



Fla. hurricane insurance fund may not cover needs

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TALLAHASSEE, Fla. -- Florida may not have enough money to pay off hurricane insurance claims if a big storm hits this year.

An advisory panel on Thursday concluded that the state may fall nearly \$2 billion short of the total needed to cover all of its obligations and is urging that Gov. Rick Scott and other state officials consider borrowing money now to fill the gap.

Florida created a backstop for insurers after Hurricane Andrew, which caused widespread damage when it slammed into the state nearly 20 years ago.

The Florida Hurricane Catastrophe Fund offers insurance companies reinsurance at prices generally lower than those in the private market. It was designed to help keep private insurers from leaving the state. Every company is required to purchase coverage.

Heading into this storm season, the fund would be liable for about \$17.3 billion. It is expected to have more than \$8.5 billion in cash reserves by the end of this year, but it would need to borrow the rest if a storm hit.

The new estimates, drawn up in consultation with several Wall Street firms, conclude the state could likely borrow up to \$7 billion after a hurricane. That would leave the state roughly \$1.757 billion below what would be needed if a large storm whipped into the state. The \$7 billion would be paid back with a surcharge placed on every property and auto insurance policy.

Top financial advisers to the Cat Fund emphasized that borrowing estimates are conservative and reflect the volatility that entered the bond market since the financial meltdown of 2008.

But the potential gap reinforces view of critics who maintain the fund could wind up being a financial disaster for the state.

And one firm - Goldman Sachs - said Florida likely could borrow no more than \$4 billion following a storm. A Goldman Sachs employee told the advisory council that the financial meltdown had eliminated a "whole class of investors" who would have been willing to lend money to the Cat Fund.

John Forney of Raymond James & Associates and the main financial adviser for the Cat Fund emphasized that even if a storm hit it would likely take some time before the fund would be forced to pay out all of its obligations.

"In the worst case scenario, it's not instantaneous, it's a matter of months, not weeks," Forney said.

This past year lawmakers were asked to scale back the size of the fund, a move that would have caused insurance premiums to rise. But the legislation stalled and was not passed.

With the new estimates in hand, Scott and members of the Cabinet will be asked to consider borrowing money before a storm hits in order to help bolster the Cat Fund's assets.