

Senator Mike Fasano, District 11 — Press Release

FOR IMMEDIATE RELEASE

May 12, 2011

CONTACT: Greg Giordano, 727-848-5885

Statement from Senator Mike Fasano to Governor Scott: Please Veto SB 408

The Property Insurance Bill, and the 15% Premium Increase it Contains

The legislative session just came to an end and on many fronts I and a few of my like-minded colleagues fought off bad legislation that would have hurt seniors, families and consumers all across the state. Property insurance was a big priority during the session and unfortunately insurance companies, not policyholders, could be the big winners this year.

Right now, sitting on the Governor's desk, is a measure that will change property insurance laws and increase your rates. Unfortunately, we fell two votes short in the Senate of removing an onerous rate increase from the bill, which is why the Governor needs to veto this rate increase now.

The legislation, Senate Bill 408, virtually guarantees a 15% premium "reinsurance" increase for Florida policy holders who have no choice but to buy property insurance on their homes if they have an outstanding mortgage. This is a backdoor tax and fee increase that will hurt most homeowners, consumers and small business owners at a time with very high foreclosure and unemployment rates, and a fragile economic recovery underway.

The 15% "reinsurance" premium increase allows insurers to make an additional underwriting profit on top of it even if they are buying the reinsurance from an "affiliated company" they own or control. Even worse, these 15% "reinsurance" increases are on top of regular increases for projected losses, and will exponentially multiply in the second and future years as these increases become embedded in the base rate.

Homeowners who have no choice but to buy property insurance from Citizens Property Insurance Corporation will likely get the annual 10% increase which continues to be authorized by law.

This premium increase comes after six years of no hurricanes and when the property and casualty insurance industry has record profits. Profits for U.S. property and casualty insurers rose 63% to \$27 billion for the first nine months of 2010, according to insurance industry trade groups as reported by the Miami Herald on December 28, 2010.

While the 15% premium increase is reason enough for Governor Scott to veto this legislation, it isn't the only provision that should concern consumers. The bill will contain the following:

- For people who pay for replacement cost insurance, in cases of hurricane repairs, homeowners will have to pay for some repairs in advance and hope to be reimbursed by the insurance companies. Many families simply can't afford this burden.
- The bill also reduces the time period to file a claim from five years to three, even though some damage, such as water or mold damage, isn't always detected in the first few years after the storm. Many times structural damage caused by hurricanes takes a few years to become evident. This change will leave homeowners in these situations on the hook for home damage even when they've made all their insurance payments.
- Worse yet, this bill allows insurance companies to provide "additional or supplementary" information to the state in rate-setting cases without requiring the top officers at the insurance company to certify that the data backing up their claims for rate increases is truthful. I don't know about you, but I want to see insurance companies raise their right hand and swear to tell the truth before I'll believe their claims!

The fact is the current law, passed just four years ago, has provided accountability of the insurance industry. It has kept rates affordable and ensured that insurance company financial information is truthful and complete allows consumers to determine that premium rate increases are justified.

Quite simply, the bill on Governor Scott's desk is not designed to benefit you. It will instead, increase your rates and increase insurance company profits.

Please call Governor Scott today at (850) 488-7146 and encourage him to veto this bill. He will decide whether to sign or veto this bill any day now, so please let your voice be heard today, or trust me, you will be forced to pay higher premiums tomorrow.

Senator Mike Fasano is a State Senator from New Port Richey, Florida.