

STANDARD POLICY REMARKS  
October 28, 2005

Good Morning, Mr. Chairman, Lady and Gentlemen:

My name is Guy Marvin and I am President of the Florida Insurance Council, Florida's largest not for profit insurance trade association. We are a multi-line trade, that is to say, our members write virtually all lines of insurance. Our members write in excess of twenty billion in premium in Florida annually.

Our property insurers write the vast majority of all homeowners policies sold in Florida annually, exclusive, of course, of Citizens Property Insurance Corporation. Thank you for inviting us to speak with you this morning.

We appreciate what you are trying to do here this morning and what the Legislature intended to do with this piece of legislation. Unfortunately, sometimes even the best of intentions can lead to unintended adverse consequences. We believe this is one of those occasions. Please let me explain.

This past week I had the privilege of speaking briefly

with Mr. Ernie Csiszar. I am sure many of you know who this gentleman is, but for those who may not, let me give a bit of background. Mr. Csiszar was born in Romania. He and his family emigrated to this country through Canada. He rose to serve as president of Seibels Bruce, and later was appointed as Director of the South Carolina Insurance Department. He currently serves as President and CEO of the Property and Casualty Insurers Association of America. I tell you this to illustrate that Mr. Csiszar is first a consumer, second an insurance company executive, and third an insurance regulator. He understands the business of insurance. As Director of the South Carolina Insurance Department, Director Csiszar's legacy is the introduction of free market reforms into the auto and property insurance markets in South Carolina thus averting a growing crisis in that state.

That short visit with Mr. Csiszar caused me to reflect on what we should be talking about here today. Think about it. A standard policy...doesn't that remove consumer choice from of the market

place?! Is that good for a Nation founded on consumer choice? The answer is a resounding ... NO! Free market forces drive this,... the most successful economy the world has ever known!

We should also ask ourselves what signal that sends to the consuming public? "I'm sorry, we don't think you are smart enough to make an informed decision so the Government is going to make it for you." We do not think that is the signal you want to send or the one the Legislature intended to send.

**Now, let me hasten to add that we believe an informed public is a strong public!** Just look at the millions of dollars the industry spends annually to try to inform our customers! It's just that a standard policy is not the way to go. Section 627.4145, Florida Statutes is entitled "Readable language in insurance policies. This Section requires all policies to achieve a readability score according to a test developed by Rudolph Flesch. So there is a readability standard already in the Statutes. But even with that

readability standard, you heard the consumer at your first meeting, I believe he said he was an agent and a professor, who suggested no one reads their policy. And so we should ask ourselves what makes any of us think someone would read a standard policy if they won't read their own policy? Shoot we Americans don't even read the warning label on a hot cup of McDonalds coffee...and it is only two or three words!

You also heard from Mr. Mark Delegal, representing State Farm Insurance Company at your first meeting. Mark pointed out that the market in Florida is in a very delicate condition and... I would add...even a precarious condition. The intervening destruction of Hurricane Wilma has only underscored the problem and time will tell how the market will react to this latest catastrophe...but I can assure you it will not be good!

Let me further elaborate. Again, last week I had the opportunity to speak briefly with Mr. Tom Wilson, President and Chief Operating Officer of Allstate Corporation. In remarks to our meeting, Mr. Wilson said, and I paraphrase, "We will not risk our

company on one hurricane. That's it we are out of here." Now, admittedly these remarks were made in the context of all types of national catastrophes, but look at how he chose to illustrate his point. The market is indeed very delicate and if you send negative signals, you should expect the market to react negatively. The standard policy is such a signal.

But consider other negative signals, for example, the expense of developing a new standard policy. This expense is substantial. You have to develop the policy language, print it and, most importantly, develop the software systems to administer it. Then there is the training of agents to sell it and in-house people to administer it... and all of this has to be done just for the Florida market... when many of these companies operate in all fifty states. This sends a very negative signal to a market,... a market that would just like to find some stability in Florida. The hurricanes are bad enough, but all the legislative changes and regulatory changes are just unacceptable

unless they are absolutely necessary! The standard policy is not such a necessity.

A similar and potentially devastating expense to the industry is the way in which the legal system will approach this new policy language. Everyone complains about policy language, but that language has in large part been placed in policies because courts have interpreted it to mean specific things which are critical to the contract. The new language of a standard policy would give those who make their living off of suing insurance companies a whole new roll of the dice. The courts would have to interpret it all over again in order to bring some sort of predictability back to the product. Even if the industry won every suit, the cost would still be enormous. One more bad signal!

I know a couple of you are insurance company executives,... you understand,... so I am preaching to the choir and I apologize.

Oh, and by the way, guess who gets to pay the cost of this new expense in the system? You got it!...the good old Florida home owner who is reeling from the increased cost of the present

coverage and this cost will just keep going up as Florida property values escalate. That consumer will not greet this new standard policy cost with enthusiasm, I can assure you.

Finally, you should know that this standard policy thing has been tried before... and it was a failure. Again, at the same meeting last week, I had the opportunity to talk to my counterparts in the Insurance Council of Texas, a state that mandated standard homeowners policies for a number of years. Guess what happened?! Texas homeowners rates became the highest in the nation and market availability dried up. Why? Well, it was not all because of the standard policies, but it was enough of the problem that the State went back to company forms. It was expensive to administer and was not responsive to consumer needs. **So this has been tried before in a market similar to Florida's and it did not work.** Can we learn from this mistake?! I think so. Let us not make the same mistake that Texas did!

Now, I know I have been pretty negative to this point, but our

industry is anything, but negative. We want to find solutions for “our customers” and they are “our customers” and we do want to provide for them. So...what do we suggest?

Well, did you know that there is a “check list” being developed by the regulator with the help of the insurance industry...a simple check list that will check off your coverage in simple to understand terms? Did you know that the industry is working with the regulator to simplify the declaration page of the policy, the “outline of coverage” if you will? Did you know that the industry is working with the regulator to develop a hurricane “mitigation” premium savings schedule. All of these refinements are simple and quick to read. This is the way to go. Not another long and complicated policy to read. **Let me say it again, the check list is the way to go.** This check list is to be a part of every policy sold for delivery in Florida. I ask you, if you are a policy holder in Florida, would you want to read a check list?...Or would you want to read a new “standard policy”? **What is the most reasonable solution for the good intentions of this**

committee and the legislature...a check list or another  
complicated policy which nobody will read.?

I urge you to be **bold enough** to recommend the use of the  
CHECK LIST which the industry and the regulator are working on  
together and also bold enough to **SUGGEST THAT THE  
LEGISLATURE NOT ADOPT A STANDARD POLICY FOR  
ALL THE REASONS LISTED ABOVE.**

Thank you and I will be happy to entertain questions.