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Groups rally behind Cat Fund bill, but progress hard to come by

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By Gray Rohrer and Bruce Ritchie

A coalition of business, insurance and environmental groups are pushing for legislation to reduce the coverage of the Florida Hurricane Catastrophe Fund because they say the state fund provides cheaper reinsurance than the private market and subsidizes coastal construction.

Efforts to reduce the coverage of the Cat Fund, as it's known, failed to get through the Legislature last year, but lawmakers are trying again this year with HB 1107 and SB 1262. Ten groups, including seven environmental groups, sent a letter on Tuesday to the House Insurance & **Banking Subcommittee** supporting the House version.

In addition to preventing taxpayers from being on the hook in case of hurricane losses, restricting development in flood prone areas also protects habitat for nesting sea turtles, shore birds and other coastal wildlife species, said David Godfrey, executive director of the Sea Turtle Conservancy in Gainesville.

"The aesthetics and quality of our coastal ecosystem in Florida is diminishing," Godfrey said. "Why let it diminish further with public subsidies that also put taxpayers at risk?"

In addition to the environmental groups, representatives of Associated Industries of Florida, the Florida Chamber of Commerce and Florida TaxWatch signed the letter along with former state Rep. Thomas E. Danson Jr., R-Sarasota, and coastal consultant Ken Lindeman.

The House Insurance and Banking Subcommittee discussed their version of the bill Wednesday and the Senate version is up for a vote Thursday, but its path to becoming law is still murky. Members of the Senate Banking and Insurance Committee already moved to strip Cat Fund provisions from a separate bill designed to reduce the risk of state-run Citizens Property Insurance Corp., SB 1770.

Don Brown, a former representative who chaired the House insurance panel and is now a consultant for reinsurance companies, urged lawmakers to take action to reduce the Cat Fund's coverage. The fund currently has a maximum coverage of \$17 billion, but studies suggest the fund could have trouble borrowing money to cover claims after a catastrophic storm, leaving a shortfall of \$1.7 billion.

"Selling phantom coverage is just not something government should do. In fact, it's something that if a private company would do it, someone would go to jail," said Brown, who is also a lobbyist for Associated Industries of Florida.

Coastal lawmakers, however, have rejected measures to shrink the Cat Fund, fearing companies would buy more expensive reinsurance in the private market and pass the costs on to consumers in rate hikes.

Environmental groups including the Florida Wildlife Federation and the Sea Turtle Conservancy also are supporting HB 835, which would prohibit Citizens from insuring newly constructed property seaward of the state's Coastal Construction Control Line and on lands located within the federal Coastal Barrier Resources System.

The bill, by state Rep. John Wood, R-Winter Haven, also would phase-in a prohibition on

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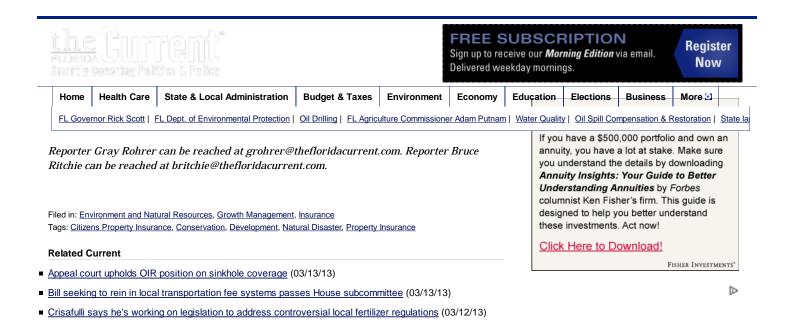


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