



Consumer Federation of America



CENTER FOR ECONOMIC JUSTICE



May 6, 2009

Office of Governor Charlie Crist
State of Florida
PL-05 The Capitol
Tallahassee, FL 32399-0001

Dear Governor Crist:

VETO SB2036/HB1171

We write you to urge, in the strongest possible terms, that you veto the home insurance deregulation bill, SB2036/HB1171.

The legislative committee's summary of the bill states:

This bill permits insurers meeting certain criteria to sell a new type of property insurance policy, a "nonassessable residential property insurance policy." This type of policy is not subject to a determination by the Office of Insurance Regulation (OIR) that the rate is excessive or unfairly discriminatory. The OIR is only authorized to disapprove a rate for this type of policy if the rate is inadequate or contains rating factors contrary to the unfair trade practices statute. The policy is not subject to assessments by Citizens Property Insurance Corporation (Citizens). The bill also requires notice to the consumer before the policy is issued or renewed that the policy's rate is not regulated by the OIR and a policy with a rate regulated by the OIR may be available to the consumer.

In other words, this bill is an invitation for insurers to game the Florida regulatory system and abuse consumers. No price can be too high, no discrimination can be found unfair if a policy is issued under these terms. The regulator can only come in and raise prices if an insurer goes too low, which is extremely unlikely.

It seems that the Florida Legislature is willing to bet that deregulation will somehow fix a non-competitive market. We have seen this approach fail -- in Texas where Mr. Hunter of Consumer Federation of America was commissioner the homeowners market was unregulated as to rates and still insurers would not write or write only at very excessive rates.

We must ask just what is the logic behind this bill -- that an insurer who has to justify a rate to a regulator won't write in the market? Why shouldn't an insurer have to justify a rate in a market where competitive forces clearly do not protect the consumer? In virtually every state, regulators have the authority to require a justification of rates from insurers and those markets operate successfully. Simply stated, there is no evidence or logic that this deregulation will improve the market or the options for Florida consumers, indeed we have seen that such measures simply make things worse.

You, sir, know that insurers will abuse a freedom like this. You have seen the way they dumped your citizens after aggressively writing insurance for them for many years before abandoning them. For treating Floridians so outrageously, the insurers get a gift like this bill?

Given that there is no requirement that an insurer offer a regulated policy, why would insurers offer that when they can say "this is all we have for you, so you better sign here"?

Normally, if a seller of a product asks too much for it, the consumer can walk away. But home insurance is not like that. Lenders require maintenance of hazard insurance as a condition of keeping the mortgage effective. The market, particularly in part of Florida, is not a competitive market at all, so the homeowner is a fish in a barrel. The only option for many Floridians will be Citizen's, assuring a gigantic jump in policies going to the state, the very opposite of the goals of the legislature. The idea that this bill offers consumers a choice is absurd.

Please, Governor Crist, continue your strong record of protecting the people from abusive treatment at the hands of the insurance companies. Veto SB2036/HB1171.

Very truly yours:

J. Robert Hunter
Director of Insurance
Consumer Federation of America

Birny Birnbaum
Executive Director
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Douglas Heller
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Consumer Watchdog

Amy Bach
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(Via e-mail to Charlie.Crist@MyFlorida.com)