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DAVID ALTMAIER
COMMISSIONER

October 26, 2021

SENT VIA EMAIL TO THE FLORIDA CONGRESSIONAL DELEGATION

Re: Federal Tax Plan

Dear Senator/Representative,

In April 2021, the U.S. Department of the Treasury released the *Made in America Tax Plan*[1]. The Florida Office of Insurance Regulation (OIR) is concerned about certain provisions of the plan which will undoubtedly burden Florida's insurance consumers. The tax plan establishes a "country-by-country minimum tax" on US multinational companies, and targets overseas revenues of multinational companies through the repeal of the BEAT provision of the 2017 Tax Cuts and Jobs Act, replacing it with SHIELD (Stopping Harmful Inversions and Ending Low-tax Developments). These actions increase the tax rate between 15 to 28 percent for all U.S. multinational companies, including international reinsurance companies vital to the resiliency of Florida's insurance market.

Reinsurance is purchased by Florida property insurance companies to diversify risk and reduce exposure to catastrophic events. Reinsurance is a vital component of our state's market because it gives companies access to capital to quickly pay claims in the event of a catastrophe. Additionally, it empowers insurers with the ability to provide coverage to high-risk areas of Florida threatened by hurricanes and flooding. According to a National Association of Insurance Commissioners (NAIC) report, U.S. companies spent 18 percent of their total premiums on reinsurance coverage from foreign reinsurers in 2019.

A tax of this nature will certainly impact Florida's reinsurance marketplace, the ripple effects of which could be seen in higher costs for catastrophe coverage passed along to Florida's insurance

[1] *The Made in America Tax Plan*. US Department of the Treasury, Apr. 2021, https://home.treasury.gov/system/files/136/MadeInAmericaTaxPlan_Report.pdf.

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consumers. According to a recent analysis[2], the plan will raise Florida property insurance costs annually between $864 million and $1.62 billion. This translates to an annual per property increase of $170 to $319 for Florida homeowners. Nationally, the plan is projected to collectively raise the cost of insurance for US consumers between $10.8 and $20.3 billion. Rate increases of this magnitude threaten the stability of our market, accessibility of coverage, and affordability of products. Higher reinsurance costs will come at the expense of Florida consumers, who will inevitably foot the bill.

Additionally, insurers may attempt a cost-reduction by lowering the amount of reinsurance they purchase. With less reinsurance, insurers may pull-back from high risk areas and write fewer policies. These actions will make it more challenging for Florida homeowners to access quality home insurance.

This proposal is alarming considering the already high cost of reinsurance and the hardened market facing consumers. The increased frequency of hurricanes, as well as recent changes in catastrophe bond interest rates have fueled the rise in reinsurance rates. In the last year, OIR has approved rate filings solely reflecting changes in reinsurance costs up to 14.9 percent. There are critical factors impacting Florida's property insurance market and an additional tax will only exacerbate the problem.

It is crucial that Florida consumers have affordable choices when shopping for insurance coverage. I am concerned about the very real impact this tax plan could have on Florida's insurance consumers. OIR remains steadfast in its commitment to protect consumers and opposes any measures that will hinder the competitiveness of Florida's insurance market.

Sincerely,

David Altmaier

David Altmaier
Insurance Commissioner

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[2] Powell, Lars. *Estimating Potential Effects of the Global Minimum Tax on Catastrophe Insurance Markets*. R Street, Sept. 2021, https://www.rstreet.org/wp-content/uploads/2021/09/Final-No.-239-1.pdf.