

Insurance pool for businesses considered

by HeraldTribune.com

Gov. Bush envisions a state program that would offer reinsurance.

TALLAHASSEE -- Gov. Jeb Bush is considering a state-run reinsurance pool or joint underwriting pool to help businesses that can't get policies from private insurers, saying that if companies can't get coverage, it could lead to an economic downturn.

Bush said Wednesday that he envisions a program that would offer reinsurance to back up private insurance companies, rather than a program that would sell insurance directly to businesses. Reinsurance is coverage that insurers have to protect against their own losses from paying claims.

The Republican governor said he has asked Insurance Commissioner Kevin McCarty to bring a plan for a state business insurance pool to next week's meeting of the Cabinet, which would have to approve it.

His proposal came after Senate President Tom Lee and Chief Financial Officer Tom Gallagher suggested resurrecting such a pool, known as the Commercial Joint Underwriting Association.

It used to exist in Florida before Hurricane Andrew in 1992, but was disbanded after a lawsuit.

The problems that many homeowners and businesses in Florida have in getting coverage for hurricane damage is well known, and state policy makers have tried to deal with that issue for years.

Citizens Property Insurance Corp. is a similar pool that sells hurricane damage policies for those who can't get it in the private market.

But businesses in Florida have reported trouble getting any kind of coverage, so-called "all perils" insurance, and have seen policies canceled and rates increase.

Insurance companies have been reluctant to offer policies because they've had a hard time getting reinsurance. Creating an insurance pool that would guarantee companies could at least find a policy would add some stability to the state's insurance market, Bush said.

A joint underwriting association works by essentially pooling together several insurers to spread the risk -- jointly underwriting all the policies offered by the insurance companies.

The governor's idea is slightly different from Gallagher's. The Republican candidate for governor envisions a pool that would directly insure businesses that can't otherwise get coverage.

"The JUA would provide basic coverage to Florida employers who employ thousands of hardworking citizens and serve as the backbone of our economy," Gallagher said in a letter to Bush.

Different approaches

Gallagher and Lee, who is seeking the Republican nomination for the CFO post that Gallagher currently holds, also made some suggestions in separate letters to Bush this week on how to help ease some of the difficulties Floridians have had in getting and affording hurricane coverage.

Gallagher is proposing having reinsurance more available by making it easier for companies to tap into the state's reinsurance fund, the Florida Hurricane Catastrophe Fund, or CAT fund. Currently, companies can tap into it to back themselves up once their losses hit \$5.2 billion. Gallagher is suggesting lowering the threshold to \$3 billion, with the hope that would encourage more companies to write additional wind policies.

Lee is proposing expanding the amount of reinsurance coverage that companies could get from the CAT fund if the companies agree to take over coverage of homes that would otherwise have to be covered by Citizens. He also proposed using surpluses in the state's affordable housing trust fund to help pay to strengthen the homes of poor people in the hopes of lowering their insurance premiums.

On Thursday, Randy Johnson, Lee's Republican rival for the CFO nomination, rolled out a detailed and wide-ranging plan for trying to reduce homeowners' insurance rates and keep them from having claims denied. Among Johnson's proposals are preventing home insurers from dropping policies within a month of hurricane season and requiring insurance companies to inspect all older homes to evaluate how strong they are and give discounts to homeowners with those with hurricane-resistant features.

Johnson, a state representative from Celebration, also is proposing to repeal a state law that eliminated homeowners' ability to appeal decisions on whether damage was caused by wind or water.

Johnson would like to see a system similar to no-fault auto insurance, where a homeowner's wind insurer represents the policy holder before the federal flood program if some damage is caused by water, rather than leaving it to the homeowner to fight to get a claim covered.

Meanwhile, Citizens President Bob Ricker said Thursday that the company has \$5 billion in reserves to cover potential losses in the current hurricane season.

"We are in excellent shape financially to deal with losses this year," Ricker said.

The company had about \$2 billion in cash and then the sale of about \$3 billion in bonds gave it a cushion for paying claims. Another \$5 billion is available from the CAT fund if needed, Ricker said.

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