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Governor Rick Scott: Reinsurance Tax Legislation May Have Disastrous Impact on Florida Families, Businesses

Governor warns legislation could limit insurance capacity, increase costs in letter to Congressman Vern Buchanan (R-FL)

WASHINGTON, DC (July 23, 2013) – Florida Governor Rick Scott joined a growing chorus of state and local officials this week in voicing strong opposition to legislation that would deny tax deductions for certain reinsurance premiums paid to foreign-based affiliates of domestic insurers. In a letter to Congressman Vern Buchanan (R-FL), a member of the US House of Representatives Ways and Means Committee, Gov. Scott warned the legislation could have a "disastrous impact" on homeowners and small businesses in Florida, driving up insurance costs and limiting insurance capacity.

The bills in question, H.R. 2054 and S.991, were reintroduced recently by Rep. Richard Neal (D-MA), Rep. Bill Pascrell (D-NJ) and Sen. Robert Menendez (D-NJ), and they echo a proposal in President Obama's FY2014 budget. In addition to denying tax deductions for certain reinsurance premiums paid to foreign-based affiliates of domestic insurers, the legislation has significant consequences for insurance consumers.

"In a state like ours, which is most vulnerable to natural disasters, the Brattle Group estimates that consumers could see their insurance bills increase by more than $817 million as a result of the proposed reinsurance tax," said Gov. Scott in a letter to Rep. Buchanan. "The price of commercial multi-peril insurance would increase by 12.6 percent or $264 million a year in added costs for Florida businesses, and the price of homeowners' multi-peril insurance would increase by 4.2 percent, resulting in $266 million a year in added costs for Florida's families."

The important role of reinsurance in the US insurance market is well-illustrated by the natural disasters Americans experienced in 2012. Estimated losses from Hurricane Sandy currently stand at over $19 billion and may reach $25 billion. Regardless of the final total, international insurance companies are expected to cover nearly 50 percent of the losses caused by the storm, estimated today at more than $9 billion.

"Florida needs this global reinsurance capacity," Gov. Scott added, "and the reinsurance tax included in the president's proposal and the Neal-Pascrell-Menendez bill would damage our state's economic recovery by increasing insurance costs for our policyholders."

Gov. Scott called on Rep. Buchanan to oppose the president's budget proposal and any similar legislation in Congress that contains the reinsurance tax. Similar opposition to the reinsurance tax has also been expressed by Florida's Democratic leaders, including former CFO and 2010 gubernatorial candidate Alex Sink. Additionally, the Florida Chamber of Commerce, Associated Industries of Florida, Florida Insurance Council, Florida Consumer Action Network, Consumer Federation of the Southeast, Insurance Commissioner Kevin McCarty and the Florida Legislature have all publically opposed the tax.

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