The Galt Mile News

"An Official Publication of the Galt Mile Community Association"

January 2007

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Southpoint

PENSION TIME BOMB BURIED IN BUDGET

Article by Eric Berkowitz

Mayor Naugle Addresses the Galt Mile Community Association

On November 16, 2006, Fort Lauderdale Mayor Jim Naugle addressed the Galt Mile Community Association Advisory Board. He traditionally visits the Galt Mile in October or November, imparting his vision for the city. With the exception of last year, the thematic content of his topic is consistent. His November 17, 2005 address was dominated by the City's catastrophic encounter with Hurricane Wilma during the previous month. He carefully reviewed the City's successes and shortfalls in its preparation and recovery. He briefly touched on the possibility of assuming control of the electrical grid from FP&L in response to their unconscionable failure to adequately maintain electrical equipment and ancillary resources. Parts of the city were blacked out for almost a month. He also discussed the substantial steps taken and strides made in recovering from the three year old budget crisis.

This year, however, he picked up where he left off two years earlier. He jumped on a disconcerting neighborhood reality. The Galt Mile community feeds enormous tax resources to the city each year. Mayor Naugle habitually points out that we receive an embarrassingly small fraction of our contribution for public services, developmental assistance, municipal maintenance, etc. The general sentiment he repeatedly leaves attendees with is a blend of disgust and anger at having been fiscally molested. The Mayor honed the Advisory Board's natural aversion to municipal taxes into rabid resentment.

At the outset of the recent meeting, Mayor Naugle passed out a table entitled, "FY 2006/2007 AD VALOREM TAX PROFILE: BY SELECTED MUNICIPALITIES." The table reinforced a variety of positive aspects derived of living in the Venice of America. The Mayor pointed out that Fort Lauderdale's total 2006 taxable value is about 82% of Miami's total 2006 taxable value and our debt millage rate is only 43% of theirs. The Fort Lauderdale per capita taxable value (dollar value for the average property owner) is $161,657 while Miami per capita value is only $88,699. In fact, Fort Lauderdale topped the list of all twelve included Florida cities. Only Pembroke Pines, Coral Springs and Tallahassee had a lower operating millage.

Having previously witnessed similar presentations in prior years, Advisory Board members anticipated the Mayor's conclusion. As expected, the Mayor drew attention to the last column on the table - 2006 Per Capita Taxes Levied. Fort Lauderdale demonstrated an average taxpayer assessment of $821.64, topping all twelve cities for this adverse statistic. Mayor Naugle squinted and smiled as he scanned the room. While some of the newer members quizzically watched the Mayor, others nodded in agreement as he stated, "We are paying too much in taxes." Unsurprised by Mayor Naugle's familiar pronouncement, attendees agreed that the exorbitant municipal tax bite bears no ostensible justification.

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Insurance...Continued

At present, the Committee's recommendations apply only to residential property owners and not to community associations. Association members need to contact their legislators to insist that should any of the Committee's recommendations be adopted, they must also extend to those living within common interest ownership communities and to their governing boards charged with insuring common areas.

The Committee also needs to shift into overdrive. Although empanelled in June, their initial official work product surfaced on November 15th, six months later. While most rational property owners are resigned to enduring this year's insurance mauling, they need – and expect – relief before next year. If Governor Bush could have aligned consensus among incoming House Speaker Marco Rubio, Senate President Ken Pruitt and other legislative leaders over what should have been brought up at a December 4th Special Session and what should wait until a special session next year or the regular session in March, the Governor could have seen some of the Committee's recommendations fast-tracked.

The new legislative leadership responded with trepidation. Ken Pruitt wanted to touch base with Governor-elect Charlie Crist as well as Chief Financial Officer-elect Alex Sink to secure their blessing before moving on Bush's request. While Republican Speaker Marco Rubio was amenable to tackling some of the more pressing Insurance issues at a December Special Session, the success of his tenure will derive from his relationship with Crist and, to a lesser extent, new CFO Sink. In his campaign, Charlie Crist proposed setting total losses of $3.2 billion, rather than the current $5.3 billion, as the level at which insurance companies can tap into the Florida Hurricane Catastrophe Fund for reinsurance to help pay claims. Since the change should enable insurance companies to obtain more reinsurance at the CAT fund's lower rates, he would mandate that those savings be passed through to homeowners.

Alex Sink, former president of Bank of America's Florida operations, said she agrees with his proposal "with the caveat that [insurance companies] would look me in the eye and say, 'If you do this, we will return to the Florida market.'" While Crist and Sink each support incepting a National Catastrophe Fund to buy reinsurance for claims on hurricanes and other natural disasters, Sink said a more achievable possibility is the creation of a regional fund, with coastal states from Texas to Maine participating. Curing the insurance dilemma was a key plank in both of their campaigns. Their decision about a Special Session will reveal the extent of their commitment.

If the Committee's efforts produce results, the Administration will have slain an economic dragon and salvaged the Governor's legacy. During the gubernatorial campaign, Governor Bush refused to endorse either CFO Tom Gallagher or Attorney General Charlie Crist, both of whom served with Bush in the Florida Cabinet. The question then became, did Charlie Crist care about saving Bush's legacy? By waiting until January 2nd, Crist and Sink chalk up any progress to their own legacies. That is exactly what they did. Although the Special Session will consider the insurance crisis in January, House Speaker Rubio held a December insurance conference in preparation for the big show. While a delay of one month won't make much difference in their implementation of the Committee's recommendations, the effectiveness of these recommendations certainly will. If they fail to impact rates, we're on our own.

The Galt Mile Community Association is currently investigating alternatives to this potential eventuality. Progress will be reported at future Presidents Council meetings.•

The Galt Mile News

The Galt Mile News is the official newsletter of the Galt Mile Community. Published 12 times a year, this publication is designed to educate the Galt residents of neighborhood-oriented current events and issues, and to offer residents Galt-specific discounts from various local merchants.

publisher

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THIS MONTH AT-A-GLANCE

JAN/FEB

HAVE A GREAT NEW YEAR! 2007

SUN	MON	TUE	WED	THU	FRI	SAT
7 Sunday Jazz Brunch Riverwalk, Downtown FL 11 a.m. to 2 p.m. Info.: 954-828-5985	**8** Monty Python's Spamalot Broward Center (Through 1/21) Tix.: 954-462-0222	**9**	**10**	**11**	**12** Rod Stewart B.A.C. Tix.: ticketmaster.com Jazz on the Square The Village Grille Commercial Blvd. & A1A 7 p.m. Info.: 954-776-5092	**13**
14 Urban Outdoor Gourmet Market 1201 E. Las Olas Blvd. 10 a.m. to 4 p.m. Glenn Miller Orchestra Parker Playhouse 7 p.m. Info.: 954-462-0222	**15** Vice Mayor Teel Pre-Agenda Meeting Beach Community Center 6 p.m. Info: 954-828-5033	**16** Ft. Lauderdale City Commmission Meeting City Hall 6 p.m.	**17**	**18** GMCA Advisory Board Meeting Pa DeGennaro's 11 a.m.	**19** Jazz on the Square The Village Grille Commercial Blvd. & A1A 7 p.m. Info.: 954-776-5092	**20** CVC Project at Snyder Park 8 a.m. to noon Info.: 954-828-5005
21 Household Hazardous Waste Day Fiesta Ft Lauderdale Las Olas Riverfront 11 a.m. to 5 p.m. Info.: 954-527-0627	**22**	**23** Afternoon Tea Fairchild Tropical Garden 3 p.m. Reserevations Required: 305-663-8091	**24**	**25** Turnadot Broward Center Tix.: 954-462-0222	**26** Miami City Ballet Broward Center (Through 1/28) Tix.: 954-462-0222 Jazz on the Square The Village Grille Commercial Blvd. & A1A 7 p.m. Info.: 954-776-5092	**27** Maroone Moonlight Movie: Knute Rockne Huizenga Plaza Film Starts @ Sunset
28 Urban Outdoor Gourmet Mkt 1201 E. Las Olas Blvd. 10 a.m. to 4 p.m. Info.:954-462-4166	**29** Hungarian Symphony Orchestra Broward Center Tix.: 954-462-0222	**30**	**31** Red Hot Chili Peppers BankAtlantic Center 7:30 p.m. Tix.: www.ticketmaster.com	**1**	**2** Jazz on the Square The Village Grille Commercial Blvd. & A1A 7 p.m. Info.: 954-776-5092	**3**
4 Sunday Jazz Brunch Riverwalk, Downtown FL 11 a.m. to 2 p.m. Info.: 954-828-5985	**5** Vice Mayor Teel Pre-Agenda Meeting Bch Community Center 6 p.m. Info: 954-828-5033 Boston Pops Broward Center Tix.: 954-462-0222	**6** Ft. Lauderdale City Commmission Meeting City Hall 6 p.m.	**7**	**8**	**9** Jazz on the Square The Village Grille Commercial Blvd. & A1A 7 p.m. Info.: 954-776-5092	**10**

A look ahead

February 12 Chicago Symphony Orchestra Broward Center, Tix.: 954-462-0222
February 24 Maroone Moonlight Movie To Kill A Mockingbird, Huizenga plaza, Film Starts at Sunset
February 24 - 25 Rose Show & Sale Fairchild Tropical Garden, 9:30 a.m. - 3:30 p.m., Info.:www.fairchildgarden.org
February 25 Justin Timberlake BankAtlantic Center, 7:30 p.m., Tix.: www.ticketmaster.com
March 3 - 4 International Chocolate Festival Fairchild Tropical Garden, 9:30 a.m. - 3:30 p.m., Info.:www.fairchildgarden.org

Pension...Continued

The city is no longer playing fiscal catch-up for past sins, as was necessary following disclosure of suspicious budgetary irregularities several years ago. Municipal reserves are finally adequate, and the emergency outlay for hurricane damage was largely reimbursed. Fire-Rescue, Police and Parks are no longer grossly underfunded. City Manager Gretsas has clamped down on uncontrolled spending, requiring accountability from department heads and making advancement a function of merit. Where, then, is the ship of state leaking resources?

Mayor Naugle diagnosed the problem as stemming from labor costs. In particular, he identified our nemesis as the City's pension plans. The General Employees' and the Police and Fire pension packages throw the operational budget into perpetual imbalance. Although salaries and health benefit packages are on the high side, they aren't markedly inconsistent with those offered by comparable municipalities. However, Mayor Naugle likened the pension programs to those liquidated by bankrupt United Airlines in 2005 as part of a Chapter 11 survival package. To further illustrate the destabilizing effects of overgenerous pensions, Naugle recalled that General Motors and Ford, in a supplication for federal assistance, had tagged similar "insurance costs as their greatest obstacle to remaining competitive." Naugle repeated the automakers' contention that they were "spending more on insurance than on steel." In fact, the original reference actually targeted the cost of health benefits given General Motors' status as the nation's largest private purchaser of health care. The $5.6 billion they spent on health care this year prompted Senator Barack Obama to quip that "GM is no longer a car company that offers health insurance – it's a healthcare company that makes cars." Nonetheless, Naugle's point was made.

The Mayor harkened back to 2001, when city pensions were fully funded. In contrast, one of the city's plans was only 70% funded last year while another received 76% of its expected contribution. Although the city successfully cut what the Mayor characterized as "frills" during that period, the pension formulas remained unaltered. He said that if the insurance drain continues, no austerity measures could ever offset the resulting deficit. Moreover, the Mayor said that "3 major contracts were on the horizon" - general employment, Fire-Rescue and Police. City employees covered under the General Employee's Pension System contribute 6% of their income. Police and Fire Pension participants contribute 7% of income. Many receive 75% of their income annually upon retirement. Those employees participating in DROP (Deferred Retirement Option Program) programs also receive an additional "nest egg", which they can take as a lump sum or roll over into another plan. He intimated that if adjustments weren't implemented, it could reverse the fiscal recovery. While the Mayor confirmed that "Fort Lauderdale is a national leader in job growth and economic prosperity," he exclaimed that the growing pension burden would undermine future stability. Naugle said, "Paying lifetime benefits to employees that retire in their 40s is not sustainable."

Retired senior asset consultant Robert Nagle of Gabriel, Roeder, Smith and Company (GRS) agrees with the Mayor's contention

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Insurance...Continued

• More strict requirements by ratings agencies (A.M. Best, Standard & Poors and Moody's) for reinsurers to maintain favorable financial ratings.

There is no contention over the recent increase in South Florida property values. However, premium increases included in 2004 policy renewals already reflected higher valuations as of their renewal dates. Likewise, premium increases in the 2005 renewals considered the prior year's jump in value. The 2006 renewals should only reflect any change in value from 2005. That single-year percentage increase in property values only marginally contributes to the 250% - 350% increases supposedly being "passed through."

The demand for repairs and rebuilding skyrocketed following the two destructive seasons. The cost of building supplies has been climbing steadily for years, especially copper, cement, steel and concrete. When demand intensified, the construction industry stepped into a sellers' market – creating a competitive premium on labor costs. Although demand has unquestionably increased repair costs, the mid-double digit percentage increase (21% over two years – Bureau of Labor Statistics) does not support the trebling of premiums.

Since oceanfront property in Florida is always in demand, it's a prime target for development. While this steadily adds to the inventory of shoreline properties, the annual percentage increase is nominal. In fact, much of the oceanfront development is reconstruction – where older existing structures are replaced by newer ones. In compliance with the Florida Building Code and local codes, new construction must contain windstorm mitigating components not found in the buildings they replace. As coastal development evolves, the increased storm mitigation will lower the risk of windstorm damage, not increase exposure.

While these three factors play a part in elevating reinsurers' exposure, they clearly do not account for a 300% rate boost from 2005 to 2006. Most of the increased property values were accounted for by 2005 and included in the 2005 renewal cost. The new coastal construction, given its required inherent mitigation features, is less prone to storm damage than earlier coastal construction, lowering coastal risk exposure. Appreciated construction costs are dwarfed by the 300% increase in premiums.

That leaves two remaining factors to account for the vast majority of the increase. As their primary justification, reinsurers point to predictions of increased frequency and severity of future hurricanes by the hurricane modeling firms. Responding to queries about the botched forecast for Hurricane Ernesto, Director Max Mayfield of the National Hurricane Center in Miami-Dade County explained, "The simple truth is there are some processes in hurricanes that we don't understand yet, particularly storm intensity. I want people to understand: This is the state of the science. Some of the newer experimental forecast models would yield more reliable results but significant improvements are at least 10 to 15 years off. We're headed in the right direction, but I'm not expecting miracles." Mayfield said that our state of knowledge makes current predictive capabilities extremely short term. Beyond a few days, predictions are mostly guesswork tempered by history. As if to emphasize the arbitrary nature of existing hurricane models, 2006 passed without incident. The single event for which the State issued an alert – Ernesto – was downgraded to a Tropical Storm before reaching Florida.

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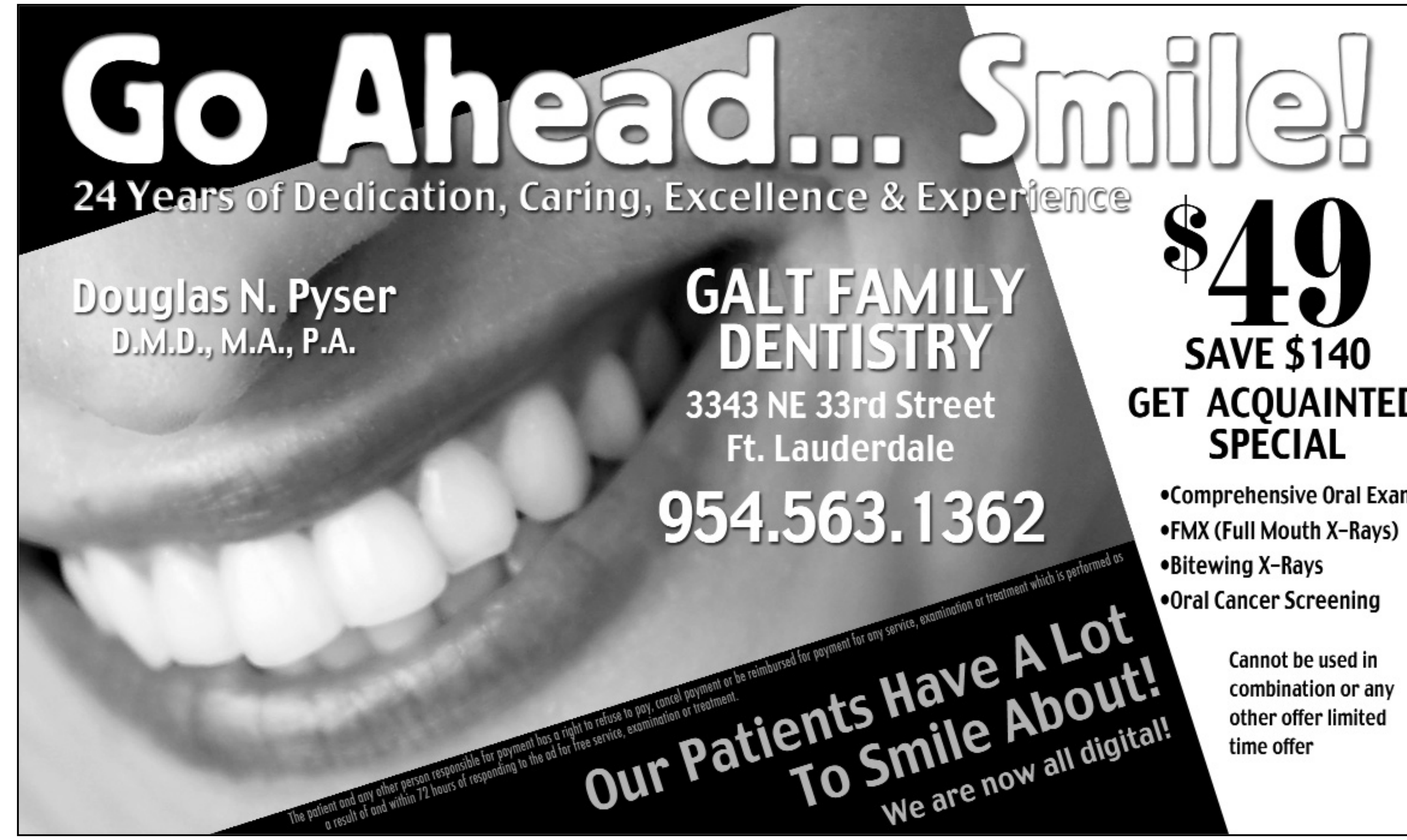

Homestead...Continued

• Proof of Permanent Florida Residence, **all dated prior to January 1 of the tax year for which you are filing.** Acceptable forms of proof are as follows:

For All Applicants: Florida Driver's License ("Valid Only in Florida" driver license is not acceptable) or Florida Identification Card is required **in addition to one of the following:**

- Florida Voter's Registration; or
- Recorded Declaration of Domicile.

For Non-U.S. Citizens: The items listed above **and** proof of permanent residency, resident immigrant status (such as a "Green Card"), asylum/parolee status (or other *PRUCOL status).

* PRUCOL is an acronym for "Permanently Residing in the United States Under Color of Law." PRUCOL applies to individuals who are neither U.S. citizens nor aliens lawfully admitted for permanent residence (i.e. lawful temporary residents, refugees, political parolees, asylum grantees, deferred deportation, etc.). Essentially, it includes aliens living in the U.S. with the knowledge and permission of the INS and whose departure that agency does not contemplate enforcing.

Note: it is generally against the law for a Florida resident to drive in Florida with an out-of-state license or tag if he/she claims Homestead Exemption (Sections 320.37 and 322.08 of the Florida Statutes).

• The Florida Department of Revenue application form (DR-501) requests the following information for ALL owners living on the premises and filing.

1- Date of each owner's last Florida permanent residency
2- Date of occupancy for each property owner
3- Social security numbers of all owners filing (including the Social Security numbers of any married spouses, even if not named in the Deed) are required
4- Florida Drivers License and/or Vehicle Tag numbers
5- Florida Voters Registration number (U.S. citizens) or Immigration number (not U.S. citizens)
6- Current employers of all owners
7- Addresses listed on last I.R.S. income tax returns

• Florida Statute 196.011(9) (a) requires the owner to notify the Property Appraiser whenever the use of the property or the status or condition of the owner(s) changes so as to change the exempt status of the property. If the status of the property or the owner(s) alters Homestead eligibility, the law requires notification of the Property Appraiser's office by March 1st. Failure to so notify the property appraiser exposes the property owner to 10 years of retroactive tax indebtedness plus 15 percent interest per annum and a penalty of 50 percent of the taxes exempted.

If you have a Homestead Exemption in any other state or county (or an equivalent residency-based exemption or tax credit, such as New York's "S.T.A.R." exemption) on another property you also currently own, you will not be eligible for a homestead until you surrender the exemption in that other jurisdiction.

The Homestead Exemption does not transfer from property to property. If you had this exemption last year on another property and moved, you must file a new application for your new residence. Notify the Property Appraiser to cancel the exemptions on your former home. Property purchased during last year may show qualified exemptions of the seller. The sellers' exemptions will not carry over to this year; you must apply for your own exemptions!

The amount of the homestead exemption granted to an owner residing on a particular property is to be applied against the amount of that person's interest in the property. This provision is limited in that the proportional

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Insurance...Continued

puerile plan? In actuality, they will emulate OPEC, setting their own price marks while thumbing their noses at the State. Angry civic leaders are questioning whether we were victimized by some passive collusion between the Industry and our supposed representatives. Although this crisis crystallized almost three years ago, legislators and insurance officials seemed to have belatedly awakened from a deep sleep, only now calling for crisis resolution.

The Governor realized that he needed a fresh perspective. On a wing and a prayer, he mandated the creation of the Florida Property and Casualty Insurance Reform Committee. Chaired by Lieutenant Governor Toni Jennings, the Committee is composed of State insurance officials and legislators and is counseled by a "Technical Committee" comprised of industry executives. On November 15th, the Committee released their "Final Report and Recommendations."

In fulfilling the Governor's mandate "to examine the Florida insurance market and make recommendations to reduce the cost of premiums, increase the availability of insurance, and reduce the risk to homeowners and businesses," the committee took 90 days to compile a 230 page report of which 110 pages are exhibits. Included are 6 pages of what the committee entitled "final recommendations". The 51 recommendations fall into 9 relevant categories. Some highlights of the Committee's handiwork (10 of their 51 recommendations) are as follows:

Recommendations under the category "Residential Insurance Market/Consumer Issues", include: more transparency for consumers by requiring the premium notice and policy to specify premium mitigation discounts available by dollar amount; identifying the dollar amount of the agent's commission; identifying the amount of any premium increase that is due to a rate increase and the amounts that are due to a change in coverage; requiring plain language
in insurance policies; requiring that insurers offer a policy that excludes windstorm coverage from a residential property insurance policy if the policyholder signs an approved written rejection of such coverage; the elimination of maximum allowable deductibles; i.e. allow insurers to offer deductibles of any amount in addition to the 2%, 5% or 10% deductibles currently offered.

Under the category "Florida's Commercial Insurance Market/Property Casualty Joint Underwriting Association (PCJUA)" is adoption of statutory language that would allow risk pooling for windstorm property coverage for all "like" entities such as public hospitals, public educational facilities and community colleges; development of a plan to depopulate Citizens commercial risks to either the PCJUA or create a new statewide entity for all commercial risks.

Entries under "Florida Building Code" include development of a code plus standard that the insurance industry would recognize for maximizing premium discounts; encouraging local governments to "promote and advocate for code plus structures by providing incentives to builders like density bonuses, lower impact fees, and concurrency credits when new construction is built at higher levels than the current approved building code."

Under the "Reinsurance Market" category, they offer a recommendation to "reduce or eliminate the trust fund (collateral) requirement for non-U.S. (foreign) insurers based on a determination by the OIR of the adequacy of regulation of the country of licensure and the financial strength of the assuming insurer."

Pension...Continued

that the current employee benefit packages are unsustainable. Nagle, whose insurance expertise helped secure for Regency Tower an unconditional windstorm renewal from sole carrier QBE, was also manager of the New York Group Pension Office of the John Hancock Insurance Company. The Regency Tower Board member noted that "fringe benefits in the 2006 budget amounted to 16% of the total budget or, about $75 million. The 2007 budget obscures salaries and fringe benefit cost but we can assume the same relationship i.e.; fringe benefits costs are equal to about 50% of salaries. I know you would never, ever find this ratio in the private sector."

Mayor Naugle also discussed the phenomenal growth of Fort Lauderdale's local Marine Industry. Its $10 billion economic impact and 130,000 jobs have elevated it into the city's largest business, bypassing Fort Lauderdale's $8 billion Tourism industry. The Mayor observed that "the 'boat business' captured the number 1 spot despite a sterling year for tourism, the city having chalked up 10 million visitors last year." Not to shabby.

Fulfilling a campaign commitment to work closely with the Galt Mile Community Association, newly elected District 4 Broward County Commissioner Ken Keechl also attended the Advisory Board meeting. In a tribute to his defeated opponent, Jim Scott, Keechl acknowledged the myriad contributions Scott made to Broward County during his thirty years of public service. Keechl said that he was confident that Scott would continue to assist Broward in its dealings with Republican Tallahassee. Confirming that he and Scott shared many objectives, he promised to build on Scott's legacy as well as promote his own agenda to cut taxes and control development.

When Keechl stated that Scott left some big shoes to fill, longtime Scott supporter Rose Guttman quipped, "You're darn (sic) right." Maintaining a conciliatory demeanor, Commissioner Keechl smiled and said that he aspires to "represent every Broward resident, not only supporters." After expressing gratitude to Regency Tower President Dott Nicholson-Brown and Ralph Hamaker of Coral Ridge Towers South for their campaign support, he invited input from any constituent, stating, "We will have to work together to fix Broward's problems." Responding to an inquiry about his tenure's start date, the Commissioner-elect explained that he was scheduled to be officially seated on Tuesday, November 21st, at a 10 AM swearing in ceremony.

GMCA President Robert Rozema opened the floor for nominations to fill the Board of Directors seat vacated by Charles Rossi. Former Coral Ridge Towers North resident Rossi moved to Hawaii, requiring his replacement on the Association's Board of Directors. Pio Ieraci nominated Coral Ridge Towers South resident and longtime Advisory Board member Ralph Hamaker to fill Rossi's seat. The Board unanimously installed Hamaker to the position. Ralph has actively participated in every major community effort and brings authoritative insight into issues unique to the Coral Ridge Towers Complex. In addition to fighting for beach renourishment, insurance and tax relief, traffic control and noise abatement, Ralph was instrumental in negotiations with Il Lugano to serve as a neighborhood lynchpin for the Galt Ocean Village Shoppes area. A longtime civic activist, Ralph is also the only Board member hailing from a cooperative.•

New GMCA Director, Ralph Hamaker

Insurance...Continued

change or a two-year anomaly, the industry had a $36 billion reason to roll back the twelve years of rate protection. Small carriers unprepared for the onslaught tanked. Industry spokespersons warned that the state would have to allow them astronomical rates or kiss the industry goodbye. Since the State's protective structures mitigated the cost to carriers, officials realized that the actual hit taken by insurers was not as devastating as hyped in the media. However, this fact didn't alter the industry's planned response.

Ordinarily, the actuarial model used to formulate rates is rooted in actual experience. Not surprisingly, the reinsurers reconfigured their model to better fit their intentions. Instead of basing reinsurance costs on the 8-event, $36 billion two seasons; reinsurers created a Hurricane model that predicted significantly more frequent and expensive future events. Instead of doubling premiums, the new "worst case scenario" model supports a trebling of rates. Rather than argue with the Office of Insurance Regulation (OIR), special legislative committees or executive task forces about this and other disconnects, the industry opted to achieve their goals by walking out and negotiating from across the state line. To implement this strategy, they simply lapsed into a passive posture as State officials tried to incentivize their return with huge rate increases. It worked like a charm.

The legislature, languishing impotently for the bulk of last year's session, realized that they had to do something... anything. There were few options available. Some legislators actually claimed that the insurance carriers were bluffing, ignoring the fact that they had already left the state. Others opted to reinforce Citizens, predicting that the carriers would return if convinced of their tactic's futility. Two facts eventually dawned on state officials. They weren't dealing with isolated egocentric companies motivated solely by cut-throat competitive instincts, they were facing a well organized industry strategy designed to elicit deregulation. The second reality was that the carriers could afford to do nothing and bide their time for as long as necessary. The State could not.

By leaving, they triggered the mutation of Citizens from a safety net into the largest insurer in Florida. Since its structure assesses any costs to policy holders across the state, it has inadvertently become a self-insurance vehicle. Not created to perform that function, nervous officials began engineering a divestiture of Citizens' current client load. A recent board action precludes it from covering properties valued in excess of $1 million. Already encumbered by 1,264,000 property owners as of October 2006, Citizens is averaging 70,000 new policies per month. They are also feverishly dumping clients upon their acceptance by any commercial carrier, without concern for the carrier's credibility or the premium cost. Insurance officials intend to extricate Citizens from its current level of commitment despite the absence of viable alternatives.

In what appears to be a contradictory policy, by removing the safety net prior to implementing a strategy to relieve the pressure on property owners, the State is salvaging the company at the expense of those it was created to assist. They would gladly implement that strategy - if they had one. The Administration and legislative leadership have come to the realization that they blew it. Raising a white flag, they passed SB 1980 toward the end of last year's session. It created the statutory basis for removing price regulations. Anticipating an adverse public reaction, officials attempted to spin their capitulation as "progress". A wag-the-dog explanation of the legislation characterized it as the first step in a return to normalcy. How is that? "If insurers are allowed to charge whatever they want, they will return. Once they return, good old-fashioned competition will pressure rates downward."

Obviously, this ignores the fact that the industry is no longer driven by carriers frenetically undercutting one another. Since they were organized enough to overturn the State's regulatory framework, what makes officials believe that they aren't capable of seeing through this

Continued on page 12

Homestead...Continued

amount of the homestead exemption allowed any person shall not exceed the proportionate assessed valuation based on the interest owned by the person. For example, assuming a property valued at $40,000, with the residing owner's interest in the property being $20,000, then $20,000 of the homestead exemption is all that can be applied to that property. If there are multiple owners, all as joint tenants with rights of survivorship, the owner living at property filing receives the full $25,000 exemption. Residents 65 years or older as of January 1st may qualify for the additional $25,000 "Senior Exemption". Qualified seniors must have a total 2005 household adjusted gross income not in excess of $23,463 (adjusted annually for inflation by the Department of Revenue) to be eligible for the additional exemption. This exemption must be applied for annually. While the exemption applies to the county portion every Broward resident's taxes, only those residents living in cities that adopted the exemption may apply it to their municipal tax bite. The filing period is between January 1st and March 1st each year.

The Property Appraiser's Main Office (115 South Andrews Ave., Room 111 (just south of Broward Blvd.) is always open weekdays from 7 am until 6 pm. The telephone number is: 954-357-6830 and the web site is: "http://www.bcpa.net". The Property Appraiser also maintains branch offices in North, South and West Broward that are open from 8:30 am to 5 pm. The North Broward Branch is located at North Regional Courthouse, Room 156, 1600 West Hillsboro Blvd., Deerfield Beach, FL 33442 (954-831-1270). The West Broward branch is located at 1 N. University Drive, Suite 111-A (NW corner of Broward Blvd. & University), Plantation, FL 33324 (954-370-3700). The South Broward branch is located at the South Regional Courthouse, Room 110, 3550 Hollywood Blvd., Hollywood, FL 33021 (954-831-0470).

The Broward County Property Appraiser's Office also conducts special taxpayer sign-up sessions for the 2006 Homestead Exemption and Senior Exemption at City Hall, the Beach Community Center, and various Homeowners and Civic Associations during November, December, January and February. As part of this Outreach Program, the Appraiser's Office sends Deputy Property Appraisers to the meeting locations to assist new area residents with their property tax exemptions filings.

Beach Community Center (3351 NE 33rd Street) remaining sign-up dates are: Friday, January 12th and Friday, February 9th at 10 am.

Jarvis Hall in the L-B-T-S Town Hall (4501 Ocean Drive, L-B-T-S) remaining sign-up dates are: Thursday, January 18th and Thursday, February 15th at11:30 am

Note: Qualified homebound individuals with disabilities can call: (954) 357-6910 to arrange for a visit from the Property Appraiser's Homebound Outreach Program.

The Property Appraiser's office has instituted a new Online Homestead Filing Program. While the Property Appraiser's Outreach Program is remarkably convenient for new filers, the internet-based program is even easier. You can save time, gas-money and avoid lines and crowds that assemble at the local Broward offices. Go to the Galt Mile Community Association web site (www.galtmile.com), click on "Homestead Express" (located in the BCPA part of the Broward County page in the Issues segment) and scroll down to the links at the bottom of the article to access the "Online Homestead Filing Program". Also, Broward County Property Appraiser, Lori Parrish, personally answers questions from Broward residents about every issue relevant to property taxes in her "Ask Lori" segment of the web site's Broward Page. If you have a question that isn't there, ask! Please contact Bob Wolfe of Media and Government Relations at (954) 445-5732 or by email at "media@bcpa.net" for further information.

FYI – Bob Scherer is no longer in charge of Condos and Coops in the Real Property Office. Scott Lewis is the Broward County Property Appraiser's new Condo Supervisor. Scott can be reached at 954-357-6893 or by email at slewis@bcpa.net.•

Insurance...Continued

The report's first 108 pages provide background and perspective for the Committee's opinions. They also review the rationale behind their recommendations. For instance, the insurance carriers contend that they are only passing through reinsurance increases to policy holders. As such, the Committee examined the underlying rationale for the reduced reinsurance capacity in the Florida property market.

Direct writers, such as State Farm, Allstate, etc., are able to provide coverage for relatively high risk policies, such as property insurance policies, by spreading their exposure to the reinsurance market. A reinsurance company essentially provides insurance to an insurance company. By laying off some of their potential risk, carriers can limit their losses. When Florida property insurers (both residential and commercial) submitted their rate filings to the OIR, factored in were significant reinsurance rate increases, resulting in requests for commensurate rate increases to the insurance buying public.

In addition to considering the losses from the eight hurricanes of 2004 and 2005, the report lists these factors as also contributing to the reinsurance tightening supposedly responsible for the trebling of insurance premiums:

- Predictions of increased frequency and severity of future hurricanes by the hurricane modeling firms
- Increased property values in which a similar book of business created a much higher exposure
- Increased coastal exposure throughout the state
- Increased cost of repair and rebuilding due to demand of building supplies and labor (demand surge)

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INSURANCE

Gov's Reform Committee Weighs In

Article by Eric Berkowitz

In consideration of events leading to the insurance crisis currently threatening to undermine the State's economic future, Governor Jeb Bush released Executive Order 06-150 on June 27, 2006. Pondering the pink slip awaiting him at the end of this term, the prospect of his legacy bearing so fatal a scar stirred the Governor to create the Florida Property and Casualty Insurance Reform Committee. He spent the past three years hoping that some State entity would somehow mitigate the crisis. Since officials drew a blank, Governor Bush has gone back to the drawing board.

Having formed itself into an efficient trade organization with a well-oiled political lobby following the trouncing from Hurricane Andrew, Florida's Insurance Industry out-played, out-fought and out-gunned the State's overconfident insurance bureaucracy. It took the legislature over twelve years to erect regulatory protections designed to resist an industry "overreaction" to catastrophic events. Simultaneously, it created a specialized infrastructure to cushion the industry from another Andrew-style claims assault. During this period, legislators seeking reelection issues would sponsor unworkable insurance bills useful only as campaign fodder and Administration officials hoping to snag a quick sound bite would propose unending layers of gratuitous regulation.

While weathering this protracted legislative assault, the industry became proficient at protecting itself. Despite the absence of serious windstorm events from 1992 (Andrew) until a few years ago, the industry was able to fend off politically motivated attacks on its rate structure. They patiently awaited an opportunity to turn the tables. Subject to statute, they needed some actuarial basis for raising rates. Given the existence of the CAT fund and other components of the safety net Florida built to help carriers survive catastrophes, their anticipated benefit expenses would be well worth a green light to hike premiums.

Finally, 2004 and 2005 rolled in like freight trains, pounding the state throughout two Hurricane Seasons. While there was controversy over whether Florida had experienced a meteorological seed

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Article by Eric Berkowitz

Robert J. Rozema
Galt Mile Leader

The Galt Ocean Mile lost an irreplaceable asset on November 27th. When President Robert Rozema of the Galt Mile Community Association passed away, not only did the neighborhood residents and merchants lose an irrepressible advocate, they lost a fast friend. Robert John Rozema lived in neighboring Southpoint Condominium, the double tower near the southern end of Galt Ocean Drive. After moving to the Galt Mile from New Jersey in 1983, he focused his efforts on improving his home. His Southpoint friends and neighbors, cognizant of his organizational skills and talent for achieving consensus, elected him to serve on their Board of Directors. He organized the Association office and streamlined their maintenance and security to better address their residents' needs. Bob whipped Southpoint into a model for the rest of the block.

Having taken notice of Rozema's achievements as Southpoint's President, Galt Mile civic leaders recruited him to the Galt Mile Community Association. He joined Earl Lifshey, Rose Guttman, Oscar Kraehenbuehl, Leah Glickfield and Dick Tymeson in planning the Galt Mile's impending rehabilitation. Bob brought his fellow Galt Mile Directors to the table with then District 1 City Commissioner John Aurelius and other city officials. Together, they hatched the Galt Mile Improvement Project, arguably the most successful of its kind in Fort Lauderdale history. Enlisting the cooperation of every participating Association, they settled on an assessment amount that would actualize the pioneering project. For the $658 that every Galt Mile resident chipped in, they received a model community. Our high-end lighting, pavered crosswalks, tailored landscaping, pink aggregate sidewalks, street indents and below ground electrical lines were some of the fruits of their labors.

The city was committed to maintaining the block "in Disney-like fashion". To this day, that contractual agreement forms the legal basis for the community's persistent demands that the City fulfill its obligation. Although many Association officials and other volunteers contributed to the effort, Bob Rozema is widely considered to be the project's sparkplug. After rising to the organization's Presidency, Bob relocated Galt Mile headquarters to the Southpoint administrative office.

As President of the Association, Bob expanded its venue from its previously local impact. Bob engineered relationships that reached into City Hall, Broward County Headquarters, Tallahassee and Washington. He initiated FLPD's local noise abatement and traffic safety project, new signage and traffic lights, the construction improvements at the "Mile's Corner" area, new landscaping and the renourishment of Broward's critically eroded beaches. Bob waged campaigns against destructive legislation while supporting laws that helped condo owners. Given the political diversity of its members, Bob maintained the Galt Mile Association's non-partisan political voice. In addition to being a resource for focusing on Galt Mile political objectives, he shaped the Association into a platform for sharing information.

Hundreds of friends and neighbors attended Bob's wake at the Kraeer Funeral Home on December 1st. Fort Lauderdale Mayor Jim Naugle told mourners how fortunate he was to have shared lunch with Bob at an Advisory Board Meeting two weeks earlier. Other officials paying their last respects were City Manager George Gretsas, Florida State Senator Jeffrey Atwater, City Commissioner Christine Teel, assistant City Manager Kathleen Gunn, former City Commissioner and Broward Housing Authority Commissioner John Aurelius and Bob Wolfe from the Broward County Property Appraiser's office. Fiancée Marilyn Peters was joined by Bob's children (Darlene Joy Scruggs, Robert John Rozema, Jr., John Frank Rozema and stepson, Richard Albanese), Galt Mile officials, Southpoint friends and employees, local merchants and scores of friends and neighbors from every building on the block as well as the Coral Ridge Towers Complex. En route to the service, GMCA Advisory Board member and Regency Tower resident Fern McBride expressed the general sentiment, "He will be sorely missed!" Bob's GMCA responsibilities will be assumed by Vice President Pio Ieraci.

Those of us who knew Bob - or knew of him - are aware of his copious civic contributions, his relentless commitment to improving the Galt Mile community and a dogged devotion to his beloved Southpoint. Anticipating how Bob's passing will challenge the community, Senator Jeffrey Atwater commented,"the Galt Mile neighborhood just lost a good friend!" Fort Lauderdale Mayor Jim Naugle announced the plans for a municipal ceremony commemorating Rozema's contributions to the neighborhood and the City.•

ROBERT J. ROZEMA
1934 - 2006

Broward County Property Appraiser, Lori Parrish

HOMESTEAD EXEMPTIONS MADE EASY — 2006

All legal Florida residents are eligible for a Homestead Exemption on their homes, condominiums, co-op apartments, and certain mobile home lots if they qualify. The Florida Constitution provides this tax-saving exemption on the first $25,000 of the assessed value of an owner/occupied residence. You are entitled to a Homestead Exemption if, as of January 1st, you have made the property your permanent home or the permanent home of a person who is legally or naturally dependent on you. By law, January 1st of each year is the date on which permanent residence is determined.

"Permanent residence" means that place where a person has his true, fixed, and permanent home and principal establishment to which, whenever absent, he has the intention of returning. A person may have only one permanent residence at a time; and, once a permanent residence is established in a foreign state or country, it is presumed to continue until the person shows a change has occurred [Fla.Stat.Ann. § 196.012(17)].

There are two Homestead Exemption filing periods during each calendar year. Traditionally, property owners apply between January 1st and March 1st for the previous year's benefit. With the advent of "Pre-Filing", owners who purchased properties after January 1st can file from March 2nd to December 31st for the following year. The filing period for a 2007 homestead exemption is March 2, 2006 through March 1, 2007. There is no cost to file for Homestead if you file by the March 1st deadline. **Note: You may still "late file" for 2006 until January 2, 2007, but there is a $15 fee set by state law and additional (but simple) paperwork required.**

When filing an application you must bring the following items listed below, dated prior to January 1 of the tax year of you are filing. To claim 100% coverage, all owners occupying the property as Tenants in Common (i.e., proportional share co-owners) must file in person on jointly held property. In the case of a husband/wife ("Tenants by the Entirety") or Joint Tenants with Right of Survivorship ("JTRS"), any one owner may qualify for 100% coverage – although it is always highly advisable to have all eligible owner-occupants to file. If you are married and the Deed has different last names for a husband and wife, a marriage certificate must be presented if the deed does not indicate the two co-owners are "husband and wife."

- Proof of Ownership: Recorded Warranty Deed, Co-op Propriety Lease, Notice of Proposed Taxes or Tax Receipt, if in your name(s). A deed must be presented if the property is jointly owned. **If the property is held in a trust, either a notarized certificate of trust or a complete copy of the trust agreement is required.**

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Insurance...Continued

The final factor, and cloudiest, is the imposition by ratings agencies of increasingly strict requirements for reinsurers to maintain favorable financial ratings. While this may raise the bar for a reinsurer to demonstrate financial viability, it has virtually no impact on their exposure to risk.

At the end of the day, there is little correlation between the huge 2006 rate increases and the real world. The factors being promoted as "actuarial justifications" appear to be little more than arbitrary rationalizations. The new rate schedules combined with the newly legalized cherry picking currently being practiced foretell banner years for the carriers (as experienced by QBE last year).

Aside from the insurers, the only other beneficiaries of this dilemma are political ideologues antipathetic to regulations. Some plans filed last year extolled the virtues of allowing the insurance market to regulate itself, blaming the current crisis on the existing regulatory environment. Plan sponsors expressed delight with the current state of affairs. Notwithstanding anyone's views on government regulation, when critically destructive rate increases go right to a company's bottom line, it fails to pass the smell test.

While there are some contradictory elements in the report, there are also many constructive recommendations rooted in common sense. The report's heavy focus on the relationship between construction mitigations and premium cost is intuitive. Weeding out costly regulations with no ostensible benefit and removing arbitrary obstacles to being an admitted carrier should promote productive competition.

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The Palms


L'Hermitage