

The Miami Herald

Posted on Thursday, 03.11.10

Strengthen Citizens insurance, hurricane CAT fund

I wonder if I am experiencing *déjà vu*? How many years will it take for the state Legislature to return the Florida Hurricane Catastrophe Fund (CAT Fund) to its original mission of providing stability for huge hurricane events, such as Hurricane Andrew, and Citizens Property Insurance to its original role as the state insurer of last resort?

While progress was made last year, and our elected leaders crafted HB 1495, which was the first step to stabilizing Florida's property-insurance market, we continue to have concerns over the financial stability of the CAT Fund and Citizens. These state entities are not charging actuarially sound premiums.

Instead, they rely on post-event borrowing paid off by a "hurricane tax" on policyholders statewide through long-term assessments. At a time when our businesses are still struggling because of a down economy and charities are facing potentially devastating funding cuts, it is impossible to fathom how these groups will be able to afford to pay these "hurricane taxes."

Last month we were presented with another insurance dilemma because of late-filed or renewed insurance claims from the 2005 storms. The Cabinet wisely requested more information. Should the decision be made to pay the \$710 million in reimbursements from these storms, all Floridians and businesses, including charities, will once again be forced to open their pocketbooks.

The CAT Fund's own analysis suggests there are currently around \$4.5 billion in hard assets to pay potential claims that could top \$26 billion in a bad year. Floridians will be in quite a predicament should changes not be made to the CAT Fund.

The Legislature has the opportunity to drastically reduce the exposure of the CAT Fund and reduce the risk it poses to Florida's economy. The state can take advantage of excess capacity in the private reinsurance market to ensure that Florida policyholders will be paid when a storm occurs. By spreading Florida's hurricane costs to risk bearers around the world, we will better protect all Floridians.

The Legislature would also be wise to continue incremental reform of Citizens and the private insurance market. By continuing -- and perhaps accelerating -- the "glide path" to stability our leaders adopted in 2009, we can ensure that scarce resources are devoted to improving our communities, supporting employers and helping Florida's most vulnerable, rather than subsidizing the state's most fortunate.

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