



Bill Newton: Seize a chance to shrink the state's risk

Mar. 29, 2013 6:51 PM

Each legislative session we have lawmakers who champion reform of Florida's government-run insurance entities — Citizens Property Insurance Corp. and the Florida Hurricane Catastrophe Fund.

These senators and representatives want to make Citizens the “insurer of last resort” and eliminate the potential for assessments if we get hit with a really big storm. And here we are, near the halfway mark of this year's session, and the Legislature has only a few weeks to pass bills dealing with our state's ongoing property insurance issues. So far, not much progress, but there is one area where we're moving forward.

Sen. Alan Hays, R-Umatilla, and Rep. Bill Hager, R-Boca Raton, are sponsoring Cat Fund reform legislation, with reasonable bills that will help ensure our insurance system keeps its promises to consumers. Supported by Cat Fund Chief Operating Officer Jack Nicholson and Florida's Insurance Consumer Advocate Robin Smith Westcott, Senate Bill 1262 and House Bill 1107 are a step in the right direction. The bills simply reduce the size of the Cat Fund, meaning that more of the hurricane risk would move to the private market and away from state government.

While Westcott opposed Cat Fund reform legislation last year, this year her support includes public testimony in committee meetings to endorse both SB 1262 and HB 1107. On the record, she stated that we have “a tremendous opportunity right now ... to reduce the Cat Fund's liabilities and really have no impact to consumers.” She also testified that, “The right thing to do is to shrink the liabilities so that you have a situation where we're not exposed as policyholders and consumers of this state to make up a shortfall and have claims that don't get paid.”

As an organization dedicated to supporting Florida consumers and taxpayers, the Florida Consumer Action Network agrees that this is an opportune time to implement Cat Fund reform. These pro-consumer bills will help spread Florida's hurricane risk

beyond our borders and to the private market, which is willing and able to take on our state's risk. Reports indicate that because of the capacity or capital currently available in the marketplace, private reinsurance rates are more than likely to decrease, meaning that accessing that capital will not increase consumer rates. Yay!

While it may be suggested that SB 1262 and HB 1107 are "big business" bills that will benefit only large insurers and private reinsurers, the fact is that all Florida consumers would benefit. That's why FCAN supports these bills, and I assume that's why the Florida Insurance Consumer Advocate also supports them.

Without making the appropriate changes to the Cat Fund, Florida consumers and the finances of our state will continue to be at risk. Florida should not try to shoulder all the risk of a major hurricane. We should "spread the risk" using international capital markets. Current conditions make this the year to push risk out of Citizens and the Cat Fund. This is the year to improve our position so we ensure that claims will be paid without default, rather than thinking we can just go deeply into debt to solve our problems. Hopefully, legislators will agree that changes need to be made, and now is the time to do it. It is up to Florida legislators to take the appropriate steps this session and implement reform that is not only in the best interests of their constituents, but in the best interest of all Florida consumers.

Visit www.strongersaferflorida.org and voice your support today.

Bill Newton is director of the Florida Consumer Action Network (<http://www.fcan.org>).