Thank you for the opportunity to express myself before this subcommittee. My comments will attempt to convey the views of a regional insurance agent who faces the daily routine of serving the homeowner community in Florida. Comments will be restricted to views of the Florida situation as that is the basis of my experience.

I have been a licensed insurance agent in this state for 31 of the past 36 years only interrupted for a period of 5 years when I worked in VA. I have personally seen and been part of a number of insurance crises in the state ranging from the Workers Compensation and Medical Malpractice crises of the 70's, the insurance capacity crunches of the 80's and 90's; and, most importantly, the homeowners' crisis that has essentially remained since Hurricane Andrew in 1993 and the evolution of insurance in the state to where we are today. All of this is now profoundly affected by the current economic crisis which is integral to our daily lives.

I overviewed some of the prior testimony and know you have heard from regulators and political leaders and have been provided statistics in support. I do not have actuarial promulgations but rely on history which repeats itself in one way or another and hands on experience.

Contrary to some reports:

- Insurance rates have been reducing significantly over the past two years thanks mostly to mandated Mitigation credits. Many consumers have, where possible, improved their own risk via hurricane shutters and new roofing up to code for example. The newer construction is not the issue but the older homes and the ability of those homeowners to afford improvements is. This is an area where State and Federal government can look to assist via tax credits, grants and the like. Better risks can only serve to enhance underwriting results which in turn affects pricing and availability.
- The number of companies has increased who are writing homeowners coverage in the state although Citizens remains the primary underwriter of such a risk.

This is good news! The bad news is:

- Florida's population growth has slowed significantly in recent years with property tax and insurance cited as key causes of retiring individuals to looking elsewhere and actually causing some residents to leave Florida. The term "halfback" has become common.

- Insurance rates are still higher than historical levels and the pressure is heavily felt on individuals and families due to the economy.
- Lowering insurance costs at this point in time would have limited affect on improving the housing markets and local economy – it is the economy which is having the most profound impact on the housing market.
- Other than less than a handful of national insurers who specialize in high valued homes, we no longer have any “brand” names writing homeowners insurance in this state.
- The market consists almost entirely from start up companies many of whom will not be able to sustain a substantial or perhaps less than substantial hurricane. This will place enormous pressure on state catastrophe and guaranty funds which ultimately will lead back to the consumer.
- The few rated companies (not demotech) who have been writing are getting saturated with business which could well threaten their future viability.
- The good news of decreasing cost carries some bad news in that these companies will have less money to pay losses which threatens future viability.
- There remains restrictive underwriting in “V” flood zone areas where coverage is either Citizens or Excess & Surplus Lines who have no rate restriction.
- We encounter seasonal and “Zip” code saturation where insurers attempt to avoid overextending in an area which does not help remaining homeowners.

Conclusion: We have availability and somewhat improved rates but are sitting on time bomb reliant on the weather - when and where will the wind blow. We still do not have a long term solution to the problem.

Keys to our future:

- Expand underwriting capacity which must be done by having “brand” names return to provide homeowners coverage in our state. A free market competition and economy will follow its own course and lower costs over time bases upon underwriting results. This will only happen if they perceive that they can control risk and have a reasonable expectation to earn a profit.

    - This is where Federal and State governments can and must provide vital support. As large as the insurance industry is, it is not sufficient to bear the entire risk. Catastrophic exposures due to population concentrations have become too significant. If insurers are able to better measure the risk due to a cap on their liability via affordable reinsurance whether private or public sourced, they can better risk a portion of their assets to write in a catastrophic area based upon perceived profits.
    - I would caveat that some regulation would be required to ensure that the benefit of such reinsurance plan is passed to the consumer and not retained in the profit coffers of insurers.
- While an insurer should still be subject to making a profit or loss based upon their underwriting prowess, they should not be punished by assessments for risks they do not underwrite. This is the greatest deterrent for an insurer to enter a market. Such type of volume assessments causes a pass through to the consumer and is reflected in insurer rate structures. Where it cannot be reflected, an insurer is discouraged from underwriting in a given state.
- Current private reinsurance which I believe has already been well publicized, views risk on an annual basis and prices accordingly but all recognize that catastrophic events occur over a longer period. The upward price reaction to a poor result year creates an uneven and volatile marketplace which culminates in sometimes severe pricing swings to the consumer. Additionally, there is often significant lag time in reinsurance payments to insurers which further pressures the primary provider. A plan which can level this process would prove most beneficial to the consumer.
- Essentially, I am an open market person but at the same time can see where the proposed legislation would have the Federal government act as a conduit to better reinsurance costs. With the proper integration of the plan into the insurance mechanism it is logical to believe it would result in a better purchasing environment for the homeowner.

Respectfully submitted,

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