

# Risky Business



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**State intervention has made it even harder for Florida growers to get affordable insurance coverage.**

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**E**VER since Florida got slammed by a series of hurricanes in 2004 and 2005, insurance has been expensive and hard to come by for growers, and steps the state has taken to provide insurance to homeowners has made it even less desirable for private insurers to do business in Florida.

The state-sponsored market of last resort, Citizens Insurance Company, has become the only option for many homeowners and businesses, especially if they are near the coast. To subsidize Citizens, the state is charging private insurance companies a 2 percent surcharge on each premium in the state of Florida. On top of this, the state has enacted a rate freeze for private insurance companies in Florida.

Where the real squeeze comes is when insurance companies can't pass along rate increases from their reinsurance companies, who are not frozen by the state. Insurance companies buy insurance to minimize their risk and exposure. On a global level, there are layers upon layers of reinsurance to insurance providers, which dictates their capacity or ability to offer insurance.

"Essentially, reinsurers are our suppliers of insurance capacity," says Peter Fornof, senior vice president at Hortica, which provides insurance coverage to our industry. "When they are uncomfortable with the risk, they either raise rates, reduce capacity or both. They did both after the 2004-2005 hurricane seasons."

Hortica will pay the first \$400,000 of each claim and the reinsurer will pay the rest up to the limit of liability purchased. In a claim that costs \$1 million, Hortica pays \$400,000 and the reinsurer pays \$600,000. "In a catastrophe such as a hurricane, after Hortica pays \$2 million out on multiple claims, our catastrophe reinsurance kicks in and pays up to the limit we purchase," Fornof says.

While growers' insurance needs are the same related to coverage on structures, crop and income, insurance companies in general

have limited the amount of coverage in dollars they will write and won't insure certain greenhouse structures due to susceptibility to catastrophic wind damage.

"Hortica is in certain cases writing lower limits of liability on wind susceptible structures and not insuring structures that wouldn't survive a Category 2 hurricane," he says. "Extremely susceptible property (crop, poly cover) are not being written. On the positive side, Hortica also acts as an agent and writes federal nursery crop insurance on qualified crops for customers. We look at each customer and risk on a case-by-case basis and provide coverage and limits based on our Florida underwriting guidelines."

In addition to working with an insurance agent who understands the greenhouse industry and their specific business, Fornof recommends growers:

- Work with a structural engineer to strengthen their greenhouses and buildings.
- Choose deductibles that produce affordable premiums but won't financially impair the business should a loss occur.
- Take other loss control measures, such as installing a generator.

Ben Bolusky, executive director of Florida Nursery Growers & Landscape Association, says he has discussed this problem with the insurance industry and has been exploring possibilities with USDA. He adds that if growers are willing to invest in stronger greenhouses and production facilities that can withstand higher winds, that's less exposure for crops and a savings on the crop insurance side.

"There are a lot of first rate, cutting edge Florida growers who are making the investment because they want to protect their livelihood," he says. "Should Florida get hit again, they'll be the ones left standing." **GG**

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