



Editorial: Bad business

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Forget about running government like a business, consider what happens when you try to run a business like government.

The Citizens Property Insurance Corp. is a state-owned "business" that is the property insurer of last resort for 1.4 million Floridians. It essentially exists to take the risks that private insurance companies won't take.

One problem. It's widely acknowledged that Citizens doesn't have the cash reserves needed to pay claims should one or more actual hurricanes hit Florida this hurricane season. And by an act of the Legislature, existing policies cannot be raised by more than 10 percent a year.

So Citizens officials are talking about raising premiums for new policies by as much as 55 percent on coastal properties (where the biggest risk is) and 19 percent on inland properties.

One catch, though. If Citizens tries to jack up rates, even on new policies, the Legislature will likely block it.

"They will pass legislation that undoes what we do or prevents us from moving in that direction in the future," Citizens Board Chairman Carlos Lacasa warned this week. "And then we have yet that much more of our hands tied behind our back. This has to be a very deliberative process."

The reason Citizens can't adequately cover its risk is precisely because politicians have kept rates artificially low. Should a major hurricane strike, the state, and its taxpayers, will have to bail out Citizens.

This follows news last week that the state-owned Florida Hurricane Catastrophe Fund — which provides reinsurance for private insurers — may need to borrow as much as \$7 billion to cover expected losses if this turns out to be an active hurricane season.

"One of the largest threats to Florida's businesses and economy are the massive, self-implementing hurricane taxes that will follow if a large storm or series of smaller storms make landfall in Florida," warned Thomas C. Feeney, III, CEO of Associated Industries of Florida. "Unless reformed, the Florida Hurricane Catastrophe Fund will continue to be a financial threat to the state's fledgling economic recovery and to all homeowners, business owners, renters, churches, charities and automobile policyholders."

Both Citizens and the CAT fund are at risk — as are, by extension, all Floridians — precisely because our politicians haven't mustered the courage to take on tough but necessary reforms.

Is this any way to run a business, let alone a government?