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PERSONAL INSURANCE FEDERATION OF FLORIDA: CONTINUED OPTIMISM FOR NEW PIP LAW, BUT FIRST HALF OF 2013 WILL BE KEY TO GAUGING CONSUMER SAVINGS

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TALLAHASSEE, FL, October 1, 2012 – Michael Carlson, the Executive Director of the Personal Insurance Federation of Florida, issued the following statement in response to today’s deadline for Florida’s auto insurers to make initial rate filings required under the new PIP law:

“The Personal Insurance Federation of Florida is eager to see rampant fraud and abuse eliminated from the state’s Personal Injury Protection (PIP) system, and to see Florida’s consumers benefit through real savings in their auto insurance premiums. We continue to be cautiously optimistic that the major provisions of House Bill 119 – which take effect on January 1 – will help to achieve these goals.

“However, we must balance our optimism with three realities: First, once the major reforms become effective, it will take some time to determine if they are reducing fraud and abuse, and related PIP losses, as the Florida Legislature intended. Second, opponents of the new law have publicly stated that they will file legal challenges to the reforms soon after the New Year – how this may impact savings for consumers is unknown. And third, media outlets and others are already reporting on solicitations between trial lawyers and medical providers that appear designed to thwart the most important cost-saving measures of the new law. On behalf of consumers, we must not allow this ‘gaming of the system’ to happen.

“Today’s deadline for auto insurers to make PIP rate filings with the Florida Office of Insurance Regulation (OIR) under the new law demonstrates that chronic fraud and abuse in the PIP system has impacted different companies in different ways. Given that major reforms don’t take effect for another three months, many auto insurers have actually seen their PIP claims and losses continue to rise this year – despite the fact that House Bill 119 was signed into law this past Spring. Thus, instead of being able to reduce their PIP rates, many insurers applied their initial projected savings under the new PIP law to offset what would otherwise have been higher PIP rate increases. This is a small but positive first step forward, given what’s really happening in the marketplace.

“In many ways, this initial PIP rate filing under House Bill 119 mirrors what happened after the Florida Legislature passed major medical liability insurance reforms in 2003. When medical liability insurers made their initial rate filings in 2004 under the new law – which was projected to produce savings – leading companies filed for rate increases, applying the projected savings to what otherwise would have been higher rate needs. It was not until subsequent years that medical liability insurance rates moderated and then came down, as the reforms took hold and losses began to decline. In fact, leading medical liability insurers have since reduced rates more than 35 percent as a result of the 2003 reforms.

“We believe a more realistic expectation for the timing of future consumer savings under the new PIP law was established by Pinnacle Actuarial Resources, the independent firm contracted to evaluate the impacts of House Bill 119, in its report to OIR. In projecting the impact on consumers, Pinnacle noted that “the savings will not be realized immediately on January 1, but only as policies are written or renewed on or after January 1. So for many policies the savings will not be realized until July 1, 2013 or later.”

“The Personal Insurance Federation of Florida has worked closely with a broad coalition of elected leaders, regulators, law enforcement officials, the business community and insurance consumers to end fraud and abuse in the PIP system. We applaud state leaders for working hard to implement the law and aggressively attack fraud and abuse. Our member companies represent 45 percent of all Florida auto insurance policyholders, and we are committed to pursuing market-based reforms that benefit consumers through greater competition, lower prices and more product choices. We will continue to work tirelessly with these stakeholders in our collective efforts to ensure that the new PIP law achieves what Governor Rick Scott and legislators intended.”

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The Personal Insurance Federation of Florida is a personal lines insurance trade association whose charter members (Allstate and Castle Key Insurance Companies, The Progressive Group of Insurance Companies, and State Farm Insurance Companies), represent forty five percent (45%) of the automobile insurance market and more than twenty five percent (25%) of the homeowners’ insurance market. The trade’s goals are to create a dynamic, efficient, and competitive marketplace for personal insurance products for the benefit of all Floridians.