

Head off 'economic disaster'

By The Palm Beach Post

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Hurricane season will end Wednesday with Florida having enjoyed six comparatively uneventful seasons. Unfortunately, the storm over hurricane insurance hasn't moved on.

This month, Florida TaxWatch released a report on the state's property insurance system. Not surprisingly, the report highlighted the usual lingering problems: Florida's state-run insurer of last resort, Citizens, has become the insurer of first resort; private companies continue to drop policies; the Hurricane Catastrophe Fund, Florida's state-run reinsurance system, wouldn't be able to pay its bills if a large storm struck.

Given the Legislature's priority of drawing congressional and legislative districts, important issues may get stuck behind the Tallahassee rope line. At this point, there is only one property insurance bill (SB 578), which would let unregulated companies take policies out of Citizens. At some point, though, the Legislature should listen to what Jack Nicholson has to say.

No, not that Jack Nicholson. This Jack Nicholson is CEO of the Florida Hurricane Catastrophe Fund. The fund provides subsidized backup coverage to insurance companies. Without the fund, private companies almost certainly wouldn't write any hurricane policies in Florida. The purpose of the fund, Mr. Nicholson said in an interview, is to "stabilize the insurance market."

For that to happen, companies must believe that the fund's coverage is reliable. Last month, however, Mr. Nicholson said the fund might come up \$3 billion short by being unable to borrow enough to cover what it owes the companies. One big reason is the instability and caution in the bond market that began in 2007. If companies see the fund as unreliable, Mr. Nicholson said, the effect would be to de-stabilize the market.

We agree on the need for a reliable catastrophe fund, which means getting more money into the fund and/or reducing the fund's exposures. The less the fund covers, of course, the more private companies would have to cover, which would mean higher rates. Mr. Nicholson argues that "higher rates are coming anyway." His worry is that a strong storm and a weak catastrophe fund would mean "economic catastrophe."

The TaxWatch report proposed scenarios for strengthening the fund. Earlier, though, was the point that changing one part of the insurance system affects the others. One of those other parts is the consumer. Any change to the Hurricane Catastrophe Fund should ask something of insurers, not just consumers. An unbalanced solution would not stabilize the state's real estate market.

- Randy Schultz,

for The Palm Beach Post Editorial Board