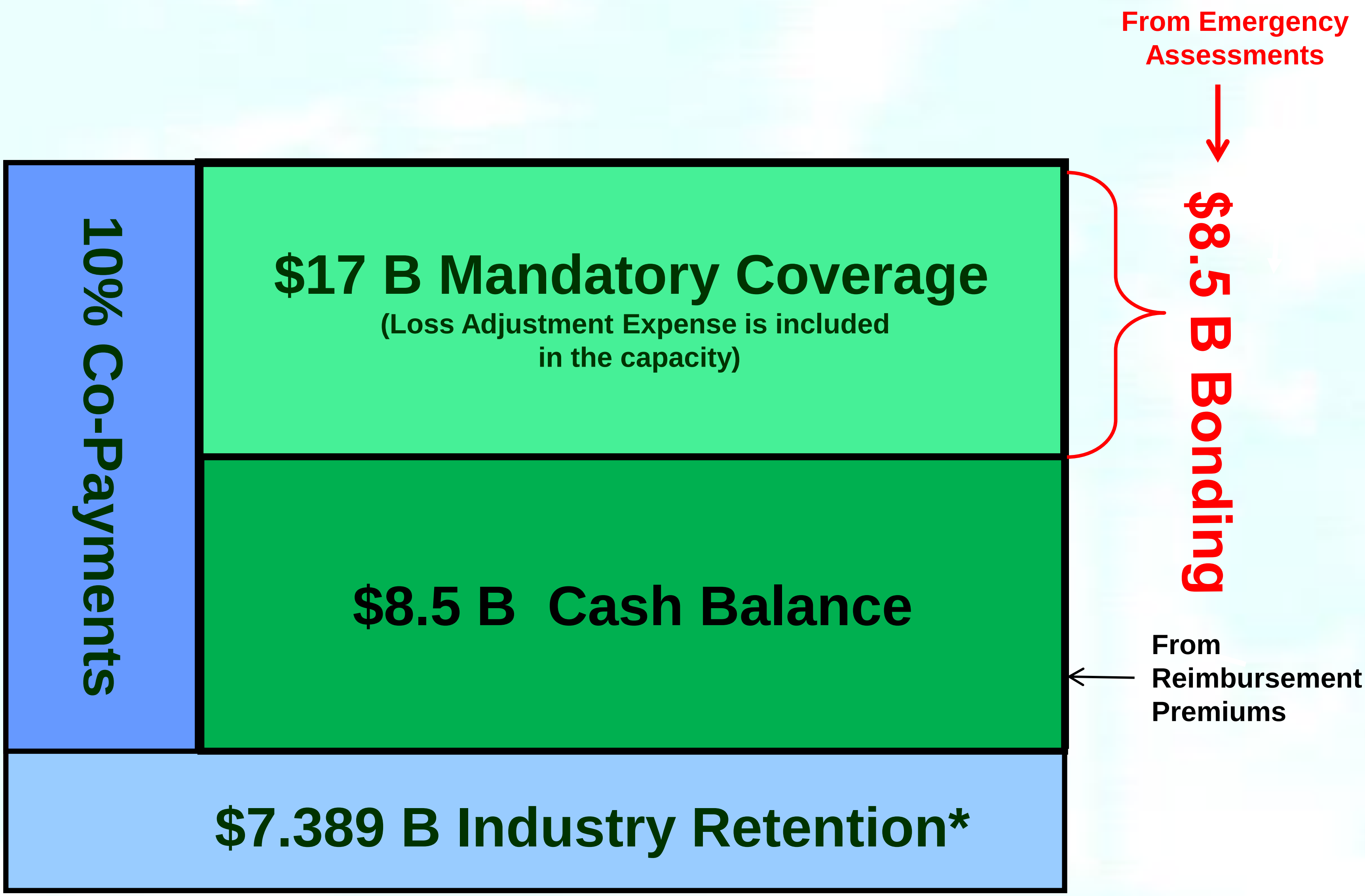


*Based on Florida Office of Insurance Regulation's QUASR Reporting Summary 6/30/2012.
**SOURCE: FHCF 2012 Ratemaking Formula Report

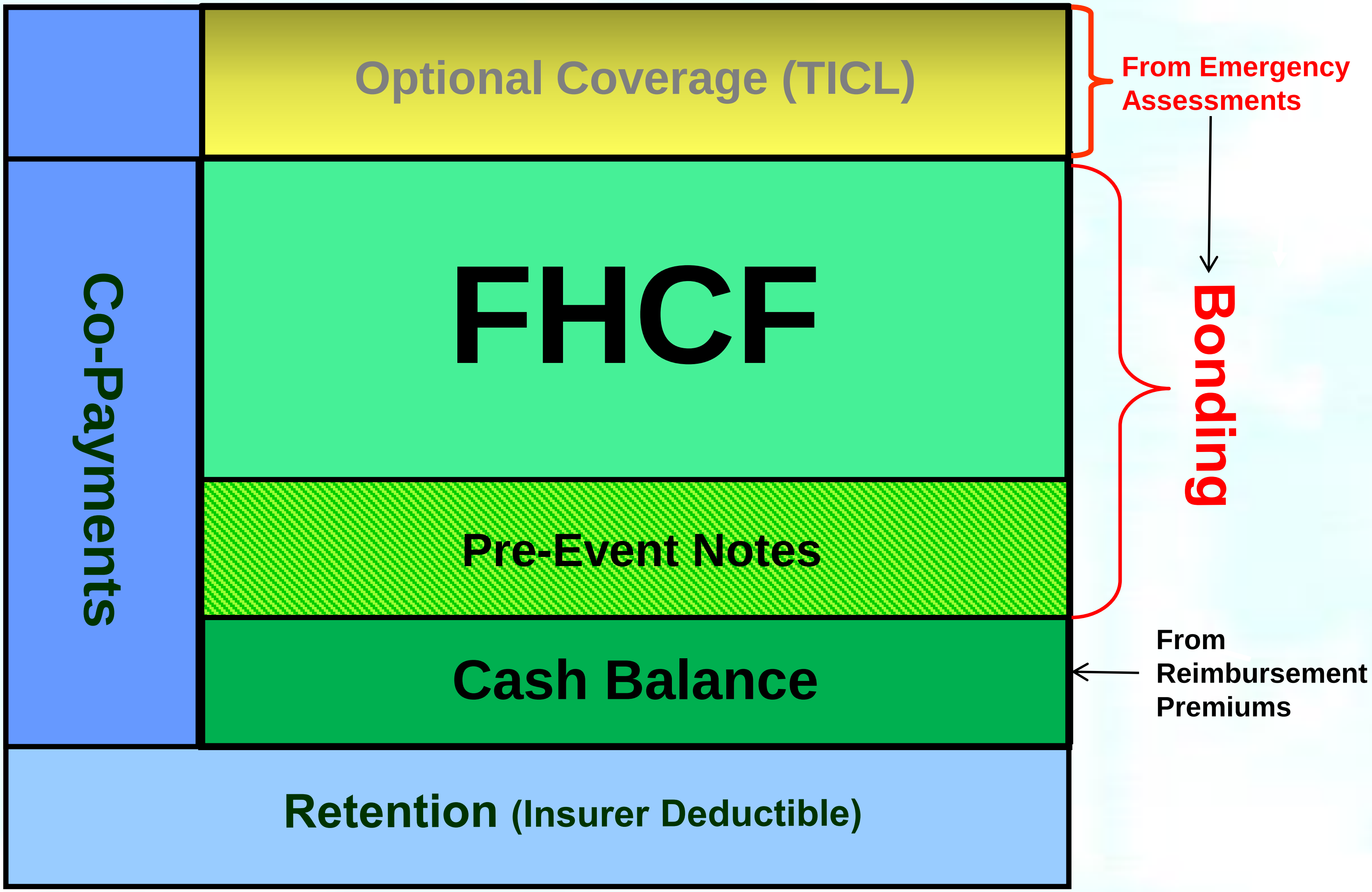
Basic Structure of the FHCF



Basic Structure of the FHCF for 2012-2013



Basic Structure of the FHCF with Optional Coverages and Pre-Event Notes

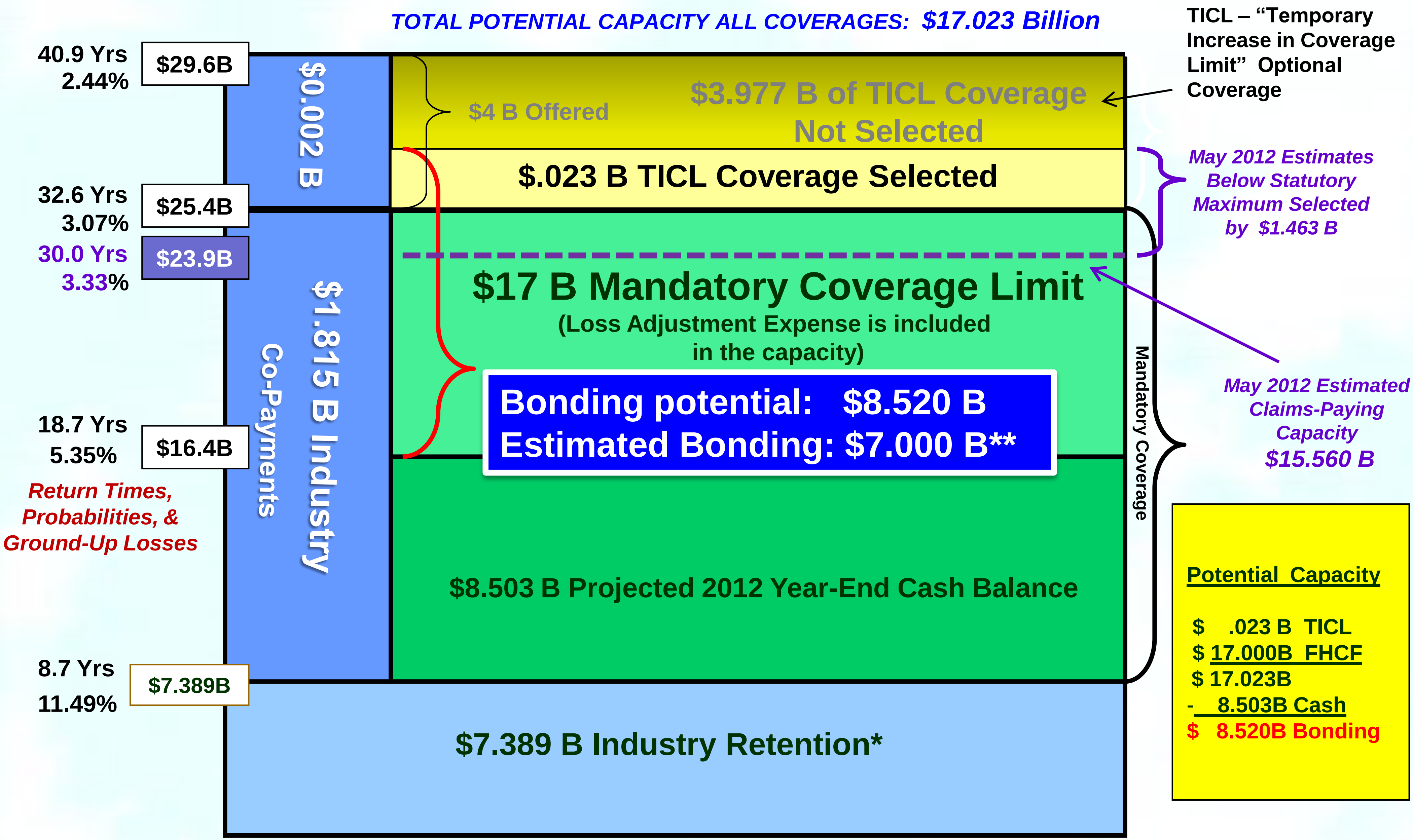


2012/2013 Initial Season

Mandatory & Optional Coverage Available

Not Drawn to Scale.
11-14-12

Not Official (For Illustrative Purposes Only)



*Individual company retentions are each company's share of the industry retention.
** Bonding over 12 months. An additional $6 billion is estimated to be available over 24 months.

2013/2014 Initial Season ?

Not Drawn to Scale.

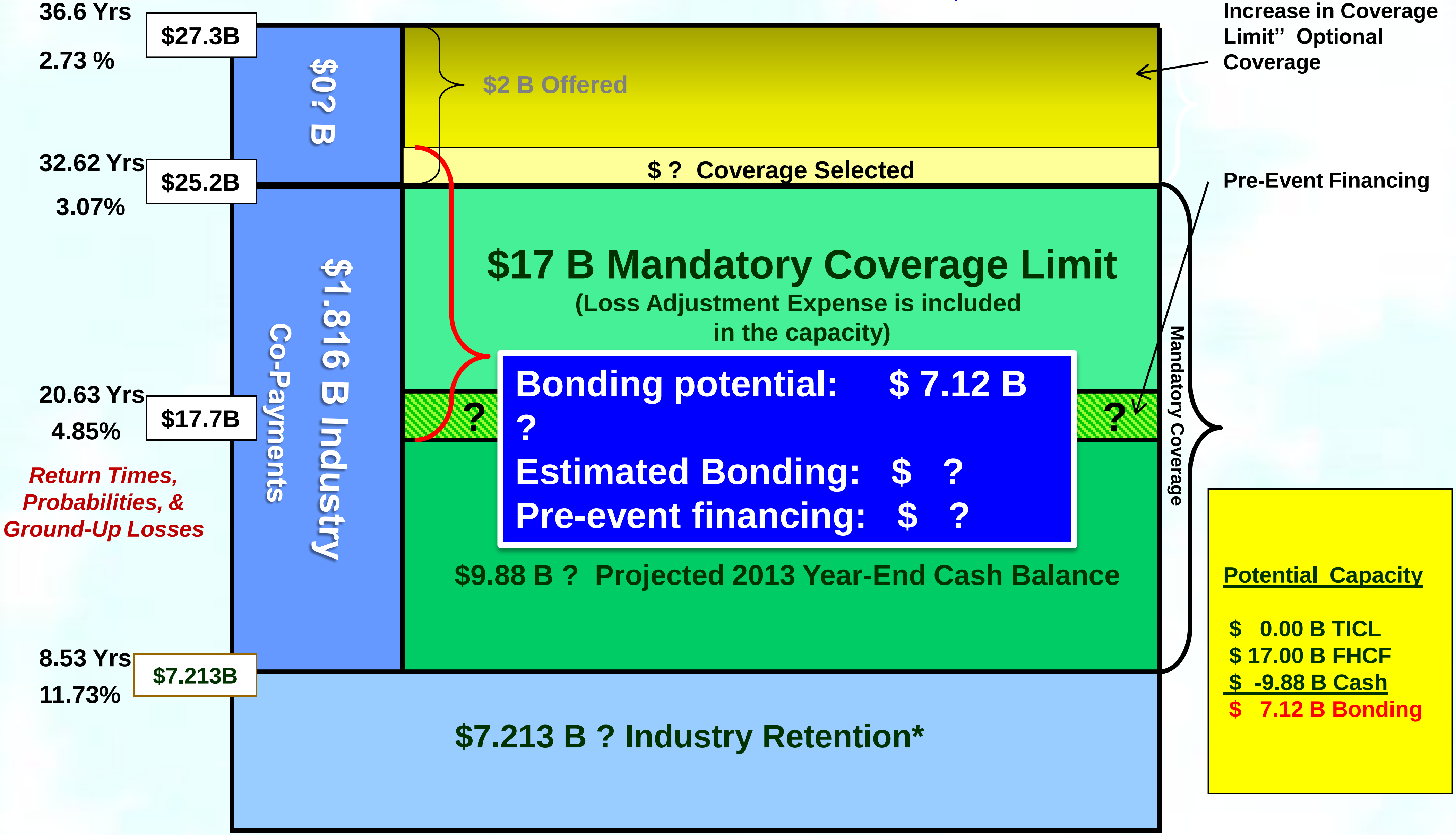
Mandatory & Optional Coverage Available

Not Official

(Hypothetical ---

Too Early to Project)

TOTAL POTENTIAL CAPACITY ALL COVERAGES: $17.000 Billion ?



*Individual company retentions are each company's share of the industry retention.

Issues, Topics, & Concerns

- <u>Emergency assessments</u> – up to 6% per year and up to 10% for all years
- <u>Assessment base</u> – All property & casualty lines excluding workers compensation and medical malpractice ($34.6 billion)
- <u>Financial market volatility</u> -- FHCF liquidity needs
  - Market access (issue enough bonds in time to prevent insolvencies – 12 months?)
  - Large events response (need to have liquidity to pay claims quickly – in 90 days)
- <u>Insurance market stability</u> – lack of subsequent season capacity and the impact on policyholders

Issues, Topics, & Concerns

- Right Sizing the FHCF – structuring the FHCF so that it is capable of maintaining capacity and paying claims
- Obligations limited to the FHCF's actual claims-paying capacity
- Estimate claims paying capacity twice a year (May and October)
- Insurers may rely on the FHCF's claims paying estimates for all regulatory and reinsurance purposes

Contact Information

- **Jack Nicholson – Chief Operating Officer**
- **Telephone: (850) 413-1340**
- **Fax: (850) 413-1344**
- **E-Mail: jack.nicholson@sbafla.com**
- ***Website: www.sbafla.com/fhcf***
- **Address:** ***Florida Hurricane Catastrophe Fund***

  State Board of Administration of Florida

  1801 Hermitage Boulevard

  Tallahassee, Florida 32308

THE FLORIDA SENATE

APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

11/23/2013
Meeting Date

Topic: Florida Property Insurance

Bill Number: ______ *(if applicable)*

Name: Belinda Miller

Amendment Barcode: ______ *(if applicable)*

Job Title: General Counsel, Fl Office of Insurance Regulation

Address: 700 E. Gaines St.
Street

Tallahassee, FL 32399
City *State* *Zip*

Phone: 413-5000

E-mail: ~~[illegible]~~ belinda.miller@floir.com

Speaking: ☐ For ☐ Against ☒ Information

Representing: Office of Insurance Regulation

Appearing at request of Chair: ☐ Yes ☐ No

Lobbyist registered with Legislature: ☒ Yes ☐ No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

This form is part of the public record for this meeting.

S-001 (10/20/11)

THE FLORIDA SENATE

APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

1/23/13
Meeting Date

Topic: Property Insurance

Bill Number: ______ *(if applicable)*

Name: David Christian

Amendment Barcode: ______ *(if applicable)*

Job Title: VP Government Affairs

Address: 136 S. Bronough
Street

Tallahassee FL 32301
City *State* *Zip*

Phone: 850/294-0704

E-mail: dchristian@flchamber.com

Speaking: ☐ For ☐ Against ☑ Information

Representing: Florida Chamber of Commerce

Appearing at request of Chair: ☑ Yes ☐ No

Lobbyist registered with Legislature: ☑ Yes ☐ No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

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S-001 (10/20/11)

THE FLORIDA SENATE

APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

1/23/13
Meeting Date

Topic Florida Hurricane Catastrophe Fund

Bill Number ______ (if applicable)

Name Jack Nicholson

Amendment Barcode ______ (if applicable)

Job Title Chief Operating Officer - FHCF

Address 1801 Hermitage Centre
Street

Tallahassee, FL 32308
City State Zip

Phone 850-413-1340

E-mail jacknicholson@SBAFLA.com

Speaking: ☐ For ☐ Against ☒ Information

Representing State Board of Administration

Appearing at request of Chair: ☒ Yes ☐ No

Lobbyist registered with Legislature: ☒ Yes ☐ No

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S-001 (10/20/11)

THE FLORIDA SENATE

APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

01/22/2013
Meeting Date

Topic INSURANCE

Bill Number ______ *(if applicable)*

Name DONALD BROWN

Amendment Barcode ______ *(if applicable)*

Job Title CONSULTANT

Address POB 866
Street

DEFUNIAK SPRINGS, FL 32435
City *State* *Zip*

Phone 850-865-9280

E-mail DON@DONBROWNFLORIDA.COM

Speaking: ☐ For ☐ Against ☑ Information

Representing AIF

Appearing at request of Chair: ☐ Yes ☑ No

Lobbyist registered with Legislature: ☑ Yes ☐ No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

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S-001 (10/20/11)

THE FLORIDA SENATE

APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

____
Meeting Date

Topic: Insurance

Bill Number: ______ (if applicable)

Name: Jay Neal

Amendment Barcode: ______ (if applicable)

Job Title: Exec Dir

Address: 7040 S. Military Tr
Street

Lake Worth, FL
City State Zip

Phone: (888) 745 5557

E-mail: jneal@floridainsurancereform.org

Speaking: [ ] For [ ] Against [X] Information

Representing: FAIR

Appearing at request of Chair: [X] Yes [ ] No

Lobbyist registered with Legislature: [ ] Yes [X] No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

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S-001 (10/20/11)

THE FLORIDA SENATE

APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

JANUARY 23, 2013
Meeting Date

Topic Senate Banking & Insurance Workshop - Citizens

Bill Number —
(if applicable)

Name Steve Pociask

Amendment Barcode
(if applicable)

Job Title President

Address 1701 Pennsylvania Ave, NW Suite 300
Street

Washington, DC 20006
City *State* *Zip*

Phone 850-391-7677

E-mail Steve@theamericanconsumer.org

Speaking: ☐ For ☐ Against ☒ Information

Representing American Consumer Institute

Appearing at request of Chair: ☒ Yes ☐ No

Lobbyist registered with Legislature: ☐ Yes ☒ No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

This form is part of the public record for this meeting.

S-001 (10/20/11)

THE FLORIDA SENATE

APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

1-23-13
Meeting Date

Topic Mitigation

Bill Number ______ *(if applicable)*

Name Robin Westcott

Amendment Barcode ______ *(if applicable)*

Job Title Ins. Cons. Adv.

Address LL 22 Capitol
Street

TLH FL 32399
City *State* *Zip*

Phone 413-2868

E-mail robin.westcott@myfloridacfo.com

Speaking: [ ] For [ ] Against [x] Information

Representing Consumers

Appearing at request of Chair: [x] Yes [ ] No

Lobbyist registered with Legislature: [x] Yes [ ] No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

This form is part of the public record for this meeting.

S-001 (10/20/11)

CourtSmart Tag Report

Room: EL 110 **Case:** **Type:**
Caption: Senate Banking and Insurance Committee --Room 110S--1/23/13 **Judge:**

Started: 1/23/2013 4:03:15 PM
Ends: 1/23/2013 6:00:05 PM Length: 01:56:51

4:03:48 PM Meeting called to order
4:03:57 PM Roll Call
4:12:28 PM Opening statement by Chairman
4:23:19 PM Presentation by Robin Westcott, Insurance Consumer Advocate
4:34:05 PM Presentation by Steve Pociask, American Consumer Institute Center
4:45:25 PM Presentation by Jay Neal, Executive Director, Florida Assoc. for Insurance Reform (handout)
4:58:27 PM Presentation by Former State Rep. Don Brown, insurance agent from DeFuniak Springs
5:01:34 PM Proposal recommendations by Senator Brandes on Property Insurance
5:12:10 PM Presentation by Dr. Jack Nicholson, Chief Operating Officer, Fl Hurricane Cat Fund/St. Board of Administration
5:16:30 PM David Christian, VP of Governmental Affairs - FL Chamber of Commerce
5:18:33 PM Senator Ring -- question posed for Dr. Jack Nicholson
5:20:25 PM Senator Ring -- question posed for Dr. Jack Nicholson
5:22:16 PM Senator Detert - question for Dr. Nicholson (compare rates with other states) (staff directed to get infor)
5:23:31 PM Senator Detert--follow up question
5:24:13 PM Robin Westcott -- answers Sen. Detert's question
5:25:42 PM Melinda Miller
5:30:01 PM Senator Margolis with question for Dr. Nicholson
5:32:39 PM Senator Montford -- question for Steve Pociask
5:33:43 PM Senator Montford - followup question for Robin Westcott
5:36:02 PM Senator Lee for Dr. Nicholson (cash vs. bonding issue)
5:55:40 PM Senator Richter - comments on Cat fund and Citizens insurance
5:56:49 PM Senator Clemens - question for David Christian (3% issue)
5:58:03 PM Senator Hays question for Dr. Nicholson --cat fund overexposed?
5:59:06 PM Chairman -- Meeting
5:59:46 PM Motion to rise

THE FLORIDA SENATE

Tallahassee, Florida 32399-1100

COMMITTEES:
Appropriations Subcommittee on Criminal and Civil Justice
Appropriations Subcommittee on Finance and Tax
Banking and Insurance
Children, Families, and Elder Affairs
Ethics and Elections
Rules
Transportation

JOINT COMMITTEE:
Joint Committee on Administrative Procedures

SENATOR MIGUEL DIAZ de la PORTILLA
40th District

January 23, 2013

The Honorable David Simmons
Chairman
Senate Committee on Banking and Insurance

Via email

Dear Chairman Simmons:

I respectfully request that I be excused from the Committee meeting today.

Thank you for your consideration.

Sincerely,

Miguel Diaz de la Portilla
Senator, District 40

Cc: Mr. Steve Burgess, Staff Director
Ms. Sheri Green, Committee Administrative Assistant

REPLY TO:
☐ 2100 Coral Way, Suite 505, Miami, Florida 33145 (305) 643-7200
☐ 312 Senate Office Building, 404 South Monroe Street, Tallahassee, Florida 32399-1100 (850) 487-5040

Senate's Website: *www.flsenate.gov*