

Charlotte Sun: Mahoney extols entrepreneurship

Congressman outlines insurance relief offers updates on bills
Charlotte Sun

September 22, 2007

By Bob Fliss Charlotte Business Editor

Over about the last half-century, the world's great economies have become more interdependent than ever, according to Congressman Tim Mahoney.

Not exactly a revelation?

Then try this: "When I was born in 1956, companies outlived people. Generation after generation worked for companies like AT&T ... In the 1970s, about 70 percent of (the) gross domestic product was driven by large companies. Now, when General

Motors has a bad quarter, it

doesn't even make the newspaper," Mahoney told local business owners at a Friday workshop at the Cultural Center of Charlotte County, sponsored by the Charlotte County and Punta Gorda chambers of commerce.

While the GMs and Duponts of the world are still around, they no longer cast quite as long a shadow over the global economy. This leads Mahoney - whose business background is in the computer and venture-capital fields - to conclude that entrepreneurship is critical in keeping the U.S. competitive against other nations that have cheaper labor.

"What is going to separate us from the rest of the world is innovation and ingenuity ... the last 40 years has transformed our economy from a big-business economy to a small-business economy," Mahoney said.

That's a fairly simple idea, but also a profound one, said Jim Orth, a retired building contractor and volunteer on the economic development committee of the Punta Gorda Chamber of Commerce.

"I don't think I've heard any other person say it that way," Orth said.

Part of the reason for Mahoney's visit Friday was to inform local businesspeople that his western district office - serving Charlotte, Highlands, Hendry, and Glades counties - opened this month on the fifth floor of the county office building at 18500 Murdock Circle. His staff was distributing leaflets about how small businesses and individuals can apply for federal grants.

Mahoney also offered an update on bills he's sponsoring. One of his top priorities for now is House Bill 3355, which would provide relief to both insurance companies and their clients who are now paying heavy premiums for hurricane insurance.

He explained that HB 3355 takes the insurance reform act passed by the Florida Legislature in January to its logical conclusions. The new state law increased the Florida Hurricane Catastrophe fund, so that property insurers could reduce their risk by purchasing additional reinsurance - which is the industry term for the insurance that insurance companies purchase to protect themselves against massive claims, like the roughly \$34 billion that followed the eight named storms of Florida's 2004 and 2005 storm seasons.

The reinsurers will in turn spread their risk by buying reinsurance of their own. Conversely, large-property owners may divide their risk into various layers - Charlotte County only this summer settled its Hurricane Charley claims with the last of seven insurers.

The Catastrophe Fund has been stepping in to provide reinsurance at a cheaper price than private reinsurance has been offering. But insurers calculate their premiums based on their forecast of future risk, not what happened in the disaster

years of 2004 and 2005. This helps to explain why premiums are remaining stubbornly high even though 2006 was uneventful. It also helps to explain why insurers are fleeing the state or raising their rates, even though most were able to settle their 2004-2005 hurricane claims and remain profitable.

Mahoney said his HB 3355 - which goes for markup to the House Financial Service Committee this Tuesday - would cap insurers' windstorm liability at \$13.5 billion, which he said is realistic considering that the industry pulls about \$9 billion of annual premiums out of the state.

This would give insurers a realistic worst-case scenario to calculate their premiums against, Mahoney said.

What happens to any claims exceeding \$13.5 billion? Mahoney said his bill would allow the federal government to step in with a low-interest loan to the state of Florida for up to \$20 billion more. He estimates that a 30-year term would allow the state to assist disaster victims without causing a fiscal crisis.

Mahoney said he has a good feeling his bill will pass both houses - but President Bush has already threatened a veto.

Mahoney closed by congratulating local businesspeople on the speed and thoroughness of the recovery from Hurricane Charley.

"You have been tested. This community has passed it with the highest marks. Now it's time for you to move up to the next level," Mahoney said.

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