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September 20, 2017

The Honorable Vern Buchanan
2104 Rayburn HOB
Washington, DC 20515

RE: Florida Chamber of Commerce Opposes Misguided Proposals That Would Raise Property Insurance Premiums on Floridians – *A Proposal Under Consideration in Conjunction with Tax Reform*

Dear Congressman Buchanan,

On behalf of the Florida Chamber of Commerce, I'm writing to express concern about a proposal that may be included in upcoming corporate tax reform plans that would have a devastating impact on Florida.

This proposal, crafted by U.S. Representative Richard Neal and introduced in previous Congressional sessions and by past administrations, would deny tax deductions for certain reinsurance premiums paid to foreign-based affiliates by domestic insurers. This proposal succeeds only in restricting the free flow of capital, leaving Florida businesses, consumers and all Americans with higher costs for the same insurance coverage.

Accessibility and availability of affordable property insurance is a top priority for Floridians. The Neal proposal would tax foreign reinsurance or all international reinsurance, which would ultimately limit U.S. insurance capacity and drive up the cost of insurance. This will threaten Florida's real estate driven economy, and impact Florida businesses, consumers and homeowners.

A 2017 study released by The Brattle Group, a global economic consulting firm, found that the Neal proposal would decrease the supply of reinsurance by 13 percent nationwide, with an aggregate drop of \$18.3 billion in capital. The result would be a steep hike of \$5 billion in higher annual insurance costs for consumers. These price increases are especially profound in Florida, where, when looking at just the homeowner and commercial multiple peril insurance lines, consumers and businesses would face a \$649 million annual increase in the cost of insurance.

Even more significant, in Florida, 91 percent of private insurance for Florida homeowners is backed by international reinsurers, and 32 of the 38 top reinsurers providing coverage in Florida are foreign-based. And international reinsurers provide 98 percent of reinsurance to Citizens Property Insurance Corporation – Florida's government-run insurer of last resort. This proposal would mean the multiple billions of insurance claims from multiple hurricanes will be paid solely by Florida insurance consumers, when currently that risk and cost is diversified globally.

A robust and competitive insurance market is essential in keeping insurance costs low for businesses and consumers. Global insurers and reinsurers are the bedrock of the insurance

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and reinsurance market, diversifying risk globally – leading to lower prices and more coverage benefitting the U.S. economy. For example, in 2005, when Katrina, Rita, and Wilma hit Florida and the Gulf Coast causing \$68 billion in losses, more than 60 percent of the payments came from foreign insurers and reinsurers. More recently, Hurricane Matthew brought destructive winds to Florida and wreaked havoc in states like North Carolina where flooding caused widespread damage. Loss estimates from that storm now total \$2.3 billion with international-based reinsurers expected to cover nearly half.

Already, the 2016 Atlantic hurricane season is living up to its above average activity predictions. While Hurricane's Harvey and Irma are barely in the rearview mirror, and Hurricane's Jose and Maria are spinning toward the U.S. coastline, I urge Florida's congressional delegation to oppose misguided and discriminatory proposals that leave Florida vulnerable to higher insurance premiums.

On behalf Florida's business community, please help keep Florida more competitive by opposing efforts to raise insurance premiums on businesses and homeowners when the tax reform debates commence.

Sincerely,



David Hart
Executive Vice President
Florida Chamber of Commerce

CC: Florida Congressional Delegation

Mark Wilson, President & CEO, Florida Chamber of Commerce

Frank Walker, Vice President, Governmental Affairs, Florida Chamber of Commerce