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Seismic reform needed for CAT fund

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Letters from Readers

Looking back on 2011, Florida thankfully avoided a hurricane landfall for an unprecedented sixth consecutive year.

While this string of good luck won't last indefinitely, the New Year brings about an opportunity to reform Citizens Property Insurance Corporation and the Florida Hurricane Catastrophe Fund before the next storm causes a collapse of these government-run entities.

Reform is critical. One primary reason is because the government-run Citizens Insurance has grown from the insurer of last resort to the insurer of first resort.

Second, reforming both Citizens and the Cat Fund will help to eliminate the "hurricane tax" assessment levied on Florida businesses, homeowners, renters, charities, churches and drivers to cover costs associated with major hurricane losses.

Florida's business community is still paying for the back-to-back storms of 2004 and 2005.

And the future is not bright for all taxpayers should a major storm or series of storms hit Florida in 2012.

If a major storm hits, future "hurricane taxes" could amount to over 50 percent of insurance premiums each year for up to 30 years and will be financially devastating for the business community.

Also, Citizens Insurance and the Cat Fund will not have the capacity to pay claims for future storms and will rely entirely on taxpayer-backed debt — further threatening the Florida economy.

Solutions needed
Cat Fund Chief Operating Officer Jack Nicholson and many of Florida's elected leaders agree that it's important to reduce the size of Citizens and scale back the Cat Fund.

From increasing the Citizens Insurance rate glide path to reducing the capacity of the Cat Fund, Florida must create an environment where insurance premiums reflect exposure to risk.

Nicholson has diligently worked to listen to the views of stakeholders and recently presented a seven-year plan to reduce the overall size of the Cat Fund to members of the Florida Cabinet.

Rep. Bill Hager, R-Boca Raton, has also filed a bill, HB 833, which is a balanced approach and strong first step in reforming the exposure Florida will have if a major storm hits.

Increasing premiums
A modest increase in current rates is far less risky than the devastating economic impact from a massive “hurricane tax” or potential insurer insolvencies that Florida will face in the wake of the next major storm.

If Citizens Insurance and the Cat Fund were able to borrow enough to pay their claims, Florida’s entire state debt is at risk to double, and decades of hurricane insurance subsidy assessments will likely be paid by businesses, homeowners, renters, charities, churches and drivers. The situation is even worse if Citizens Insurance and the Cat Fund cannot borrow funds.

Florida can no longer hide its head. We must accept that Florida faces danger from unfunded insurance subsidies that will result in massive exposure to “hurricane tax” assessments.

This threat is far greater than paying a fair price for insurance. Private insurance markets should not be forced to compete with government-run insurance companies.

Instead, they should be positioned to provide competitive rates and thrive in a vibrant market. Also, the private reinsurance industry and capital markets are ready to provide the needed capital to stabilize Florida’s reinsurance market.

The Florida Chamber of Commerce urges policymakers to consider the important Citizens Insurance and Cat Fund legislation put forth by Hager to fix Florida’s broken insurance system.

Seismic reform needs to take place immediately before Florida’s streak of good luck runs out.

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