



IN OUR OPINION

Editorial: The Cat Fund is not storm ready

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The 2012 hurricane season will bring good news and bad news.

The good news: An especially active season could wash out a substantial portion of Florida's historic drought. With a declining water table, and lake and river levels visibly falling by the day, it will take multiple storms to restore things to normal.

The bad news: An active season could strain the state of Florida's finances greatly and send a long-term bill to Florida's taxpayers. And that bill will not be a small one, by anyone's measure.

The latest financial estimate shows that Florida needs to buckle down and bolster its emergency hurricane-insurance fund.

The state-owned Florida Hurricane Catastrophe Fund expects to have about \$8.5 billion in cash reserves to help cover the cost of storm damage. But despite the seemingly large number, it is not likely to be enough. Just one hurricane, Wilma, in 2005, cost \$9.4 billion.

Cat Fund operators say they are prepared to borrow up to \$7 billion more, if necessary, to be paid back by a surcharge on every Floridian's property and auto insurance policies.

With the \$8.5 billion in reserves, Florida expects to have access to \$15.5 billion.

The problem, reported the Florida Hurricane Catastrophe Fund Advisory Council on May 10, is that the liability faced by the fund is estimated at \$17.3 billion.

As a result, the fund could come up \$1.8 billion short if hurricanes are cruel to Florida this year. And heaven forbid we have another season like we experienced in 2004 and 2005.

Even the council's estimate is not based on firm numbers.

While several Wall Street firms worked together to estimate the amount of credit available at \$7 billion, and top financial advisers called that figure conservative, one firm — Goldman Sachs — said that just \$4 billion would be available.

We have known for years about the state's extreme financial vulnerability should a "big one" hit. But lawmakers have been reluctant to tackle the insurance reforms necessary to spread the risk beyond state government.

Luckily, the last several hurricane seasons have been relatively benign.

Rather than illogically hoping for hurricanes to steer clear of Florida year after year, the Florida Legislature and Gov. Rick Scott must buckle down and close Florida's insurance gap. They must do so in a manner that continues to make insurance available and affordable enough for homeowners to make use of it.