

Ugly truth on insurance

By Sen. J.D. Alexander, Special to the Times

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Floridians want straight talk from public officials. They want to be able to form opinions on the direction our state's headed with all the facts on the table.

That's why I recently insisted that a required report on Florida's long-term financial outlook must disclose that our state faces billions of dollars in unfunded liabilities if it's hit by a major hurricane.

This disclosure isn't pleasant reading. But as chairman of the Senate Ways and Means Committee, I know that Floridians want and need to hear the truth.

So here it is: Our two state-run giants in the homeowners insurance market — Citizens Property Insurance Corp. and the Florida Hurricane Catastrophe Fund — are seriously underfunded. And it's the very people we aim to protect who will suffer the most if a storm hits and exposes the issue.

Combined, these two entities could wind up \$14 billion short of the cash they will need to pay claims if a strong hurricane hits a metropolitan area.

How would Florida pay for this? The answer is that you — the insurance policyholder — would be asked to foot the bill, through assessments on your home, auto, boat and business policies.

It's complicated how we got here. But it's fair to say that the extreme risk of hurricanes we face each year, along with public policies that have plunged our state too far into the home insurance market — while chasing away private insurers — are two major factors.

I asked for the sobering disclosure on Florida's unfunded hurricane liability to be inserted into the Legislative Budget Commission's long-range financial outlook. The outlook is, in essence, the Legislature's annual report to Floridians about our state's financial condition.

Floridians should be aware that the Cat Fund — which provides backup insurance to private insurers — is on the hook to reimburse companies for up to \$23 billion in hurricane losses this year.

Yet, the Cat Fund only has about \$4.5 billion in cash and \$3.5 billion in notes on hand. And experts believe the most it could bond under current global financial conditions is \$8 billion. That leaves the Cat Fund with only \$16 billion to pay claims — a sizeable 30 percent or \$7 billion short of being able to meet its obligations.

Likewise, Citizens faces potential losses of \$23 billion from a huge hurricane hitting Florida. Yet, it also only has \$16 billion in claims-paying capabilities — it has \$4 billion in cash, \$3 billion in financing, and would receive \$9 billion from the Cat Fund. That also leaves Citizens another \$7 billion, or 30 percent short.

And that's assuming that Citizens gets its full \$9 billion reimbursement from the Cat Fund.

State government has dug itself far too deeply into the home insurance market. Most Floridians have no idea that they face the possibility of being forced to pay thousands of dollars in assessments if disaster strikes.

We have a choice: We can allow Florida to dig itself even deeper into this financial hole, or we can take steps now to encourage private insurers to return and compete in this state, and allow consumers to choose for themselves what they're willing to pay to protect their homes.

When all the facts are laid on the table, I believe that Floridians will choose a strong, competitive private market over an underfunded state system that relies on post-hurricane assessments to pay its bills.

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Florida state Sen. J.D. Alexander represents District 17, which includes parts of Hardee, Highlands, DeSoto, Glades, Okeechobee, Polk and St. Lucie counties.

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