

## **Former Florida Gov. Jeb Bush Slams Cat Fund Expansion**

GRAPEVINE, Texas September 17 (BestWire) — Former Florida Gov. Jeb Bush is dismayed at how his state has handled catastrophe insurance since he left office in January, telling members of the National Association of Mutual Insurance Companies "we don't really have an insurance problem; we have a natural catastrophe problem."

Addressing NAMIC's annual members convention in Grapevine, Texas, Bush recalled the eight hurricanes that struck Florida during his time in office, from January 1999 through January 2007. In his address, he praised the industry in particular for its performance during the 2004 and 2005 hurricane seasons, when insurers processed more than 2.8 million claims and paid out more than \$36 billion in insured losses in the state.

Discussing the availability and affordability issues that have been raised in many coastal homeowners insurance markets ever since Hurricane Katrina in 2005, Bush at first referred obliquely to states that were "offering solutions that are as bad as the natural disasters themselves," before going on to express concern that "my beloved state of Florida has taken steps along that path."

In January, the state Legislature approved and Gov. Charlie Crist signed legislation doubling the size of the Florida Hurricane Catastrophe Fund to \$32 billion and permitting the state-controlled Citizens Property Insurance Corp. to compete directly with private insurers. Though projected by the law's crafters to result in average 24% rollbacks in homeowners' insurance premiums in the state, as of early last month, Insurance Commissioner Kevin McCarty said 36 of 47 insurers were instead seeking rate increases that averaged 37.3% (BestWire, Aug. 3, 2007).

According to Bush, the legislation adopted in Florida is bound to produce "unintended consequences and greater problems in the long term." He noted that state Reps. Dennis A. Ross and Donald D. Brown — whom he called "the most knowledgeable members when it comes to insurance issues" — were the only members of the Legislature to vote against the bill. During the convention, NAMIC honored Brown with its award as the year's top state legislator.

"When the government assumes the risk of these catastrophic events, they are putting at risk the livelihoods and quality of life of the taxpayers and citizens they serve," Bush said. "The more risk that is concentrated within the public domain, the greater the burden to taxpayers to pay for the cost of rebuilding after a devastating hurricane."

The former governor also urged NAMIC members to resist arguments put forward by those elements of the property/casualty industry that were pushing for the government to take on a greater portion of catastrophic risks, saying such plans "only shift the risk and the cost to taxpayers, and will increase both when we need to decrease them."

"I guess if I was the CEO of a property/casualty company, and I could convince the government to take the wind risk and allow my company simply to collect the premiums, to execute the claims and be an agent to sell lower risk forms of insurance along the way, it'd be a pretty good business proposition," Bush said. "But it won't solve the great challenge that we face as a nation."

Instead, the former governor argued the building codes adopted in Florida in 2002 have proven effective in reducing the risks faced by many coastal residents, and he suggested state or federal assistance may be necessary to help some residents cope both with rising premiums and with the cost of further mitigation.

He also said insurers must do more to establish a transparent system of premium discounts that are tied to the location and construction of buildings. Bush suggested a universal "one-through-five" scale of building risks would serve to motivate homeowners and developers to take additional mitigation steps.

"The long-term sustainable solution to our insurance problem is reducing risk, and that is not a quick fix for homeowners who are struggling to pay double and sometimes triple increases in premium in just a year," Bush said.

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