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## Florida's Message to Insurers: Keep Out!

*By Eli Lehrer*

When Gov. Charlie Crist vetoed the Consumer Choice Insurance Bill late last month, he might as well have put massive “Insurers: Keep Out” signs on every highway, river, seaport, and airport entrance to the Sunshine State.

The now-vetoed law simply allowed willing customers to pay more for insurance. Had the Governor signed it, the state government would have continued to dictate rates for most insurance policies while customers who wanted to would have been able to pay a premium price in order to stay with a company they might like and trust. The continued presence of these larger insurers in the state, furthermore, would have increased choice and upped the total amount of private insurance capital available to Floridians.

And the state needs all the private insurance capital it can get. Ever since January of 2007, when Crist and the Legislature made the government the state's chief property insurance provider, insurers have fled the states in droves.

State Farm, the largest private insurer in the Florida, has announced plans to leave altogether whereas major national companies like Allstate, Nationwide, Liberty Mutual, and Travelers have essentially stopped writing new homeowners' insurance policies.

While Crist and his minions point to “40 new companies” that have entered the state, they don't mention that only eight of them write typical homeowners' policies on homes worth less than \$1 million, and only one brings in any out-of-state capital to do it. In short, Florida has lost an enormous amount of net insurance capacity at a time when increased coastal development and a spate of heavy hurricane seasons make it necessary.

That said, the Consumer Choice bill wouldn't have fixed the state's insurance system. To begin with, it was too narrow and those who characterized it as the “State Farm Bill” weren't totally off base.

Granted, the Consumer Choice bill would have kept State Farm and other large insurers in Florida by easing the rate caps, but it wouldn't have allowed smaller insurers or their customers the same freedoms as the big boys and their customers.

Rather than limiting freedoms to the largest companies, the Legislature should have gone further by simply allowing all consumers the freedom to pay what they think is a fair price for insurance. After all, the failure of AIG, once the world's largest insurer, proves that size alone doesn't dictate an insurer's stability.

Nonetheless, Governor Crist's veto hurt the state's insurance environment. In the short term, therefore, the Legislature should look for any opportunity it can find to override the veto. Also in the near future, the Legislature may want to consider proposals for a fully bifurcated market. Consumers who want to pay lower rates now and risk assessments and insurer insolvencies later would be allowed to do so. Those who choose to pay higher rates, on the other hand, would be exempt from those special assessments.

In the longer term, the Legislature needs to think more broadly about the concepts within the Consumer Choice Bill. Not only should the law allow consumers who wish to pay more for insurance to do so, but it should simultaneously work to allow market forces— rather than government— to set prices for property insurance throughout the state.

The law should, in short, work to deregulate insurance rates, phase out the

Catastrophe Fund, and reduce the state-run Citizens Property Insurance to near-nothingness. Before Florida can even think of doing that, however, the Legislature and Governor Crist need to make it clear that Florida welcomes private insurers. Vetoing a popular, deregulatory bill doesn't do that. In fact, it makes it seem as though Florida wants to scare insurers away.

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