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What the heck, we can just borrow it

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When it comes to hurricanes, Florida's two best friends are El Niño and Gov. Charlie Crist.

El Niño, because that global weather phenomenon discourages hurricanes.

Crist, because I have an irrational faith that no storm will hit Florida while he is governor. Afterward — look out!

As we were reminded in Tallahassee again this week, not only could a big storm wipe out *part* of Florida physically, it could destroy *all* of Florida financially. Houses can be rebuilt — if you have the money.

Do we?

Only to a point. Depends on the storm. Between cash on hand and our ability to borrow, we might be able to handle a 1-in-30-year storm, or about $24 billion in losses, according to figures presented to our Legislature this week.

By way of comparison, Hurricane Andrew in 1992 was one of three Category 5 storms of the past century. It caused $26 billion in damage, higher in today's dollars. And although Andrew was intense, it was compact.

For Floridians paying attention, there are two areas of concern. The first is the weakness of the private insurance market. The second is the capacity of our "public options," the state's catastrophe fund and the Citizens Property Insurance Corp.

The private sector remains shaky. The state's biggest insurer, State Farm, still vows to leave. Of the 200-plus other companies, half report that they are experiencing losses this year *without* a major event. There are 20 or so recent startups; there is some debate over their strength.

Nonetheless, our expectation is for the private sector to absorb $7.2 billion in losses before the Florida Hurricane Catastrophe Fund kicks in.

As for that "cat fund," its capacity on paper is just over $23 billion. But as a lone state senator stubbornly pointed out in Tallahassee this week, the real figure is less.

That senator, J.D. Alexander, R-Winter Haven, insisted that his colleagues adopt a statement showing that the true figure is limited by how much Florida can borrow *as a practical matter* after a major storm. Borrowed money does not come magically out of thin air; it has to come from markets willing to lend it.

In reality, the cat fund has about $4.5 billion cash and about $3.5 billion in borrowed money now. The best-case guess is that it could borrow another $8 billion, for a total of $16 billion.

As for Citizens, the state's last-resort insurance company, its potential loss in a 100-year storm is $23 billion. Citizens has about $4 billion in cash, $3 billion in "pre-event" borrowed money — and is counting on $9 billion from the cat fund!

"The people of Florida don't expect us to sugarcoat anything," Alexander said. "The truth is the truth."

The truth is that Florida has had an inconstant policy toward the private insurance sector. Meanwhile, after a stretch of pandering, only recently have the governor and Legislature taken steps to improve the position of the cat fund and Citizens.

Our basic approach toward a major storm remains the same: plan on borrowing and hope for a federal bailout if we get hit.

The problem with borrowed money is that somebody has to pay it back, and that "somebody" will be every Floridian, through mandatory assessments — that is, those who don't go bankrupt or flee the state. Floridians will ask: "Why didn't somebody tell us?" But somebody did.