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February 19, 2018

The Honorable Anitere Flores
Florida Senate
404 South Monroe Street
404 Senate Office Building
Tallahassee, FL 32399-1100

**RE: Oppose SB 1454: Hurricane Catastrophe Fund
When the 2018 Florida Chamber Business Agenda Wins, Florida Wins**

Dear Senator Flores:

The Florida Chamber of Commerce urges you to **oppose SB 1454**, related to the Florida Hurricane Catastrophe Fund. This bill, proposed by Senator Jeff Brandes, will be heard Tuesday, February 20, 2018 in the Senate Banking and Insurance Committee.

The Florida Hurricane Catastrophe Fund (CAT Fund) was created after Hurricane Andrew to help stabilize Florida's insurance marketplace and provide affordable reinsurance. The CAT Fund directly competes with the private reinsurance market. Florida insurers are required to purchase reinsurance through the CAT Fund up to the maximum obligation, which is \$17 billion a season, regardless of the CAT Fund's ability to pay. The State Board of Administration turns to the bond market if the CAT Fund does not have enough money to pay losses from a hurricane, which is then repaid through a "tax" on all insurance policies except workers' compensation and medical malpractice. The cash build-up factor was created in 2009 to help increase the balance of the CAT Fund when the balance of the CAT Fund was at a historic low.

SB 1484 permanently eliminates the cash build-up factor even though the CAT Fund is not financially at its one-year maximum capacity. Additionally, eliminating the cash build-up factor fails to contemplate a second season of storms, which could cause the State Board of Administration to turn to the bond market to fund losses. These assessments would then be levied on all insurers, regardless of whether they benefit from the CAT Fund. For these reasons, the Florida Chamber opposes SB 1484 and this issue has been included in the 2018 Florida Business Agenda.

This bill is opposed by Florida's business community because it:

- Puts the short term ahead of the long term by eliminating the cash-build up factor which is used to increase the CAT Fund's balance;
- Increases the risk of hurricane "taxes" if Florida is faced with a series of storms or multiple seasons of storms; and
- Creates economic uncertainty for insurers which are required to purchase reinsurance through the state's CAT Fund.

The Florida Chamber urges you to **oppose SB 1454**, and will consider votes on this legislation, and any substantive amendments to it in committee or on the floor, in our annual *How They Voted* report card. Because of the importance of this issue to employers across the state, our Board of Directors has determined that this bill, and

any substantive amendments to it in committee or on the floor, will be counted ***twice*** on our legislative report card. The grade that you earn will be based on your voting record on the issues, such as this one. We will make every effort to notify you prior to a vote that may be included in our annual legislative report card. If you have any questions about this or other issues, please do not hesitate to contact me.

Regards,

A handwritten signature in blue ink that reads "Frank C. Walker III". The signature is fluid and cursive, with a prominent flourish at the end.

Frank C. Walker, III
Vice President of Government Affairs

CC: Bob Grammig, Chair, Florida Chamber of Commerce
Mark Wilson, President & CEO, Florida Chamber of Commerce
David Hart, Executive Vice President, Florida Chamber of Commerce