THE WALL STREET JOURNAL.

# Florida's Storm Shutters

## Taxpayers deserve protection before the next big wind blows.

REVIEW & OUTLOOK
FEBRUARY 17, 2012, 6:53 P.M. ET

Governor Rick Scott's push to reform Florida's taxpayer-backed catastrophic insurance funds is starting to get some wind at its back. The hurricane-prone state's taxpayers and what's left of its private insurers are on the hook if a big wind blows, and storm season rolls in again in June. Time to erect the fiscal shutters.

The most tangible progress is at Citizens Property Insurance Corp., a taxpayer-backed insurer of last resort that has become the state's largest property underwriter since the prior Charlie Crist administration deemed it so in 2007. In November, Governor Scott told Citizens chief Scott Wallace to reduce risk, and last month he delivered good news. Policies have stabilized at 1.5 million and the company is instituting reforms to reduce its $512 billion exposure.

As of February 1, Citizens stopped writing new coastal policies valued at more than $1 million, a reform that will mostly affect Florida's mansion owners and cut exposure by $17 billion over the next 12 to 16 months. In May, the insurer will introduce a mandatory 10% deductible for sinkholes when the ground collapses ($6.7 billion) and reduce personal liability coverage to $100,000 from $300,000 ($161 billion). Policy holders won't like the higher premiums, but Citizens has to price risk accurately in a state hit by seven of the 10 costliest storms in recorded history.

Citizens is also backing several GOP bills now moving through the legislature. Senator Garrett Richter and Representative Jim Boyd want to allow surplus-line insurers, niche players that aren't heavily regulated, to buy policies from Citizens, although policy holders would retain the right of veto. Senator Steve Oelrich and Representative Ben Albritton have bills pending that would change how and when Citizens could levy taxes to cover deficits, easing immediate burdens on private insurers and encouraging more to enter the state.

Not a moment too soon. Citizens's policies are limited to Florida, making it nearly impossible to spread the risk of a big storm, which could inflict $20 billion or more in damage. With its limited assets, Citizens would face a huge deficit if a big hurricane or a series of smaller storms make landfall, and insurers would be billed to make up the difference. Those costs would be passed along to taxpayers in Florida and, if the disaster were big enough, around the country.

Florida's public reinsurance fund, known as the Catastrophe Fund, also has problems, and here too Republicans have stepped up with good ideas. Senator J.D. Alexander and Representative Bill Hager want to shrink its size, bolster its capital base and reduce its ability to levy taxes to cover deficits. The main obstacle is Port Orange GOP Representative Dorothy Hukill, who chairs the Economic Affairs Committee and pulled the Hager bill from consideration last month, claiming the text "wasn't ready."

Much of the credit for the progress so far belongs to Governor Scott, who is risking short-term unpopularity to protect taxpayers from a future disaster. This is what political leaders are elected to do.