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Storm Center Brief

A Publication of the Florida Catastrophic Storm Risk Management Center

Florida Senators Bring "Six-Pack" to Congress

U.S. Senators Mel Martinez (R-FL) and Bill Nelson (D-FL) have brought a six-pack to Congress. A six-pack of legislation, that is, aimed at improving hurricane preparedness and response, reducing damage costs, and creating a national catastrophe fund.



Sen. Mel Martinez



Sen. Bill Nelson

private sector will improve technology and research capabilities to monitor hurricanes."

The bill ([S1485](#)) directs the Under Secretary of Oceans and Atmosphere to coordinate with the Director of

the National Science Foundation to create a National Hurricane Research Initiative that will focus on a greater understanding of hurricane and prediction methods by improving aspects such as storm tracking, storm intensity, and forecasting.

The federal government would also be required to monitor and track research to ensure that it is meeting milestones and goals to improve upon current research knowledge.

Other bills introduced this session by Sen. Martinez, who recently announced he is resigning his senate seat, and Sen. Nelson include a proposal to create a national catastrophe fund. According to Sen. Nelson's website, the bill ([S505](#)) would address shortfalls in the Florida Hurricane Catastrophe Fund, which pays claims when insurance companies can't. Also, the bill would allow multiple states to join together to help pay for each other's disaster costs. There is also a provision in the bill to provide low-interest federal loans when damages exceed the resources of the states' catastrophe funds.

Both S1485 and S505 are reintroduc-

Among the bills introduced is a five-year, \$375 million dollar National Hurricane Research Initiative that they say will result in better research designed around predicting and preparing for hurricanes.

"Giving Floridians the most timely and accurate information available when it comes to hurricanes will help them to better prepare for storms," Sen. Martinez said in a press release. "Coordination by federal agencies, research universities, and the

tions of bills that failed to pass in last year's Congressional session. Other bills in the "hurricane six-pack" include these:

- [S886](#) would establish a program to provide guarantees for debt issued by state catastrophe insurance programs to assist in the financial recovery from natural catastrophes.
- [S1363](#) aims to streamline the regulation of non-admitted insurance and reinsurance.
- [S1364](#) would amend the IRS code of 1986 to provide a tax credit for hurricane and tornado mitigation expenditures.
- [S1486](#) would amend the IRS code of 1986 to provide for the creation of disaster protection funds by property and casualty insurance companies for the payment of policyholders' claims arising from future catastrophic events.

Track these bills and other legislation at www.stormrisk.org



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Storm Center Researchers will be “Herding Cats” at Society of Insurance Research September Conference in Orlando



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Insurance subsidies, granular insurance pricing, and market capacity are among the topics to be discussed at a special catastrophe track included in this year's Society of Insurance Research conference in Orlando. “Herding Cats: The Growing Challenges of Catastrophe Risk” is set for Sept. 22 and includes presentations by Center Director Patrick Maroney, and Associate Directors Charles Nyce and Lori Schneider. Topics include:

- **Subsidies in the Post-Loss Assessment Structure of Florida's Property Insurance Market.** Florida relies heavily on post-loss assessments of property insurance policies to finance hurricane risk. Specifically, the state's Citizens Property Insurance Corporation (the state-run insurer), the Florida Hurricane Catastrophe Fund (the state-run reinsurer), and the Florida Insurance Guaranty Association (state-run claims handler of insolvent property and casualty insurance companies) make up for any shortfalls of cash they may have through assessments of Florida's citizens' property insurance policies. Based on the results of empirical research, this presentation will explain the resulting subsidies that benefit policyholders in some, mostly coastal counties to the detriment of policyholders in other, mostly inland and northern, counties.
- **Granularity in the Florida Property Insurance Market.** Much has been written in the news about north vs. south and inland vs. coastal subsidies with regard to property insurance rates and accuracy of pricing in Florida. The discrepancies in rate accuracy, however, are more localized than these broad comparisons. Even at the zip code level, expected loss costs vary enough to warrant more granular pricing of risk than is currently utilized in the territory-based property insurance rating systems. As evidence of the need for granular pricing with regard to the wind peril in the residential property insurance market, this research examines the role that distance to the coast plays in the relationship between expected loss costs and wind premiums in the coastal areas included in Citizen's Property Insurance Corporation's High Risk Account.
- **Capital Market Capacity.** Even if we focus only on natural disasters, the insurance industry alone cannot absorb the potential financial shock of a mega catastrophe. The industry does, however, have access to reinsurance and risk securitization markets, thus seemingly providing an extensive resource base to cushion the financial shock of a large catastrophic loss. While these sources of capital – separately and combined – are capable of bearing the risk of some large losses, these markets face substantial financial disruption in the event of one mega loss or several large losses that occur close in time proximity. This research evaluates the sources of capacity available for risk financing and transfer today.

*A Sept. 22 only, **\$99** conference registration is available for those who wish to participate in only this track. This price includes continental breakfast, lunch and a preceding session entitled “All's Not Quiet on the Congressional Legislative Front – Responding to the Latest Challenges,” as well as a tour of the new [StormStruck](#) experience at the Walt Disney World Resort's [EPCOT](#) theme park the evening of Sept. 21. For \$125 attendees also can enjoy the Sept. 21 evening reception.

Fall a Busy Time for Catastrophe-Related Conferences Across the Country

September

[Investing in Floodplains for Future Generations](#) (Floodplain Management Association)
September 8-11 – San Jose, CA

October

[National Emergency Management Association Annual Conference](#)
October 10-13 – Columbus, OH

[Hurricane Hugo 20th Anniversary Symposium](#) (Applied Technology Council)
October 22-23 – Charleston, SC

[International Association of Emergency Managers Annual Conference & EMEX 2009](#)
October 31- November 5 – Orlando, FL