

Demotech CEO Meeting with Florida Policymakers on Cat Fund Dilemma

[PDF](#) [PRINT](#) [EMAIL](#)

01/15/2009

Demotech CEO Joe Petrelli is in Tallahassee today and Friday for meetings with state policymakers and staff, including Florida Insurance Council representatives, on the Florida Hurricane Catastrophe Fund shortfall.

Many FIC members received a letter from Demotech in November warning that absent a Cat Fund financing solution, they will be required to demonstrate adequate alternative financing to maintain their Demotech Financial Stability Rating after May 15.

"CEO Joe Petrelli will be visiting many key policymakers to discuss the letter and to bring some ideas to assist the state with the Cat Fund shortfall," Lisa Miller, consultant for Demotech, said this morning. "Demotech is doing everything it can to work with regulators and state policymakers toward solutions in the marketplace. The purpose of the visits the next two days to start a dialog on ways to work together so that the Legislature will have as much information as possible when it deliberates the Cat Fund."

Jack Nicholson, Cat Fund CEO, told the Senate Banking & Insurance Committee Wednesday the program "is way short" of financing even the mandatory layer, which would be about \$17 billion for the 2009 hurricane season. There seems to be agreement among most following this issue that it is impossible, for all practical purposes, to finance TICL, which would be another \$13 billion for 2009, unless Congress quickly establishes a National Catastrophe Fund.

"Since the fall of 1996, Demotech, Inc., has reviewed and assigned Financial Stability Ratings to virtually all of the start-up Property and Casualty insurance companies writing property insurance in the State of Florida," Demotech wrote in the letter to insurers.

"...The potential inability of the Florida Hurricane Catastrophe Fund to honor meritorious claims related to a significant event adversely influences the Financial Stability Rating of each of the carriers that are heavily dependent on the reinsurance provided by the Florida Hurricane Catastrophe fund. Under current circumstances and conditions, we will provide, monitor and support Financial Stability Ratings through the period ending May 15, 2009. An extension of financial Stability Ratings beyond May 15, 2009, will require definitive financial information regarding participation in the Florida Hurricane Catastrophe Fund, documentation of bridge loans or alternative financing mechanisms that provide liquidity during a period in which the Florida Hurricane Catastrophe Fund would be raising capital and other precaution or protection regarding reinsurance collectability or catastrophe reinsurance."