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## Bill seeks federal guarantee for Florida catastrophe fund

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Legislation that would allow the Federal Reserve to guarantee bonds issued by hurricane catastrophe funds in Florida, Texas and Louisiana and the earthquake insurance pool in California will be introduced in the U.S. Senate on Thursday, Sen. Bill Nelson's office said Wednesday.

The bill "would put in place a safety net" for the funds in the four states, said Dan McLaughlin, Nelson's aide.

The bill marks the first time that four major states, all prone to natural catastrophes, have come together to work on legislation to provide a federal backstop for their respective backup funds.

Officials from the four states, including Florida Insurance Commissioner Kevin McCarty, met to work out final details of the proposed bill in Nelson's office Wednesday afternoon. Susanne Murphy, executive vice president for Citizens Property Insurance, the state-run insurance pool, also attended the meeting in Washington.

A guarantee from the Federal Reserve for the bonds issued by the state catastrophe funds is expected to give investors more confidence when buying the securities. Under the legislation, if there's a default, the Fed would cover the bonds.

Since the beginning of the year, Florida officials have been looking to Washington for assistance with the catastrophe fund because it could face a severe deficit if a significant hurricane were to hit the state this summer.

The Florida Hurricane Catastrophe fund is allowed to sell up to \$29 billion in lower-cost back-up insurance to the private carriers that write homeowners policies in Florida. The backup insurance helps insurers protect their capital by covering a portion of the losses an insurer would face after a major storm.

Currently the Florida CAT fund has about \$7.6 billion, and any shortfall would be covered by the sale of bonds.

The CAT fund's financial advisors believe it could sell as much as \$8 billion in bonds. But given the tight credit market, state officials have been concerned that the CAT fund wouldn't be able to raise all the money it needs through bond sales.

McCarty and Florida Gov. Charlie Crist already had made several trips to Washington to look for a solution from the federal government.

Two weeks ago, U.S. Treasury officials had told Florida regulators that the government couldn't issue a letter of credit.

Meanwhile, in Tallahassee, bills are expected to be debated Thursday in both the Florida House and Senate that would reduce the size of the CAT fund gradually -- \$2 billion a year over the next six years.

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