



2011 Officers

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Catastrophe Insurance

Enrolled	Sponsor(s)	BOMA Florida's Position
Similar bills:	Sponsor(s)	Final Results: Effected Date:

BACKGROUND: Higher insurance rates and vastly higher wind deductibles have resulted in the aftermath of the deadly and destructive 2005 hurricane season. Some insurers have cut back on their coverage in certain markets or leaving them altogether. Insurance is a significant operating expense for the commercial real estate industry, and it is a requirement for capital creation and vital to recovery after a natural disaster.

Florida and our Nation are facing a growing insurance crisis as the insurance and real estate industries struggle to prepare for the possibility of multiple occurring events and rising insurance costs. Across the country, building owners and managers are dealing with how to manage and pass through costs, though buildings in the Florida Gulf Coast Region undoubtedly have been hit the hardest. In Florida, some commercial property owners have seen the cost of insurance increase between 400% and 1,000% as a consequence of eight hurricanes in two years. According to Cushman and Wakefield of Florida, Inc., insurance companies took in approximately \$7 billion in premiums in 2004-05 and paid out close to \$40 billion for hurricane losses during that same period.

Following the terrorist attacks of September 11, 2001, many building owners were advised that their insurance policies would not be renewed or that their new policies would exclude terror/war risks. Recognizing that without adequate insurance, it is impossible, to operate or acquire properties, refinance loans, and sell commercial mortgage backed securities, Congress passed the Terrorism Risk Insurance Act of 2002 (TRIA) and later amended and extended it through the Terrorism Risk Insurance Extension Act of 2005 (TRIEA). Both TRIA and TRIEA were designed to provide a federal backstop to meet reinsurance needs. BOMA believes that a similar approach would work for other types of catastrophic risks.

Catastrophe Insurance

BOMA'S POSITION:

Insurance for catastrophic risk must be available to building owners at reasonable rates and terms. BOMA International encourages the federal government to implement a federal "backstop" or national risk pool to address the reduced availability of insurance and reinsurance affecting the commercial real estate industry in major markets. Any such plan must consider the local and state role in insurance regulation and disaster recovery.

BOMA Florida supports stabilizing the commercial property insurance market and providing more affordable and available hurricane insurance to Florida's business owners.

ACTION REQUESTED:

We asked our Government to work with BOMA International and BOMA Florida to explore and debate the best solution to the growing insurance crisis.