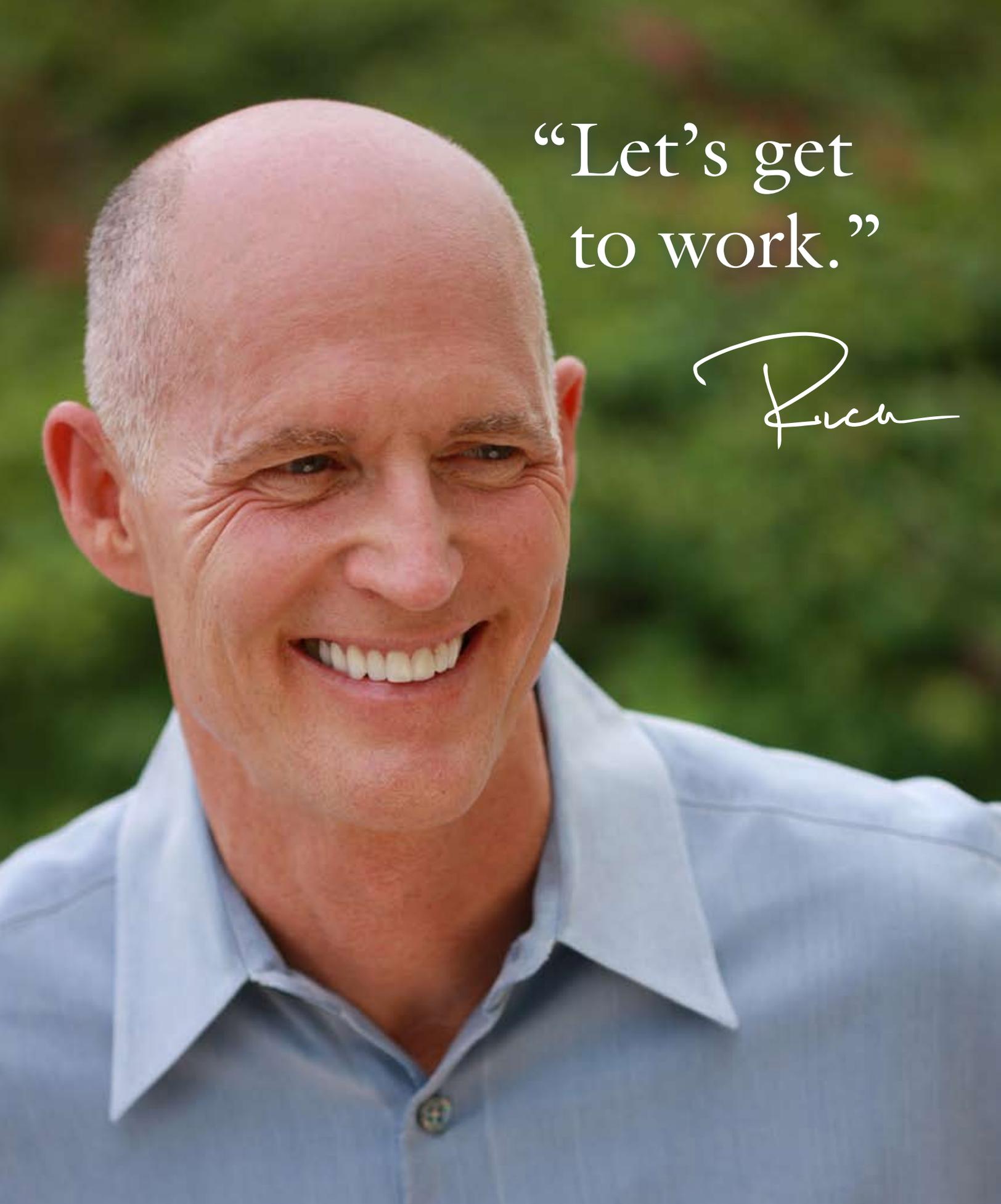


**7-7-7 PLAN**  
**THE BLUEPRINT TO SECURE**  
**OUR ECONOMIC FUTURE:**  
*Insurance & Tort Reform*

**RICK SCOTT**  
FOR GOVERNOR





“Let’s get  
to work.”

*Rick*

# We

cannot blame Washington, D.C. for all of our economic problems – Tallahassee is part of the problem.

In my 7-7-7 plan, I stated that we cannot blame Washington, D.C. for all of our economic problems – that Tallahassee is part of the problem. Spending in Tallahassee, like in Washington, is out of control. As a businessman with no ties to special interests, I will bring down the size and scope of government to make it affordable again and to grow private sector jobs. The Obama-Sink plan to keep throwing money at the problem does not work. Floridians deserve a plan that will cut their costs, not one that will drive our state further into debt. When the size of government in Florida was affordable in the earlier part of the decade, Florida led the nation in job creation. Since then, government spending has been out of control and, as a result, we have the fifth worst unemployment rate in the country.

- Florida has lost a larger percentage of our jobs than the rest of the country since the 2007 peak
- Florida's unemployment rate went from below the national average to the 5th worst rate in the country
- Florida's economic decline is larger than the national average
- Floridians earn less than people in other states
- Job growth in Florida is stronger when Florida's state government costs less

As the Sunshine State is facing historic, record-breaking unemployment claims, Florida is also in the top three states nationally in mortgage foreclosures. Furthermore, Florida's economy has been crushed by housing price declines. 44% of our homes are underwater. Meanwhile, politicians in Tallahassee had an opportunity to reduce property taxes and insurance, but instead made the problem worse. Property tax revenues have been growing faster than personal incomes, especially since 2000. Over the last decade, property tax revenues grew 107%, or 5% a year, compared to a 64% growth in personal income, or 3.3% annually. Although tax rates have not increased in Florida during the recession, to avoid a real increase in tax payments on property that is not homesteaded, the tax rate would have to fall by over 22 percent. But that has not happened, and the real property tax burden has outpaced income growth. I will cut property taxes for all homeowners in Florida who desperately need some tax relief.

The time to turn our State's economy around is now. We can no longer afford to let politics as usual in Tallahassee steer us in the wrong direction. The choice is clear. My plan calls for less government, taxes and regulation to help get us there, while my opponent is calling for more government, more spending, and further regulation. We live in the greatest state in the nation and there is no reason we cannot also have the greatest economy once again.

I have a plan to help restore our economy, stabilize our property insurance market and create jobs.

# Who

needs Mother Nature to cause a catastrophe? Florida's politicians are busy creating an unnatural disaster in their state insurance market that will blow away taxpayers when the next big hurricane hits.

- Wall Street Journal, February 4, 2009

## Property Insurance

Florida is the most hurricane prone region of the United States. Our location, combined with unprecedented growth in population some 9 million residents in 1980 and 18 plus million today – has built Florida into the second largest concentration of catastrophic risk on the planet. Most of that risk is located along Florida's 1,000 mile coastline worth nearly \$2.5 trillion according to the latest data from AIR Worldwide Corp. In attempting to deal with the issue of paying for hurricane losses, Florida has in recent years charted a political course that quite simply has failed.

Florida has roughly 6 million property insurance policies and more than \$2 trillion in property exposure, yet the current situation with property insurance in Florida, particularly as it relates to government controlled Citizens Property Insurance Corporation and the Florida Hurricane Catastrophe Fund (FHCF or Cat Fund), has an enormous impact on Florida's business climate, even when no storms hit our state. Businesses are currently discouraged from making new investments here and our existing business are often forced to reduce business or close altogether due to the instability of our market. Right now, a Category 2 storm hitting one of Florida's high-risk coastal areas — which is basically most of the state — would amount to billions of dollars in damages which Citizens is unable to cover. Unfortunately, taxes levied on all business, automobile, liability and property insurance premiums in the form of assessments would be used to fill the gap.

To find out how much in assessments (taxes) you are already paying to cover costs for property insurance, even if you don't own a home, please visit <http://www.myfloridacfo.com/AssessmentCalculator/Consumers/AssessmentCalculator.aspx>. This, coupled with the rising cost drivers that are a result of often fraudulent claims are costing all policy-holders and taxpayers. The impact these issues have on jobs and our economy is unacceptable.

Florida's current property insurance system is broken and is putting us all at risk. Driving out solvent private insurers from our state and forcing homeowners into a government run company that is not financially sound is a huge gamble that has put homeowners and taxpayers at risk. Politics as usual has driven out private insurers and placed Florida in a position that, if hit by one big hurricane, could bankrupt all insurers, further damaging - perhaps beyond repair - our economy. I want to open the property insurance market back up in Florida so that financially solvent private insurers can compete, allowing consumers to choose what they want from a free market. I want to ensure that Floridians have that choice and not force them into a system that may ultimately not be there to protect them.

Even without a major storm in recent years, the threat of our current property insurance scheme is real. Alex Sink and the Financial Services Commission added to the state's growing debt with a \$715 million bond issuance by the FHCF to pay for claims from the 2004-05 storm season – and a 1-in-100 year hurricane event would leave Florida residents liable for nearly \$28 billion in losses.

# My

opponent was part of a culture of failure that has concentrated all of our risk, gambling with our homes, our jobs and our economy.

## Government Owned & Operated

Citizens Property Insurance Corporation was created in 2002 to provide property insurance for homeowners who could not obtain insurance elsewhere. It was intended to be an insurer of last resort, but is now the insurer of first resort after driving private insurers out of Florida. It is Florida's largest residential property insurer with 1,204,962 policies, an exposure of over a half trillion dollars in force as of August, 2010 and is at the very heart of Florida's property insurance crisis.

According to a recent study by Florida TaxWatch, Citizens and the Florida Hurricane Catastrophe Fund (FHCF) both faced major financial shortfalls last year, despite the fact that we have not seen any storms since 2005. With their combined payment capacity, the estimated potential deficit is \$7.2 billion in the event of a big storm.

My opponent was part of a culture of failure that has concentrated all of our risk, gambling with our homes, our jobs and our economy. A government run, single payer insurance system only ensured that Florida taxpayers will be sent a massive bill when the next big storm hits. We cannot afford to take this risk – especially now; now is the time to turn this system around – before another hurricane and before politics as usual makes it even worse.

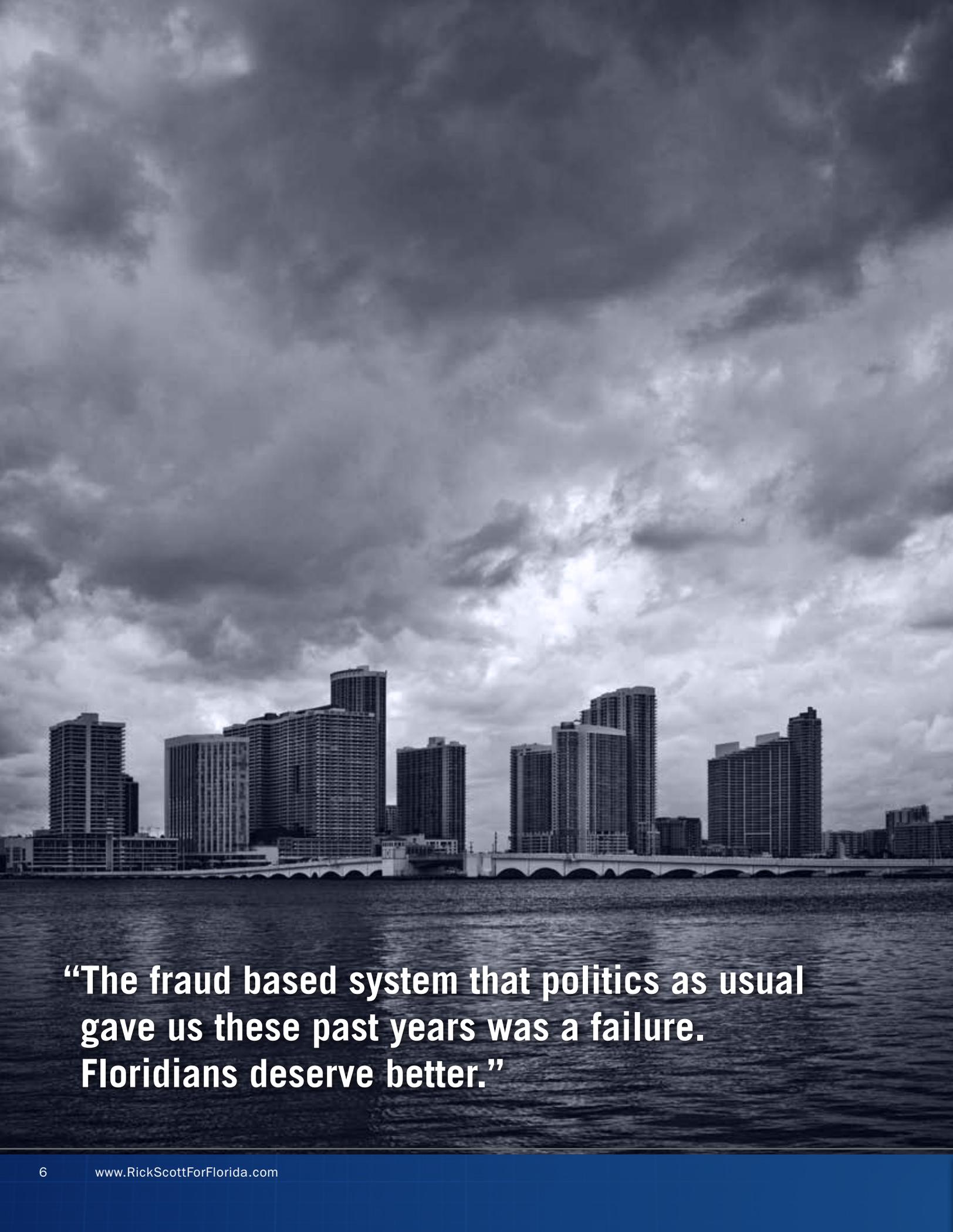
As Governor, I will return Citizen's to operate as the insurer of last resort and level the playing field so that solvent private insurers are allowed to compete with each other for business, not with the subsidized and financially unsound government run insurance company. We should trust Floridians to make the choice whether or not to insure their homes by solvent, private insurers rather than forcing them into a government run company that puts them and their homes at risk.

As Governor, I will work with the Florida Legislature to eventually eliminate the government-run program's reliance on assessments following a major disaster and ensure that Citizens consistently operates on actuarially sound rates.

Making competition the primary determinant of insurance rates, including consumer choice for homeowners, will be a priority to ensure that Floridians can take comfort in knowing that the insurance policies they pay for will be able to pay if needed.

We are fortunate that we have not experienced a major storm since 2005, but we cannot take the risk that politicians have in the last 4 years that we will never experience one again.

As Governor, I pledge to establish a transparent framework that will stabilize our property insurance system and restore a process Floridians can count on.



**“The fraud based system that politics as usual gave us these past years was a failure. Floridians deserve better.”**

# Why

are Floridians facing the threat of increased insurance rates when Florida has not been hit with a hurricane since 2005?

## Mitigation

In 2008, a study estimated that potential mitigations to prevent storm damages could reduce potential loss from a 100-year storm by 61% in Florida. Unfortunately, government sponsored programs to encourage mitigation have been riddled with fraud and have been unsuccessful. Florida needs a thriving mitigation program that will incentivize homeowners to spend money to install features that harden their homes against hurricanes and will ultimately drive down cost. The fraud based system that politics as usual gave us these past years was a failure. Floridians deserve better.

## Sinkholes

Sinkhole claims are currently a major cost driver in insurance rates as they are the most costly of claims filed. Many sinkhole claims being paid involve minor cracks in a wall or floor of a home, not an actual hole. The current claims process for sinkholes is ineffective and riddled with abuse. Presently, for an insurance company to reject a sinkhole claim, an expert must verify with 100% certainty that a sinkhole did not cause the damage. There must be structural damage for an insurance company to be required to pay a claim, however, "structural damage" is not currently defined in state law.

According to Florida's own Insurance Commissioner, sinkholes are one of the top 5 cost drivers causing huge financial losses in the property insurance market. Despite the fact that they are the most costly of all claims filed, a recent review indicated that only 27% of policyholders with claims paid as a result of a 'sinkhole' actually had repairs made to their property. Since 2007, Citizens has paid \$247 million in sinkhole claims and has reserved an additional \$106 million to settle others. Unless we change this claims process, these numbers will continue to rise, costing everyone. The \$715 million in bonds recently approved to be issued were largely a result of these sinkhole claims.

As Governor, I will promote policies to reduce the abuse and fraud that is driving our insurance costs up by proposing an objective measure of sinkhole damage and defining structural damage.



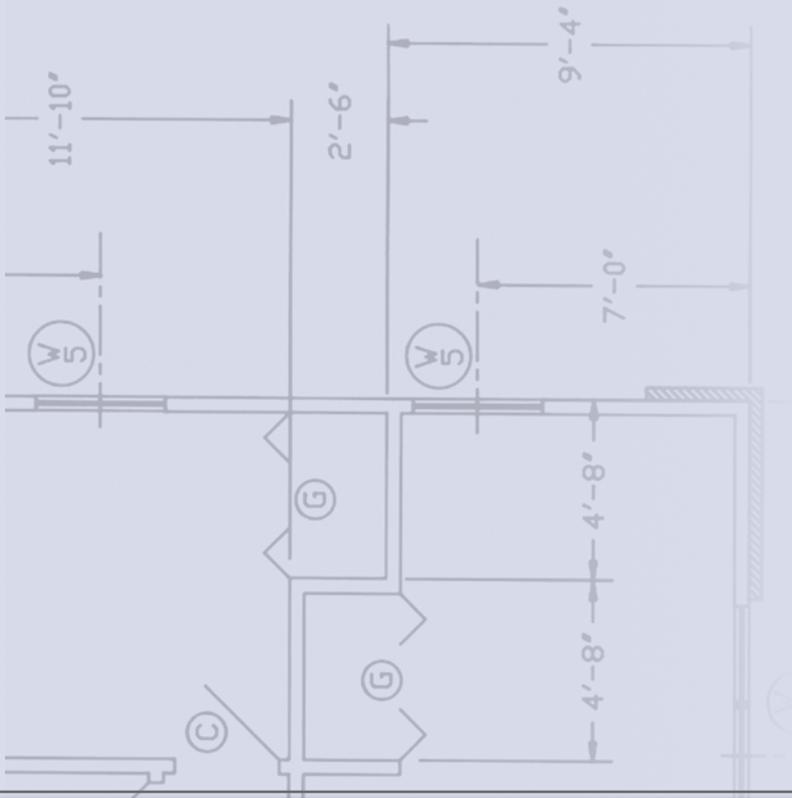
# The

number one Judicial Hellhole in the country in the annual report by the American Tort Reform Association.

## Tort Reform

Florida's legal system continues to be ranked at the bottom of the nation, all at a high cost to consumers, small business and our economy. According to the March 8th Harris Report for the US Chamber of Commerce's Institute for Legal Reform, Florida's legal system ranks 42nd in the nation and South Florida has been – once again – named the number one Judicial Hellhole in the country in the annual report by the American Tort Reform Association. Judicial hellhole refers to states where judges systematically apply laws and court procedures in an inequitable manner. Additionally, we are ranked 48th in the nation in the 2010 U.S. Tort Liability index.

A healthy tort climate improves a state's fiscal health. In 2006, the top 10 tort states had an average growth rate of tax revenues that was 24 percent greater than that of the bottom 10. The greater infusion of tax revenue was due to higher economic growth, not higher tax rates. In fact, taxpayers in the top tort states paid effective tax rates that were 8 percent lower in 2006 than those in the bottom states. Job growth was 57 percent greater in the 10 states with the best tort climates than in the 10 states with the worst tort climates. Labor-earnings growth was more than 5 percent greater in the best states. Furthermore, state GDP, a comprehensive measure of economic activity, grew 25 percent faster in the 10 best tort states than in the 10 worst.





# As

Governor, I will make the following reforms a priority:

## Bad Faith Reform

In Florida, individuals can sue their insurer if they believe the insurer acted fraudulently or in “bad faith” when defending or settling a claim or if their insurance company’s actions resulted in additional damages and legal costs.

The law is intended to encourage insurers to behave responsibly by making them liable for the financial damage that is caused by their breach of good faith duties. It is important to retain a system which gives affected individuals access to the courts. However, the application of the bad faith law’s by Florida courts have allowed these claims to be brought by policyholders and third party plaintiffs who are not insured by the company. As a result, Florida’s bad faith laws now serve to expose perceived deep pockets to unexpected and remotely connected parties to an insurance contract for coverage, which necessitates higher premiums and costs for all Florida consumers and businesses. Plaintiffs’ lawyers can abuse the current law by making unreasonable demands on payment, insisting on unattainable time lines, vaguely describing damaged property or refusing to settle even while taking settlement proceeds. Reforms should include:

- Limiting the ability for parties to bring a bad faith cause of action to a right of policyholders and not one that extends to third parties.
- Applying logical and well-defined time frames within which an insurer must be responsive to a party before it is found to have acted in bad faith.
- Establishing time frames to give insurance companies a reasonable opportunity to investigate a claim before making a settlement decision.
- Defining reasonable standards as to what constitutes bad faith on the part of an insurer.

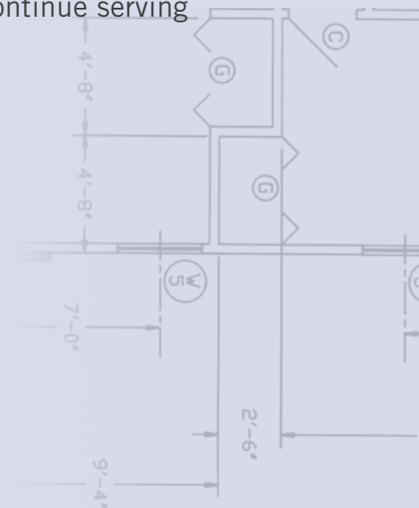
By establishing these common sense standards, Florida’s bad faith law will be good news for Florida consumers. Such reforms will continue to protect them by providing some well-defined guidelines for insurers that will help eliminate some of the factors responsible for higher insurance costs.

## Product Liability & Crashworthiness

The crashworthiness doctrine in Florida requires car manufacturers to construct vehicles capable of withstanding foreseeable crashes. Lawsuits involving the “crashworthiness” of a car often will be brought against an automobile manufacturer if a defect in the car caused greater injury than a victim would have otherwise sustained. However, Florida juries are not currently presented all the evidence surrounding the details of automobile accidents when an auto manufacturer is sued in an action challenging a vehicle’s crashworthiness. Florida is the only state that prohibits the introduction of any evidence relating to the driver’s condition at the time of the crash. In other words, drivers who are drunk, underage, driving recklessly, without license or under the influence of any manner of illegal substances, bear no responsibility of fault in crashworthiness cases because their condition is never shared with the jury. This results in jury awards being astronomically higher in Florida than any other state for these types of cases. This is also more burdensome for American car manufacturers because foreign car manufacturers are rarely sued in these cases since obtaining their vehicle design evidence from foreign countries is so difficult. As Governor, I will support overturning the Florida Supreme Court-created standard regarding crashworthiness to allow juries to be presented with all of the evidence surrounding an accident in a crashworthiness case.

## Disaster Recovery – Private Sector

As previously stated, Florida is the second largest concentration of catastrophic risk on the planet. In the wake of any disaster, the private sector is crucial in providing emergency services, restoring services and improving the resilience of our communities. However, businesses often hesitate to respond for fear of being sued. Just like the public and non-profit sectors, I believe we should offer basic protection from unnecessary litigation to business owners who offer their services to first responders in the aftermath of a disaster. Businesses who form public-private partnerships to respond to emergency management needs should be applauded and supported with appropriate legal protections they need to continue serving our communities.



# By

providing reasonable protections from litigation, the State would be providing an incentive for physicians to serve on behalf of the state at existing diminished compensation rates.

## Expert Testimony Reform

Florida is one of only a handful of states to use an antiquated, lenient standard for the admission of evidence at a trial, dating back to 1923. Forty of fifty states have adopted the more modern Daubert standard, by which evidence based on innovative or unusual scientific knowledge may be admitted only after it has been established that the evidence is reliable and scientifically valid. This standard has also imposed a gate keeping function on trial judges by charging them with preventing “junk science” from entering the courtroom as evidence. As Governor, I will support the adoption of the Daubert standard to be used in the State of Florida.

## Medical Related Reform

I support providing protection to physicians acting on behalf of the Department of Health, as already provided to those acting as agents of the Department of Corrections, and providing some measure of indemnification to those physicians who primarily treat Medicaid patients. By providing reasonable protections from litigation costs, the State would be providing an incentive for physicians to serve on behalf of the state at existing diminished compensation rates.





# We

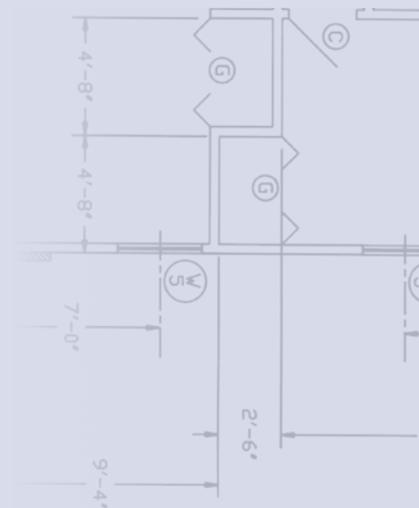
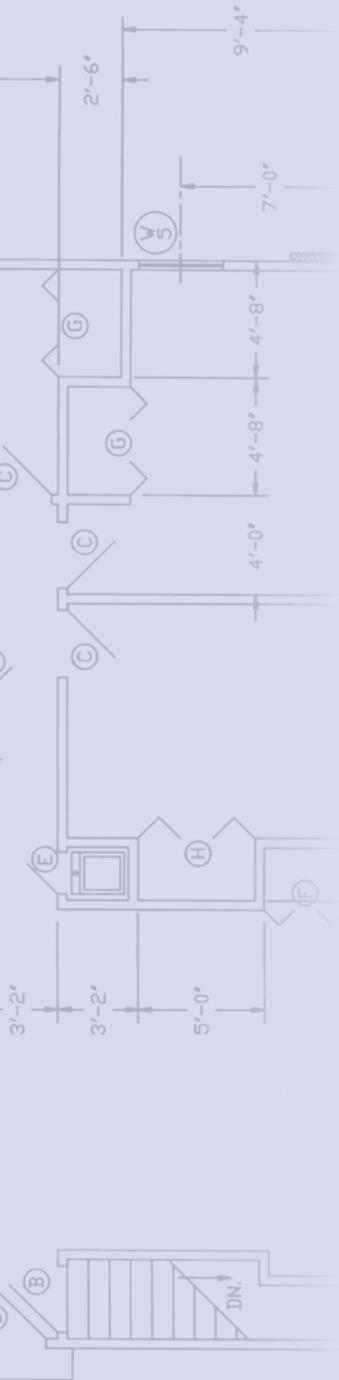
need to make dramatic policy changes to bring our great state back.

The effect of unfair justice being applied in Florida courts is unacceptable. In order to turn Florida's economy around and make Florida the number one state for job creation, we must restore fairness, personal responsibility and predictability to Florida's civil justice system. As part of my economic plan, we will implement meaningful tort reform in order to reduce the number of frivolous lawsuits filed in Florida. By implementing tort reform, individuals with legitimate claims will maintain access to the courts and small businesses, which are the lifeblood of our economy, will be protected from frivolous litigation.

## Business Taxes

As outlined in my 7-7-7 plan, we need to make dramatic policy changes to bring our great state back. I will eliminate the state business tax over time to attract capital and investment from all over the globe. This is no time to tinker with more tax credits aimed at one industry or another - let's bring them all to Florida.

“LET’S GET TO WORK!”



“Let’s get to work.”



**RICK SCOTT**  
FOR GOVERNOR



[www.RickScottForFlorida.com](http://www.RickScottForFlorida.com)



Paid for and Approved by Rick Scott, Republican, for Governor.