

# 300 WORDS

(more or less) about

## THE FLORIDA HURRICANE CATASTROPHE FUND

**BACKGROUND**—Every insurance company needs reinsurance (or its equivalent) to cover wind in Florida. Following Andrew, reinsurance was generally unavailable, forcing many insurers to curtail their writings. Lawmakers created the Florida Hurricane Catastrophe Fund (CAT Fund), which not only brought carriers back to the state but also lowered the cost of insurance because its coverage is provided to carriers at a price that does not include income taxes paid to the federal government, commissions to intermediaries, or profit. By law these savings must be passed on to Florida consumers. The Florida CAT Fund is largely recognized as the number one reason carriers are willing to write catastrophic wind coverage in Florida.

**PROBLEM**—Unfortunately the CAT Fund benefits are being seriously undermined. Raiding of the CAT Fund dissuades insurers from coming to Florida and induces others to consider leaving. Those who “might” invest capital in Florida’s wind market have witnessed raids in fiscal year 2000-2001 of \$12.2 million, in 2001-2002 of \$30 million, and in 2002-2003 of \$20 million. During Special Session 2004A, another \$150 million was appropriated as reimbursement for multiple deductibles—this, despite a \$720 million budget surplus created by the

four storms. If not curtailed, these “raids” on the CAT Fund could affect its stability and even lead to assessments. So far, attempts to place limitations on the Legislature’s ability to “raid” the CAT Fund have been unsuccessful. We think it’s time to send a better message.

**SOLUTION**—The dollars in the CAT Fund need to remain in the CAT Fund and be allowed to grow for their intended purpose. The insurance industry and many business groups support enactment of a constitutional amendment limiting the amount of CAT Fund dollars that can be used for mitigation or other items not directly related to the mission of the Fund. State Senator J.D. Alexander introduced SJR 1870 during the 2005 Regular Session, which places a constitutional amendment on a statewide ballot that would limit access to the CAT Fund reserves. For the 2006 Regular Session, Sen. Alexander has filed SB 98 and Rep. Berfield has filed HB 279. For the sake of all Floridians, we must protect the Florida Hurricane Catastrophe Fund so that we can attract more companies and competition and keep premiums as low as possible. Please support SB 98 during the 2006 Legislative Session.

FOR MORE INFORMATION, CONTACT:  
Laura B. Pearce, Esq., FAIA Director of Governmental Affairs, or  
Kyle Ulrich, FAIA Grassroots/PAC Coordinator  
E-mail: [lpearce@faia.com](mailto:lpearce@faia.com), [kulrich@faia.com](mailto:kulrich@faia.com)

Prepared by:



PO Box 12129

Tallahassee, FL 32317-2129

Telephone: 850-893-4155 ♦ Fax: 850-668-2852 ♦ <http://www.faia.com>