



THE FLORIDA HOUSE OF REPRESENTATIVES
STATE REPRESENTATIVE JOHN LEGG

District 46

DEAN CANNON
Speaker of the House

JOHN LEGG
Speaker pro tempore

August 1, 2011

Commissioner Kevin McCarty
Florida Office of Insurance Regulation
200 East Gaines Street
Tallahassee, FL 32399

Dear Commissioner McCarty:

In 2011, the Legislature passed CS/CS/CS/SB 408 which provided needed reforms in the area of property and casualty insurance. Included in this legislation were important changes to the law relating to sinkholes. In particular, the law focuses on reducing cost drivers in sinkhole coverage for the private and public sector.

The most significant cost driver the new law addresses is in the area of claims. New provisions include restricting coverage to principal buildings, establishing a two year timeframe for the filing of claims, strengthening repair requirements, requiring new testing procedures and improving the neutral evaluation process. Most importantly, the law defines "structural damage" specifically using terms of the Florida Building Code. Based on testimony and analysis undertaken throughout the legislative process, it is clear that this new definition will result in the filing of fewer claims. Also, as your office is aware, there has been considerable litigation under the old law regarding the lack of a definition of structural damage, the costs of which should now be substantially reduced.

Against this backdrop and pursuant to the new law, Citizens Property Insurance Corporation (Citizens) has initiated the process to file with your office new rates for sinkhole coverage. This week the Board of Governors for Citizens approved extraordinarily large rate increases both in terms of percentages and real dollars. Citizens has stated publically that the increases are based on past historical data. While consideration of such data may be appropriate in some situations, it appears that Citizens did not adequately consider key components of the new law which should lower costs. For instance, by restricting coverage to principal buildings and making sinkhole claims contingent on meeting specified provisions of the Florida Building Code, it is certainly reasonable to conclude that Citizens will now not adjust nor pay for a number of claims for which they did previously.

REPLY TO:

10014 Grove Drive, Suite B, Port Richey, Florida 34668 (727) 869-8600, FAX: (727) 861-5229
418 The Capitol, 402 South Monroe Street, Tallahassee, Florida 32399 (850) 488-5522, FAX: (888) 635-4617

The rate requests by Citizens for these large increases for sinkhole coverage will now be sent to your office for approval, denial or modification. In considering these requests, we urge you to evaluate the positive features of the new law and ensure that enough information has been proffered to allow you to meet your statutory obligations to determine that these increases are not excessive. We also respectfully request that you conduct public hearings in the regions that were adversely affected in order to fully assess the magnitude that these rate increases would have on Florida homeowners.

Thank you for consideration.

Sincerely,

A handwritten signature in blue ink, appearing to read "John Legg", with a long horizontal flourish extending to the right.

John Legg
State Representative, District 46

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