

[OP-ED COLUMN]

State Insurance Program in Trouble

By BILL NEWTON

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Florida's insurance consumers face new risks from our homeowner-insurance system — some are well known, and some most people haven't heard about. Our insurance companies, including Citizens, are supposed to remain solvent even when a big storm hits. For storms of a certain size, or multiple storms, the state Catastrophe Fund also kicks in, and uses funds it has built up in years with no storms. If there isn't enough to fund their obligations, the state would try to borrow enough to cover claims on both Citizens and the Cat Fund, backed by their ability to make assessments on most insurance policies statewide. Because of the new economic world, that may no longer be possible, possibly leaving many homeowners stranded.

We have to fix this problem. House Bill 833, sponsored by state Rep. Bill Hager, R-Boca Raton, and Senate Bill 1372, sponsored by state Sen. J.D. Alexander, R-Lake Wales, will diminish these risks, while keeping the cost to ratepayers reasonable. Based on a proposal from Cat Fund Chief Operating Officer Jack Nicholson, the Florida Consumer Action Network believes these consumer-friendly bills are a necessary step and we support the bills as long as the cost to homeowners remains low.

The Cat Fund recently announced it faces a shortfall of \$3.2 billion — or more. If the Cat Fund is unable to borrow sufficient funds to pay its obligations in full after the next big hurricane, the consequences for families and businesses statewide would be devastating. Even if the Cat Fund succeeds in borrowing enough to pay claims on a smaller storm, Floridians statewide will be required to pay assessments on their homeowner, renter and automobile policies for years to come, as we are now paying for the storms of 2005. There's a better way to handle it.

Spreading Florida's hurricane risk beyond our state's borders through private reinsurance is a step we must take. Florida cannot take on all the risk itself, and needs to "spread the risk" and take advantage of international financial resources. Florida should not put its residents in financial peril because a program that is in trouble because of the economy. Instead, we should rely on an industry that is willing and able to financially handle storm risk. The Cat Fund's protection is dangerously limited, so putting Florida on more sustainable, financial footing should be the top priority of all our elected officials.

We have insurance so we don't have to take our chances with hurricanes and other risks. While Mother Nature has been kind to us the past few years, the dangers of relying on borrowing funds to rebuild our state in the wake of the next big hurricane are all too real. The proposal from Rep. Hager and COO Nicholson represents an incremental, measured path to smart reform.

Business organizations, nonprofits and charities have been outspoken with regard to reforming the Florida Hurricane Catastrophe Fund and supporting the efforts of Dr. Nicholson, Rep. Hager and Sen. Alexander. It's time for Florida consumers to embrace this need for change as well. FCAN does not normally support rate increases, but we feel this is responsible, as long as the

cost to consumers is 10 percent or lower, which we feel is affordable. On behalf of FCAN, I hope the Florida Legislature enacts HB 833 and SB 1372 this session. The task at hand is imperative to the well-being and financial security of our state, including Florida consumers.

[Bill Newton is executive director of the Florida Consumer Action Network, Tampa.]