



SOLIDARITY

In The Sunshine

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The Florida AFL-CIO Joins the Insurance Fray

As the Florida Legislature embarked on a special session designed to pass legislation to stabilize Florida's home owners' insurance market and lower rates for consumers, the Florida AFL-CIO joined a broad-based, consumer oriented coalition to work on the issue. The coalition includes the Florida Consumer Action Network, The Florida Justice Association (formerly the Florida Academy of Trial Lawyers), FPIRG, ACORN and several other grass-roots groups organized at the local level for insurance reform.



Florida's insurance crisis has been widely reported and most home owners have experienced the problem directly with insurances rates rising at triple digit rates over the past three years. Florida is leading the nation in foreclosures, and while rising interest rates on variable rate loans and overbuying by residents during the housing boom are major contributing factors, so are the rapidly rising insurance rates. Thousands of working families are being forced out of their homes and out of the state as insurance companies continue to raise rates by 50, 100 or even 300 percent in some areas. Simultaneously, many homeowners who have made claims for catastrophic losses are finding a claims system that all too often leaves them with nothing or have massive deductibles that make it impossible for them to repair their homes.

The insurance industry claims that all of this is because of incredible losses resulting from eight hurricanes over the past four years. With over \$33 billion in losses, most Floridians have been somewhat receptive to this claim. What most don't realize is that even with these massive losses and payouts, Florida's major insurers are still flush with cash and have still posted billions of dollars in profits for their parent corporations. Consider these comments from Allstate chief Edward Liddy at a financial services conference on Wall Street, quoted in the St. Pete Times on January 8th. He said, "In just over a decade, Allstate's annual revenues have risen from \$23 billion to \$35 billion, and our market cap has increased from just under \$20 billion to about \$40 billion ..." "At the same time, we have paid out more than \$6.6 billion in dividends at an average annual increase of just over 12 percent. And our total return to shareholders has doubled the S&P 500 over that 10-year period." On the same day he made these comments, Allstate dropped 106,000 policies in our state's higher risk areas. Florida's biggest private insurers have posted similar profits. Citizen's Insurance, the publicly backed insurer of last resort, is in a different position and its rate increases are easier to swallow (although in many cases impossible to afford), but there are restructuring measures that can be taken to minimize these increases. **Hurricanes are not the problem. Florida's dismal regulatory structure which has been dominated by the insurance companies for decades, is the problem.**

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Consider California, which has seen rate reductions of 20% or more, in the past year or more even in light of the numerous floods, fires and earthquakes that we so often see on the nightly news. The difference between Florida and California is that California's market is heavily regulated and insurers must show a direct link between rates, claims and profits by the companies' parent corporations. The Legislature must take this opportunity to create a new regulatory apparatus that serves the needs of consumers while allowing the insurance companies to make a profit. It is possible and has been achieved in states like California but can only happen if our elected leaders stand up to the insurance companies (who donated tens of millions of dollars to campaigns last year) and demand accountability for our residents. This is a complex problem but the industry's fix is quite simple...change the law so that the taxpayers and individual homeowners shoulder the bulk of the risk. This would be accomplished through generous state subsidies for catastrophic coverage, increased deductibles and changes that will allow homeowners to choose to be underinsured. This last measure would lower rates, but as soon as there is a major storm, whole neighborhoods could be wiped out with no way to pay for the rebuilding...think New Orleans. Imagine what would happen to the property values of homeowners who carry enough insurance when their neighbor's house can't be rebuilt because they did not. This is a particularly dangerous solution, one that could devastate Florida's real estate market.

The Florida AFL-CIO and our coalition partners are pushing six common sense measures that will help reduce rates, stabilize the market, protect the public purse and minimize the risk carried by any single insurance carrier. We may not be able to achieve all of these goals but these are what we are working toward.

Prior Rate Review – Insurance companies should have to prove rate increases are justified before billing consumers. Many states currently have prior rate approval systems including Texas, California, and Alabama. Even some Florida companies abide by prior approval rules, not implementing rate changes until they are approved. We fail to see how “file and use” rates have helped the Florida market.

Improve My Safe Florida Homes – This program to retrofit Florida's housing stock is vital to solving the insurance crisis. The Legislature should set a timetable for getting this done. How long will it take? How many homes per year? How much will it cost? And insurance companies should be required to offer discounts to homes that have made required improvements.

Use hurricane sales tax windfalls to reduce rates – The sales tax windfalls can provide a source of funding for My Safe Florida Homes, Citizens deficits, and insurer defaults, like Poe.

Improve the Public Model – Insurance company “black box” models have not worked and make scrutiny by regulators impossible. Modeling that estimates the amount of damage a structure will sustain must be open to public scrutiny and the Insurance Consumer Advocate needs the ability to modify underlying assumptions to test the model. This Public Model should be considered to set rates for Citizens Property Insurance.

Eliminate “cherry picking” – Gov. Charlie Crist promised to end “cherry picking” by insurance companies. Companies that sell homeowners in other states, but only auto in Florida, should be required to offer homeowners in Florida, as the Governor has recommended.

Eliminate Florida-only subsidiaries – These shell companies allow insurers to use complicated reinsurance schemes to funnel profits to parent companies while shielding ratepayer funded reserves from claims. This charade must end.

Independent Insurance Consumer Advocate – While we think our current insurance consumer advocate does a good job, we believe the model of the Public Counsel office, which has been highly effective on utility rates, would also work for the Consumer Advocate. We question whether putting the Consumer Advocate under the Cabinet might create more opportunities for politics.

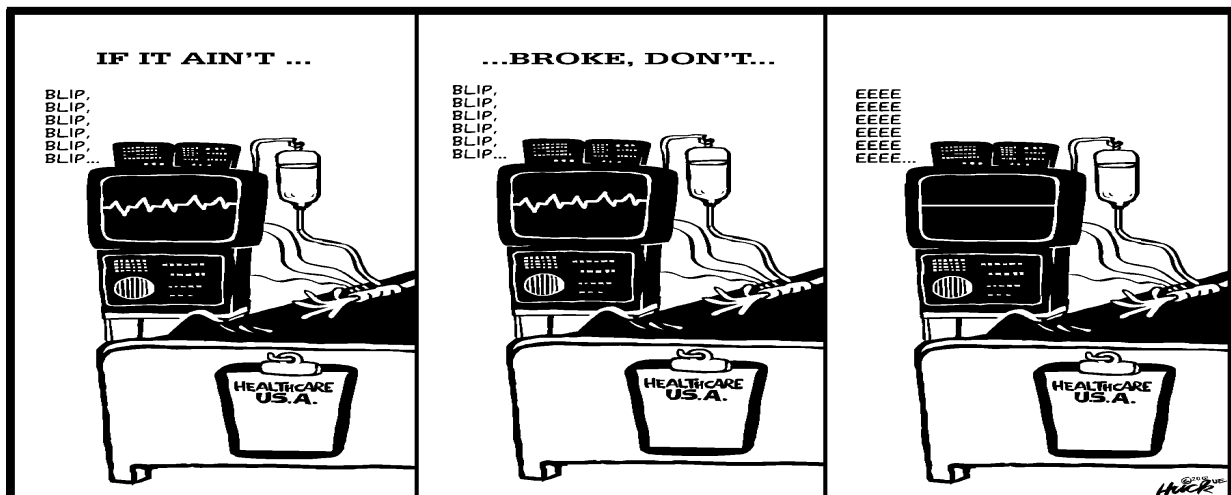
100 Innovative Ideas for Florida's Future – A Plan of Action or Partisan Propaganda?

Last year, incoming House Speaker Marco Rubio launched an initiative to gather 100 innovative ideas from the citizens of Florida and pledged to make those ideas the cornerstone of the agenda for the Florida House for the next year. The idea seemed like a good one and Speaker Rubio promised that his intention was to rise above partisanship in an effort to find those issues that the people and the "People's House" could reach a consensus on. In fact, on his website at www.100ideas.org he wrote that, "There is no room for petty partisan politics. People understand that Republicans and Democrats may disagree on solutions, but they expect us to at least agree on the problems. Ultimately, they will and should hold all of us accountable for the results." Again, sounded good. Ideas were gathered at public meetings around the state and on the website and a list of ideas was generated and bound in a book selling on Amazon.com. It has been made known that this book will serve as the agenda for the House and committee bills would be drafted to implement the ideas in each area, so we at the Florida AFL-CIO purchased a copy. To say that we were surprised to find an overtly partisan document that trotted out many of the same right-wing proposals and talking points would be disingenuous.

First, the copyright page of the \$27.95 tome clearly states that "This book was paid for and sponsored, in part, by the Republican Party of Florida." Which part? Who paid for the other parts? Was it the taxpayers? This raises other interesting questions. Who paid for the media staff and others who put this together...were they on the public payroll? The dedication page also states that "All proceeds from the sale of this book will go toward providing academic scholarships to benefit the next generation of ideamakers." Will these scholarships go to private or religious schools? If the public paid any money for putting this together should some of that money go to help out under-funded public schools? These considerations aside...what about the ideas, are they truly innovative, non-partisan and designed to reach a consensus?

Over a third of the 100 ideas have to deal with education and while some are interesting and innovative, most follow the same old formulas of the Jeb Bush education program. The education ideas include; increased reliance of the FCAT, increased privatization for school services, more vouchers, the School Recognition Program and more "pay for performance" schemes for our teachers. In government, the 100 ideas call for increased freedom to abolish state agencies and more restrictions on the people's right to amend their constitution through citizen's initiatives. The ideas also include such gems as privatizing toll roads, privatizing the Division of Driver's Licenses, continued privatization of Medicaid, further restrictions on the rights of Floridians to have their day in court and widespread caps on property insurance.

To his credit, Speaker Rubio had a great idea in putting together the 100 ideas, but the product of his efforts is suspect. There was, and still is, a chance to put aside the divisive partisanship and policies of the Bush administration, but if this new "contract" is any indicator, it is going to be a long session for Florida's working families. We will keep you informed.



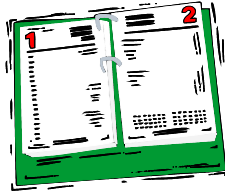
New Alliance Update



The Florida AFL-CIO's "New Alliance" program is moving forward with great success. Affiliated unions around the state are working through their nine Central Labor Councils to finish up their strategic planning efforts and are poised to release a comprehensive, state-wide program for the next two years, the first time in our history that has happened. Local unions are more engaged than ever before and are building a new labor movement from the ground-up in Florida. Remember, as a part of the program effective this January 1st, all per-capita payments are sent to the Florida AFL-CIO for allocation to the Central Labor Councils so that they can implement the programs put forward by the affiliates. Change is in the air and it is exciting! **For more information about our new per-capita system please contact Dwayne Sealy at 850-224-6926.**



Are You Gonna be There? The 2007 Legislative Conference



The Florida AFL-CIO Annual Legislative Conference will be held **March 18 - 21, 2007** in Tallahassee. Conference headquarters will be at the **Doubletree Hotel**, 101 South Adams Street. The Doubletree has given us a conference rate of \$149.00 per night. It is very important that you make your reservations as soon as possible and no later than **Feb. 13th**. We have a limited number of rooms blocked and they fill up quickly in Tallahassee during session. In the past, unions sometimes reserved several rooms to accommodate anticipated delegates, then canceled these rooms at the last minute. With new attrition language in the hotel agreement, this could greatly increase the cost of having this conference. Please make sure that any rooms you reserve will be used. Conference registration forms have been mailed and are available from our office and must be completed by **March 9, 2007**. We strongly urge you to register early to avoid delays and extra costs for late registration. Registration fees for Florida AFL-CIO affiliated delegates will be \$125.00 per delegate. Fees for non-affiliated delegates will be \$150.00. After the March 9th deadline, there will be an additional \$10.00 charge for each delegate.

We have planned an informative and exciting agenda with plenty of workshops, guest speakers and time left over for fun and solidarity. This year's workshops on Sunday, March 18th include: New Lobbyist Training - Election Reform - Florida's Tax and Budget Issues and a state and national issues workshop led by AFL-CIO Legislative Director Bill Samuels and we are still working on more.

For more information or to receive copies of the registration materials please contact Hazel Ziegler at (850) 224-6926 or email at hziegler@flafclcio.org.



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