Submission of your Testimony

Statement – S. Colleen Repetto (FIRM)

I am the Executive Director of FIRM (Fair Insurance Rates in Monroe) from Monroe County, FL, aka The Florida Keys. We are a 501c4 grassroots organization that began at a backyard barbeque in 2006. FIRM has grown to 5000+ members countywide, we are run by volunteers, and funded through donations.

FIRM brought attention to the statewide windstorm insurance crisis by successfully challenging Citizens Property Insurance 2006 Monroe County rate filings. In 2004, a 1900 sq. ft. home built to withstand the 150mph winds with hurricane protection was paying $3000 a year in windstorm premiums. By 2006 this same home was billed $15,900 for a one year premium and had never filed a wind claim. As the result of FIRM's engineering, meteorological, geographical, statistical and historical verified facts which proved that our county had been charged excessive windstorm rates, the Office of Insurance Regulation rolled-back our rates by 32%.

The rate was not the only issue. A Florida law allowing insurance companies to use or bill rates and then file them for approval was devastating to our policyholders. At the extremely high rates, people were receiving invoices for $9,000 to $25,000 for one year's premium on an insurance policy that, in the Keys because we build to 150 mph winds, it was highly unlikely that the majority of insureds would ever have damage greater than their deductible, and therefore have no claim against their policy. FIRM lobbied our state legislators to help repeal, although temporarily, the use and file law. Insurance companies currently must file their rates with the OIR before billing their policyholders. We continue to press to make file and use a permanent law.

Contrary to popular perception, Monroe County is not a wealthy county. We have many low and middle income residents who could not afford this insurance and were in distress at how they would provide the coverage that their mortgages required.

Currently, risk models used in setting rates do not separate wind and flood and therefore do not accurately reflect probable maximum loss caused by each. There is no "all risk" hurricane insurance. Wind is provided by state or private insurers, and flood is a federal program. Claims can be delayed for years until the damage is proportionately assessed which cause additional financial burdens for property owners trying to get their lives back on track after a devastating storm. We feel strongly that federal funds, which are really all taxpayer dollars, should not be the first line of financial relief for natural disasters.

The National Climatic Data Center (a division of NOAA) tracks and evaluates natural catastrophic events that have great economic impact. In 2008 alone, $58 billion for insured and uninsured properties was spent in 44 states before the ice storms in the Northeast in December.

FIRM believes in personal responsibility especially in high risk areas. Property owners should strengthen their buildings to meet or exceed their regional perils and buy insurance. “All risk” policies could be provided by private insurance companies capping their losses followed by state catastrophe funds paying “all risk” claims to their cap loss, with a federal financial obligation guarantee to kick in as a backstop.

Consumers need to be educated on the cost/savings benefits of strong building and mitigation and offered low interest loans or grants to better withstand the high risk. Local governments have a responsibility to properly and appropriately develop land use regulations and enforce strong building codes.

Windfall tax dollars generated by rebuilding and repairs after a storm should be used to build state cat fund reserves, fund mitigation programs and/or reduce premiums in the areas where they were collected. These unanticipated tax revenues should not be allowed to be deposited into general funds for use in any other way.

All-in-all a comprehensive multi-level “all risk” catastrophic insurance program needs to be implemented to preserve assets, protect the lives of our citizens, and maintain stable communities.

We are grateful to participate and tell our story. Thank you.

Information about You

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PROFILE
PROFESSIONAL EXPERIENCE

FIRM (Fair Insurance Rates in Monroe) **2006-Present**
Board Member and Executive Director

- Assisted to bring about significant changes in windstorm insurance in Monroe County
- Raise funds by donations to support our 501C4 non-profit organization
- Represent Monroe County residents' insurance issues to the state legislature
- Make presentations to County residents on windstorm insurance issues
- Continue to work on residential, commercial-residential and commercial windstorm issues
- Appointed Funded Consumer Liaison to the National Association of Insurance Commissioners
- Present consumer issues to a variety of government insurance committees or departments, such as the Florida Commission on Hurricane Loss Projection Methodologies, the Florida Office of Insurance Regulation, the Governor's office, the Florida Consumer Advocates Office, and other government entities.
- Assist consumers with their insurance complaints and claims resolution

My insurance education consists of volunteering to work with FIRM as a start-up, grassroots organization to bring about fair, equitable and non-discriminatory windstorm rates for the residents and property owners of Monroe County. It's been an on the job learning process and our success is testament to our facts and our resolve.

FIRM, nor I, receive any federal grants and do not have, or have had, any federal contracts.

FIRM was founded in 2006 at a backyard barbeque. It quickly turned into an organized group of dedicated residents who raised funds to help hire experts to provide the facts and figures to show why Monroe County should not be paying the exorbitant rates used by Citizens Property Insurance Corporation in 2006. We are a 501c4 organization, funded by donations and staffed by volunteers. We have 5000+ members countywide. FIRM has never received any federal grants and has never had any contracts with the federal government.

FIRM
FAIR INSURANCE RATES IN MONROE
www.FIRMKeys.org

"The Homeowners' Insurance Crisis: Solutions for Homeowners, Communities, and Taxpayers"

A Presentation to the

Subcommittee on Oversight and Investigations

Field Hearing

West Palm Beach, FL

S. Colleen Repetto, Executive Director, FIRM

(Fair Insurance Rates in Monroe)

Thursday, July 2, 2009

Who is FIRM?

- FIRM is a 501c 4, grassroots organization founded in Key West with 5,000+ members countywide, run by volunteers and funded through donations
- Brought attention to statewide windstorm insurance crisis
- FIRM successfully challenged Citizens Property Insurance Corporation (CPIC) 2006 Monroe County FL windstorm rate filings
- The Office of Insurance Regulation therefore rolled-back Monroe County residential rates by 32% resulting in an effective rate of $13.44/$1,000 of coverage
- FIRM has worked with a coalition of consumer groups around the state of Florida for insurance reform

Residents' Dilemma

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- 1900 sq. ft. home with Class A Shutters paid $3,000 in 2004 for windstorm insurance
- The same1900 sq. ft. home with Class A Shutters billed $15,900 in 2006 for windstorm, never having filed a claim
- 2006 rates meant that the average residential property owner paid $610 a month in windstorm premiums alone excluding other related fees and surcharges
- 2006 windstorm premiums represented 17% of the median household income on average
- Entry level home ownership was out of reach for most young families and rents rose dramatically
- Recruitment and retention of teachers, healthcare workers, police, firemen, hourly workers in the tourism industry, and retirees and long-term residents living on fixed incomes were driven out of the county because they could no longer afford to live in the community
- Escalating insurance premiums devastated real estate market as windstorm insurance premiums were becoming a “deal-breaker” in real estate transactions
- Citizens 2006 rate increase represented $35 million dollars of lost disposable income with a proposed 37% increase representing a potential $79 million dollars out of our pockets

The Hurricane Insurance Challenge

- Two simultaneous perils – wind and water
- Wind insurance is provided by private insurers and Citizens Property Insurance Corp.
- Flood insurance is a federal program
- Current risk models do not separate the perils and, therefore, do not accurately reflect probable maximum loss for damage caused by each
- “All risk” policies would eliminate this problem

Delays are Costly to the Consumer

- Currently, policyholders' claims can be delayed by each insurer until hurricane damage is assessed proportionately to wind and flood
- Repair and rebuilding delays cause considerable additional financial burdens
- Lifestyle is continuously interrupted
- It can take years to properly settle claims

National Climatic Data Center (NCDC - Division of NOAA)

FAIR INSURANCE RATES IN MONROE
www.FIRMKeys.org

- "Nations Scorekeeper" when addressing severe natural catastrophic events in their historical perspective
- NCDC tracks and evaluates climate events in US and globally that have great economic and societal impacts
- US has sustained 90 natural disasters over the past 29 years in which losses, insured and uninsured, exceed $700 billion
- In 2008 alone, an estimated $58 billion was spent on weather related events in 44 states before accounting for the Northeast ice storms in December

Source: National Climatic Data Center (NOAA)

Layered Insurance Coverage

- If in fact, a majority of states suffer from natural catastrophic events, then high risk areas should have 4 levels of "all risk" insurance coverage
- Level 1-Individual "all risk" policyholder pays premium *and* deductible
- Level 2-Private insurance "all risk" policy pays claims to cap loss
- Level 3-State Catastrophe Fund pays "all risk" claims over private insurance to cap loss limit
- Level 4-Federal Catastrophe Insurance Plan provides a catastrophic financial obligation guarantee to state for amounts over the state's cap loss limit

Taxpayers are the State and Federal Governments

- All taxpayers are picking up the tab now for hurricane damages caused by flood ***and wind*** on properties without insurance
- Taxpayers who buy wind and flood policies are taking responsibility for their choices
- Every property owner needs to be motivated and able to take personal responsibility for their property and the welfare of their family members

Building and Mitigation Education and Accounting

- Property owners need to know the cost/savings benefits of strong building and mitigation in their own high risk area
- Civic groups, insurance brokers, mortgage brokers, the real estate industry and others could provide ‘high risk area specific’ mitigation seminars to educate consumers
- Low interest loans, grants, and premium credits should be available to help consumers strengthen their properties
- Counties and municipalities have a critical responsibility to the public welfare when developing land use regulations and enforcing building codes
- Models used to predict PML should account for variables in building codes by area

Personal Responsibility

- Tax incentives could be provided to owners who take personal responsibility, harden their properties, and buy underlying insurance
- Private insurance company policies could eliminate exclusions but cap losses on “all risk” policies
- State catastrophe funds should be required before tapping federal guarantees
- Federal assistance should be limited to providing financial help to property owners who mitigate for risk and/or buy underlying insurance, in the states that provide a catastrophe fund

A Source of Funding, albeit After the Fact

- Property rebuilding and repair purchases (labor and materials) are a result of natural disasters
- Most states charge sales tax on purchases which, for these expenses, provides a state “windfall” tax revenue stream
- Unanticipated state sales tax revenue could be used to build reserves in state catastrophe funds and/or to fund mitigation programs, such as My Safe Florida Home
- The “windfall” income should never be available to any state’s general revenue fund
- The funds result from catastrophic events and should be available to offset future catastrophic claims

Sound Public Policy

Why COGA (The Catastrophe Obligation Guarantee Act) merits the support of public officials:

- **COGA** will meet the ongoing common need of established state programs such as those in California, Florida, Louisiana, and Texas for reliable, adequate private financing
- Dependence on the fluctuating and heavy cost of private reinsurance creates less predictable premium affordability
- Federal guarantees of state programs' post-event debt will provide existing state programs, and any other qualifying state program, with dramatically enhanced debt-market access, across all market conditions, at much lower borrowing costs

Summary

- Unaffordable insurance premiums create havoc for homeowners, taxpayers, communities and the overall economy.
- Uninsured risks equal delayed repairs, taxpayer exposure, and potential blights on neighborhoods devaluing comparable repaired or rebuilt properties.
- Mitigation strengthens buildings to withstand natural disasters, limiting damage and causing less lifestyle disruption. Better protection lowers claims which should attract more private insurers, make insurance premiums more affordable, and lessen government funding liability.
- Consistent state insurance regulation equals rate stability and protects consumers.
- Public insurance programs need access to reasonably priced capacity to meet high level risk exposures.
- Consumer education creates public awareness of the cost/savings benefits of insuring assets and the safety of your family.
- Appropriate land use regulations and strong enforcement of building codes lead to greater public safety as well as lower insurance expenses.