

## **NEWS**

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### **Insurers and Reinsurers Urge Passage of Meaningful Insurance Reforms to Stabilize Florida's Property Insurance Market**

**TALLAHASSEE, FL.** - The Florida-Based Property Insurers CEO Group, Reinsurance Association of America (RAA) and the Association of Bermuda Insurers and Reinsurers (ABIR) strongly support insurance reforms that will shore up Florida's private property insurance market, which is the most effective way to provide adequate coverage and peace of mind for the state's homeowners. Reforms also will prevent the imposition of unfair "hurricane insurance taxes" which result from too many consumers having to rely on underfunded state insurance funds.

The groups also point to the results of a Spring 2010 issue brief by the [Wharton Center for Risk Management and Decision Processes at the University of Pennsylvania](#) which noted that Florida's private insurers have been crippled by the inability to set premiums at levels commensurate with the risk.

"Despite four years without a major hurricane and a strong partnership with reinsurance companies around the world, we are still not building the capital reserves experts say are necessary to protect the homes and businesses we cover following a major hurricane or series of storms," said Bob Ritchie, President and CEO, American Integrity Insurance Company.

Senate Bill 2044 passed out of the House and now being addressed by the Senate, will impose a reasonable, three-year limit on filing hurricane claims; require that insurance payments are actually applied to the repair of homes damaged by a hurricane or sinkhole; eliminate frivolous sinkhole insurance claims; address fraud, including improper activities by some public adjusters and mitigation discount verification inspectors; and strengthen laws to guarantee the solvency of insurance company, protect policyholders, and provide the Office of Insurance Regulation authority to appropriately supervise managing general agencies (MGAs).

The private property insurance market in Florida relies on strong relationships with reinsurers. Their financial backing serves to form the safety net for insurance companies to keep their promises to their policyholders.

"Reinsurance is critical to the insurance marketplace and is the most efficient capital management tool available to insurers. It is a risk management tool that helps companies insure more homes and, at the same time, strengthens their ability to pay claims after a catastrophe," said Dennis Burke, Vice President, State Relations for the Reinsurance Association of America.

The private reinsurance market has demonstrated that it can serve property catastrophe insurance markets under the most extreme scenarios. In 2005, Hurricanes Katrina, Wilma and Rita caused \$72.7 billion of insured losses of which 61 % were ultimately paid by the global reinsurance

market. Good legislation is necessary to allow the industry to continue building the private capital reserves we need to adequately cover Florida.

“In addition to its dependability in paying its claims, the added value of relying on the private market is that, unlike public insurance programs, it prices for catastrophe risk,” said Bradley Kading, President, ABIR. “This ensures recovery by homeowners and businesses from extreme events are pre-funded and that resources are set aside to meet obligations when they occur. Utilization of private reinsurance capacity reduces the burden from unfair hurricane taxes that Floridians are compelled to pay for Citizens’ and Cat Fund post-event bonds. That’s a tax that treats apartment renters, car owners, low income home owners and not for profits unfairly.”

With almost one-third of the nation’s insured risk concentrated in the coastal states, Florida must have the ability to spread that risk worldwide through private insurers who provide access to global reinsurance. The private reinsurance market has demonstrated that it can provide coverage even in the most severe catastrophes. The reason is because it is priced to accurately reflect the risk, and in the event of a major disaster, the recovery is pre-funded.

Without reforms, Florida’s worst-case scenario, with hurricane season a month away, would be to allow its remaining Florida-based property insurers to go out of business altogether. This in turn would do away with the state’s ability to bring outside capital to Florida resulting in property owners having to assume the risk and self-insure. This would dump all of the state’s risk onto the shoulders of homeowners who would be forced to pay annual assessments for decades after a large-scale natural disaster. The cost to Florida’s citizens, like the damage to its economy, would be devastating and lasting.

**About FBPI CEOs Group:** *The Florida-Based Property Insurers CEOs Group is comprised of CEOs representing 21 insurance companies across Florida. They protect more than one million homes and manufactured homes in Florida valued at more than \$400 billion.*

**About RAA:** *The Reinsurance Association of America is the leading trade association of property and casualty reinsurers doing business in the United States. RAA membership is diverse, including reinsurance underwriters and intermediaries licensed in the U.S. and those that conduct business on a cross border basis. The RAA represents its members before state, federal and international bodies.*

**About ABIR:** *The Association of Bermuda Insurers and Reinsurers (ABIR) represents the public policy interests of Bermuda’s Class 4 insurers and reinsurers around the world, giving special priority to regulatory action in Bermuda, Europe, US, and international regulatory forums; and to promote Bermuda’s Class 4 reinsurers as the best in the business in ceding insurer forums.*

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