



RICK SCOTT
GOVERNOR

July 22, 2013

The Honorable Vern Buchanan
US House of Representatives
2104 Rayburn House Office Building
Washington, D.C. 20515

Dear Representative Buchanan:

As Florida's representative on the U.S. House Ways and Means Committee, I am writing to express my concern with legislation that may have a disastrous impact on Florida's families and businesses.

The legislation, which has been introduced previously and is included in President Obama's current budget recommendations, would deny tax deductions for certain reinsurance premiums paid to foreign-based affiliates of domestic insurers. As you know, access and availability of property insurance is an issue of great concern in Florida, and a tax increase on reinsurance would limit U.S. insurance capacity and increase insurance costs for our homeowners and small businesses.

The proposals under discussion include H.R. 2054 and S. 991, introduced recently by Rep. Richard Neal (D-MA) and Sen. Robert Menendez (D-NJ). In an economic impact study of previous versions of the Neal-Menendez bill, the Brattle Group found that the proposed tax would reduce the net supply of reinsurance in the U.S. by 20 percent, forcing consumers to pay a total of \$11 to \$13 billion per year more for insurance coverage. In a state like ours, which is most vulnerable to natural disasters, Brattle estimates that consumers could see their insurance bills increase by more than \$817 million as a result of the proposed reinsurance tax. The price of commercial multi-peril insurance would increase by 12.6 percent, or \$264 million a year in added costs for Florida's 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.

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Global reinsurers play a significant role in Florida's insurance marketplace by providing an estimated 90 percent of the capacity that supports our domestic insurers and a similar amount of the capacity purchased by Citizens Property Insurance Corporation.

Florida needs this global reinsurance capacity, and the reinsurance tax included in the President's proposal and the Neal-Menendez bill would damage our state's economic recovery by increasing insurance costs for our policyholders. That is why the Florida Chamber of Commerce, the Associated Industries of Florida, the Florida Insurance Council, the Florida Legislature, the Florida Consumer Action Network, the Consumer Federation of the Southeast and Insurance Commissioner Kevin McCarty have all written in opposition to the tax. I ask that you stand in opposition to the President's budget recommendation and oppose measures that contain the reinsurance tax.

Sincerely,



Rick Scott
Governor

cc: Florida Congressional Delegation