



FLORIDA
Consumer Action
NETWORK

Florida PIRG

Coalition
Of
Florida
Condominium
Associations



FOR IMMEDIATE RELEASE
January 9, 2007

Consumer Coalition Calls for Insurance Solutions

Tallahassee, Fla. – Grassroots consumer groups joined together today to ask the Legislature to solve Florida’s insurance crisis. The groups reacted to insurance company proposals and made their own recommendations. Several of the group’s leaders testified at a hearing of the Senate Insurance Committee today. The groups are meeting with Legislators, regulators, and industry representatives this week in Tallahassee and one of the groups plans a massive rally at the opening of next week’s special session on insurance.

Ginny Stevans, President of Homeowners for Affordable Coverage, said, “People have come together from all over the state because we are being forced out of our homes by high insurance rates. It has to stop.” Together the groups represents more than 100,000 Floridians.

The groups asked the Legislature to consider these six points:

- **Prior Rate Review** – Insurance companies should have to prove rate increases are justified before billing consumers. Many states currently have prior rate approval systems including Texas, California, and Alabama. Even some Florida companies abide by prior approval rules, not implementing rate changes until they are approved. We fail to see how “file and use” rates have helped the Florida market.
- **Improve My Safe Florida Homes** – This program to retrofit Florida’s housing stock is vital to solving the insurance crisis. The Legislature should set a timetable for getting this done. How long will it take? How many homes per year? How much will it cost? And insurance companies should be required to offer discounts to homes that have made required improvements.
- **Use hurricane sales tax windfalls to reduce rates** – the sales tax windfalls can provide a source of funding for My Safe Florida Homes, Citizens deficits, and insurer defaults, like Poe.

- **Improve the Public Model** – insurance company “black box” models have not worked and make scrutiny by regulators impossible. The Public Model is a valuable tool but needs support and refinement. The Insurance Consumer Advocate needs the ability to modify underlying assumptions to test the model. The Public Model should be considered to set rates for Citizens Property Insurance.
- **Eliminate “cherry picking”** – Gov. Charlie Crist promised to end “cherry picking” by insurance companies. Companies that sell homeowners in other states, but only auto in Florida, should be required to offer homeowners in Florida, as the Governor has recommended.
- **Eliminate Florida-only subsidiaries** – These shell companies allow insurers to use complicated reinsurance schemes to funnel profits to parent companies while shielding ratepayer funded reserves from claims. This charade must end.
- **Independent Insurance Consumer Advocate** – While we think our current insurance consumer advocate does a good job, we believe the model of the Public Counsel office, which has been highly effective on utility rates, would also work for the Consumer Advocate. We question whether putting the Consumer Advocate under the Cabinet might create more opportunities for politics.

While there are many other suggestions made by the groups in this coalition and other consumer groups around the state, there are the ideas that have the most support.

Teri Johnston, President of Fair Insurance Rates in Monroe (FIRM) said, “It is becoming impossible to live in Monroe County. The Keys help drive the economy of the state. When we see the huge profits of the insurance companies, we question how these companies are regulated.”

The groups in the coalition, Homeowners for Affordable Coverage, Florida PIRG, Fair Insurance Rates in Monroe, Cyber Citizens for Justice, Florida Consumer Action Network, ACORN, and the Coalition of Florida Condominium Associations expect other consumer groups to join their cause.

Bill Newton, executive director of Florida Consumer Action Network, said, “These high insurance company profits are outrageous. Insurance company assertions that rates aren’t high enough are ridiculous.” “Insurers believe they are entitled to make as much as Exxon,” said Newton.

Responding to insurance company proposals to increase state subsidies of insurance, offer higher deductibles, and offer “mortgage only” insurance coverage, the consumer advocates cautioned that such measures transfer more of the risk of hurricanes to the taxpayers and away from insurance. The consumers said if the measures were adopted, the state could end up in a Katrina situation where rebuilding did not take place because people were uninsured or underinsured.

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