

ALEXANDER: TRUE MEASURE OF FLA FINANCES INCLUDES STORM SCENARIO

By JOHN KENNEDY
THE NEWS SERVICE OF FLORIDA

THE CAPITAL, TALLAHASSEE, Sept. 15, 2009.....Senate budget chief J.D. Alexander cast a deeper shade of red ink over Florida's recession-battered finances Tuesday, with a stark assessment of what major hurricanes could do to the state treasury.

Alexander got the Legislative Budget Commission to embrace his demand that potential multi-billion dollar shortfalls in both the Florida Hurricane Catastrophe Fund and state-backed Citizens Property Insurance, Corp., be included in a long-range financial outlook adopted by the panel.

The financial outlook, which is required by law, shows the state faces at least a \$1 billion shortfall next year to cover a stripped-down base budget, with the deficit potentially climbing to \$2.6 billion when modest increases and traditionally funded state programs are included.

But the four-paragraphs added to the 117-page outlook by Alexander caused the biggest stir. The addition may also prove a swipe at Gov. Charlie Crist, who vetoed legislation in June that Alexander and other supporters said would have reduced the risk of hurricanes on the state treasury.

"The truth will set you free," said Alexander, R-Winter Haven, shrugging off concerns from some lawmakers that the revelation could damage the state's bond rating. "To any knowledgeable ratings agency, this is probably not new information."

Alexander's summary warns that the CAT fund could be forced to pay-out as much as \$23.2 billion in insurance industry claims with a cataclysmic series of hurricanes, while only holding \$16 billion of cash and bonding capability.

A similar disparity exists within Citizens, the state's largest insurer, where \$23 billion in property-owner claims could emerge even as the firm has only \$16 billion on hand at any time.

A hurry-up flurry of higher taxes and insurance assessments would be the only way to cover the dollar gap, even as the state reels from the impact of devastating damage, Alexander said.

"This is essentially our annual report to the people of Florida about our financial situation," said Alexander. "Not noting this doesn't give a full understanding to the reader."

The legislation Crist vetoed would have allowed well-capitalized insurance companies to raise rates without having to go before regulators.

The measure was designed, in part, to keep the state's largest private insurer, State Farm, from leaving the state as part of the fallout from its inability to get regulators to approve higher rates.

Supporters of the measure warn that without a strong private market, Florida's already high insurance exposure climbs dangerously. But in vetoing the measure, Crist said he didn't trust insurance giants not to drive rates unreasonably high to boost profits.

The governor's office did not immediately return a phone call from the News Service of Florida.

State Farm's planned exit has been challenged by state regulators, with an administrative hearing scheduled to begin next month. State Farm and some lawmakers have clamored to have the legislation retooled and added to a likely special session this fall – or at least be ready for next spring's session.

"State Farm's headquarters is in my district and I support that legislation," Alexander said. "There's lots of folks I represent as well as others that would like to have that as an option. If you don't, you can certainly go somewhere else, even Citizens. But I think we proposed good policy for the state."

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