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# Florida House of Representatives

## Representative Frank Artiles

### District 118

March 21, 2015

Governor Rick Scott  
Executive Office of Governor Rick Scott  
400 South Monroe Street  
Tallahassee, Florida 32399

Re: Florida's Two Billion Dollar Giveaway: Corporate Welfare at its Best

Dear Governor Scott,

Here we go again. The proposed transfer of billions in risk from the Florida Hurricane Catastrophe Fund (CAT Fund) to the private, offshore global reinsurance market is nothing more than Corporate Welfare and would mean higher property insurance rates for Floridians.

If CAT Fund Chief Operating Officer Jack Nicholson is permitted to gift \$2 billion into the private re-insurance market, the only beneficiaries would be the reinsurers themselves, mostly based in Bermuda. These are people who actually hope for catastrophes so that they can demand higher rates and larger profits.

Some damage has already been done. Just as private insurance companies are negotiating the reinsurance contracts they need to be able to pay claims after catastrophes, Nicholson is throwing them a lifeline. Just the threat of the CAT Fund sucking up a couple of billion in capacity helps the reinsurance negotiators keep rates higher--closer to the sky-high rates they've traditionally charged just as Florida insurance consumers were poised for some relief.

The CAT Fund is the strongest it's been to date. Thanks to the past nine years without a hurricane, the annual funds paid into the CAT Fund by Florida insurance carriers now adds up to about \$11 billion adding about \$1.25 billion each year that we don't have a major storm. That surplus would not exist if Nicholson and crew previously had been permitted to shift money out of the CAT Fund and into the coffers of reinsurers. In a non-storm year, instead of adding to reserves to pay for future storms, that money lines the pockets of the Bermuda reinsurers.

If the deal is approved, the reinsurers get to laugh all the way to the bank. Because even if we get hit by a major storm or storms, the proposed deal transfers very little risk. Florida has over 160 insurance carriers with policies geographically disbursed. For the reinsurers to be on the hook for full payment of claims a storm would have to literally zig zag the entire state hitting every major metropolitan area (an impossible event).

This proposal also subverts the constitutional role of the Florida state legislature. For the past several years reinsurance lobbyists have tried to advance bills that would reduce the capacity of the Cat Fund so that they can sell more private reinsurance. The legislature has said no each time. This year no bills were filed. Nicholson and his Bermuda reinsurance friends have apparently decided to go around the people's representatives.

Fortunately, the proposal must be approved by the State Administrative Board which consists of Governor Rick Scott, Chief Financial Officer Jeff Atwater and Attorney General Pam Bondi. They didn't approve Nicholson's proposal last year. They should shut him down this year too. If they clearly say no to the deal during next Tuesday's cabinet meeting, it will help Florida insurance companies who are still in negotiations with reinsurers get better pricing so that policyholders get lower rates. Afterall, a corporate welfare deal that raises property insurance rates is not just bad public policy, it would simply be shameful.

Sincerely,



Frank Artiles  
State Representative  
District 118