The Florida Senate

COMMITTEE MEETING EXPANDED AGENDA

BANKING AND INSURANCE
Senator Simmons, Chair
Senator Clemens, Vice Chair

MEETING DATE: Tuesday, December 10, 2013
TIME: 11:00 a.m.—1:00 p.m.
PLACE: *Toni Jennings Committee Room,* 110 Senate Office Building

MEMBERS: Senator Simmons, Chair; Senator Clemens, Vice Chair; Senators Benacquisto, Detert, Diaz de la Portilla, Hays, Lee, Margolis, Montford, Negron, Richter, and Ring

TAB	BILL NO. and INTRODUCER	BILL DESCRIPTION and SENATE COMMITTEE ACTIONS	COMMITTEE ACTION
1	**SB 86** Latvala (Identical H 31)	Dentists; Prohibiting a contract between a health insurer and a dentist from requiring the dentist to provide services at a fee set by the insurer under certain circumstances; prohibiting a contract between a prepaid limited health service organization and a dentist from requiring the dentist to provide services at a fee set by the organization under certain circumstances; prohibiting a contract between a health maintenance organization and a dentist from requiring the dentist to provide services at a fee set by the organization under certain circumstances, etc. HP 10/08/2013 Favorable BI 12/10/2013 Favorable AP RC	Favorable Yeas 12 Nays 0
	Consideration of proposed committee bill:		
2	**SPB 7004**	Public Records/Florida Insurance Guaranty Association; Amending provisions which provide an exemption from public records for certain records held by the Florida Insurance Guaranty Association; abrogating the scheduled repeal of the exemption, etc.	Submitted as Committee Bill Yeas 12 Nays 0
3	Presentation on the Florida Hurricane Catastrophe Fund		Presented
4	Presentation by Citizens Property Insurance Corporation		Not Considered
5	Presentation on Pending Federal Legislation Regarding the National Flood Insurance Plan		Presented
	Other Related Meeting Documents		

THE FLORIDA SENATE

APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

12/10
Meeting Date

Topic Support Dental Bill

Bill Number SB 86 (if applicable)

Name Chris Hansen

Amendment Barcode (if applicable)

Job Title Gray Robinson

Address
Street
Tallahassee FL 32301
City State Zip

Phone 850/577-9090

E-mail Chansen@gray-robinson.com

Speaking: ☐ For ☐ Against ☐ Information

Representing FL Society of Oral and Maxillofacial Surgeons

Appearing at request of Chair: ☐ Yes ☐ No

Lobbyist registered with Legislature: ☑ Yes ☐ No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

This form is part of the public record for this meeting.

S-001 (10/20/11)

THE FLORIDA SENATE

APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

12/10/13
Meeting Date

Topic: Dentists

Bill Number: SB 86 *(if applicable)*

Name: Ron Watson

Amendment Barcode: ________ *(if applicable)*

Job Title: Lobbyist

Address: 118 E. Jefferson Street
Street

Tall, FL 32301
City *State* *Zip*

Phone: (850) 224-1089

E-mail: rwatson@floridadental.org

Speaking: [X] For [ ] Against [ ] Information

Representing: Florida Dental Association

Appearing at request of Chair: [ ] Yes [ ] No

Lobbyist registered with Legislature: [X] Yes [ ] No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

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S-001 (10/20/11)

THE FLORIDA SENATE

APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

12-10-13
Meeting Date

Topic: Dentists

Bill Number: SB 86 (if applicable)

Name: Joy Ryan

Amendment Barcode: (if applicable)

Job Title: Attorney

Address: 2021 S. Monroe St.
Street

Tallahassee, FL 32301
City, State, Zip

Phone: 681-6710

E-mail: joy@blanklaw.com

Speaking: ☐ For ☒ Against ☐ Information

Representing: AHIP, Delta Dental

Appearing at request of Chair: ☐ Yes ☒ No

Lobbyist registered with Legislature: ☒ Yes ☐ No

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S-001 (10/20/11)

The Florida Senate

BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Banking and Insurance

BILL: SB 86

INTRODUCER: Senator Latvala

SUBJECT: Dentists

DATE: December 6, 2013 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Looke	Stovall	HP	**Favorable**
2.	Johnson	Knudson	BI	**Favorable**
3.			AP	
4.			RC	

I. Summary:

SB 86 prohibits an insurer, health maintenance organization (HMO), or prepaid limited health service organization from contracting with a licensed dentist to provide services to an insured or subscriber at a specified fee unless such services are “covered services” under the applicable contract. The bill prohibits an insurer, HMO, or prepaid limited health services organization from requiring that a contracted dentist participate in a discount medical plan. The bill also prohibits an insurer from requiring that a contracted health care provider accept the terms of other practitioner contracts with a prepaid limited health service organization that is under common management and control with the contracting insurer.

II. Present Situation:

Prohibition Against “All Products” Clauses in Health Care Provider Contracts

Section 627.6474, F.S., prohibits a health insurer from requiring that a contracted health care practitioner accept the terms of other practitioner contracts (including Medicare and Medicaid practitioner contracts) with the insurer or with an insurer, HMO, preferred provider organization, or exclusive provider organization that is under common management and control with the contracting insurer. The statute exempts practitioners in group practices who must accept the contract terms negotiated by the group. These contractual provisions are referred to as “all products” clauses, and, before being prohibited by the 2001 Legislature, typically required the health care provider, as a condition of participating in any of the health plan products, to participate in *all* of the health plan’s current or future health plan products. The 2001 Legislature outlawed “all products” clauses after concerns were raised by physicians that the clauses:

- may force providers to render services at below market rates;
- may harm consumers through suppressed market competition;

- may require physicians to accept future contracts with unknown and unpredictable business risk; and
- may unfairly keep competing health plans out of the marketplace.

Prepaid Limited Health Service Organizations Contracts

Prepaid limited health service organizations (PLHSO) provide limited health services to enrollees through an exclusive panel of providers in exchange for a prepayment, and are authorized in ch. 636, F.S. Limited health services include ambulance services, dental care services, vision care services, mental health services, substance abuse services, chiropractic services, podiatric care services, and pharmaceutical services.[1] Provider arrangements for prepaid limited health service organizations are authorized in s. 636.035, F.S., and must comply with the requirements in that section.

Health Maintenance Organization Provider Contracts

An HMO is an organization that provides a wide range of health care services, including emergency care, inpatient hospital care, physician care, ambulatory diagnostic treatment and preventive health care pursuant to contractual arrangements with preferred providers in a designated service area. Traditionally, an HMO member must use the HMO's network of health care providers in order for the HMO to make payment of benefits. The use of a health care provider outside the HMO's network generally results in the HMO limiting or denying the payment of benefits for out-of-network services rendered to the member. Section 641.315, F.S., specifies requirements for the HMO provider contracts with providers of health care services.

Discount Medical Plan Organizations

Discount medical plan organizations (DMPOs) offer a variety of health care services to consumers at a discounted rate. These plans are not insurance and therefore do not pay for services on behalf of members; instead, the plans offer members access to specific health care products and services at a discounted fee. These health products and services may include, but are not limited to, dental services, emergency services, mental health services, vision care, chiropractic services, and hearing care. Generally, a DMPO has a contract with a provider network under which the individual providers render the medical services at a discount.

The DMPOs are regulated by the Office of Insurance Regulation (OIR) under part II of ch. 636, F.S. Part II establishes licensure requirements, annual reporting, minimum capital requirements, authority for examinations and investigations, marketing restrictions, prohibited activities, and criminal penalties, among other regulations.

Before transacting business in Florida, a DMPO must be incorporated and possess a license as a DMPO.[2] As a condition of licensure, each DMPO must maintain a net worth requirement of $150,000. All charges to members of such plans must be filed with the OIR and any charge to members greater than $30 per month or $360 per year must be approved by the OIR before the

[1] Section 636.003(5), F.S.
[2] Section 636.204, F.S.

charges can be used by the plan. All forms used by the organization must be filed with and approved by the OIR.

III. Effect of Proposed Changes:

Inclusion of PLHSOs in Prohibition Against "All Products" Health Care Provider Contracts

Current law prohibits a health insurer from requiring a contracted health care practitioner to accept the terms of other practitioner contracts (including Medicare and Medicaid practitioner contracts) with the insurer or with an insurer, HMO, preferred provider organization, or exclusive provider organization that is under common management and control with the contracting insurer. The bill adds to that list by prohibiting an insurer from requiring that a contracted health care provider accept the terms of other practitioner contracts with a PLHSO that is under common management and control with the contracting insurer.

Dentist Provider Contracts: Prohibition Against Specifying Fees for Non-Covered Services

The bill prohibits insurers, HMOs, and PLHSOs from executing a contract with a licensed dentist that requires the dentist to provide services to an insured or subscriber at a specified fee unless such services are "covered services" under the applicable contract. "Covered services" are defined as those services that are listed as a benefit that the subscriber is entitled to receive under the contract. This provision is intended to prevent contracts between dentists and insurers, HMOs, or PLHSOs from containing provisions that subject non-covered services to negotiated payment rates.

The bill also prohibits insurers, HMOs and PLHSOs from providing merely de minimis reimbursement or coverage to avoid the requirements of the bill and provides that fees for covered services must be set in good faith and must not be nominal. The bill prohibits insurers, HMOs, and PLHSOs from requiring that a contracted dentist participate in a discount medical plan.

The bill also addresses the criminal penalty specified in s. 624.15, F.S.,[3,4] by limiting the exemption from the criminal penalty currently contained in s. 627.6474, F.S., to subsection (1) of s. 627.6474, F.S. The provisions of subsection (2) of s. 627.6474, F.S., as created by the bill, are not specifically exempted from the criminal penalty. This leaves the current-law exemption in place for the amended statutory provisions to which it currently applies, without applying the exemption to the bill's new provisions in subsection (2).

The bill provides an effective date of July 1, 2014, and the provisions in the bill apply to contracts entered into or renewed on or after that date.

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[3] Section 624.15, F.S., provides that, unless a greater specific penalty is provided by another provision of the Insurance Code or other applicable law or rule of the state, each willful violation of the Insurance Code is a misdemeanor of the second degree, punishable as provided in s. 775.082 or s. 775.083, F.S., and that each instance of such violation shall be considered a separate offense.

[4] Section 775.082, F.S., provides that a person convicted of a misdemeanor of the second degree may be sentenced to a term of imprisonment not exceeding 60 days. Section 775.083, F.S., provides that a person convicted of a misdemeanor of the second degree may be sentenced to pay a fine not exceeding $500 plus court costs.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. Other Constitutional Issues:

Article III, section 6, of the Florida Constitution requires every law to embrace only one subject and matter properly connected therewith, and the subject is to be briefly expressed in the title. Subsection (1) of s. 627.6474, F.S., in section 1 of the bill affects all health care practitioners listed in s. 456.001(4), F.S., and not only dentists. As such, section 1 is not germane to the title of the bill ("an act relating to dentists").

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

The bill may have a negative fiscal impact on health insurer, HMO, and PLHSO policyholders and subscribers who may pay higher fees for dental care if the Legislature prohibits these entities from contracting with dentists to provide services that are not covered at a negotiated fee. The bill may have a positive fiscal impact on dentists who may be able to benefit from increased payments from insurers, HMOs, and PLHSOs due to the contract restrictions in this bill.

C. Government Sector Impact:

According to the OIR,[5] implementing the provisions of this bill will have no fiscal impact on the OIR. The Division of State Group Insurance of the Department of Management Services states, "There appears to be no impact to the State Employees' Group Health Insurance Trust Fund."[6]

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[5] Senate Bill 86 Analysis, Office of Insurance Regulation, September 13, 2013. (On file with Banking and Insurance Committee staff.)

[6] Senate Bill 86 Analysis, Department of Management Services, August 23, 2013. (On file with Banking and Insurance Committee staff.)

VI. Technical Deficiencies:

Section 1 of this bill is not germane to the title of the bill ("an act relating to dentists") as it affects more health care practitioners than only dentists. A germane title might be "an act relating to health insurance contracts."

Section 1 of the bill prohibits an insurer from requiring that a contracted health care provider accept the terms of other practitioner contracts with a prepaid limited health service organization that is under common management and control with the contracting insurer. This effect of the bill is not referenced in the title of the bill.

VII. Related Issues:

The bill addresses the criminal penalty specified in s. 624.15, F.S., by limiting the exemption from the criminal penalty currently contained in s. 627.6474, F.S., to subsection (1) of s. 627.6474, F.S. The provisions of subsection (2) of s. 627.6474, F.S., as created by the bill, are not specifically exempted from the criminal penalty. This leaves the current-law exemption in place for the amended statutory provisions to which it currently applies, without applying the exemption to the bill's new provisions in subsection (2).

VIII. Statutes Affected:

This bill substantially amends the following sections of the Florida Statutes: 627.6474, 636.035, 641.315

IX. Additional Information:

A. Committee Substitute – Statement of Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.

By Senator Latvala

20-00001A-14 201486__

A bill to be entitled

An act relating to dentists; amending s. 627.6474, F.S.; prohibiting a contract between a health insurer and a dentist from requiring the dentist to provide services at a fee set by the insurer under certain circumstances; providing that covered services are those services listed as a benefit that the insured is entitled to receive under a contract; prohibiting an insurer from providing merely de minimis reimbursement or coverage; requiring that fees for covered services be set in good faith and not be nominal; prohibiting a health insurer from requiring as a condition of a contract that a dentist participate in a discount medical plan; amending s. 636.035, F.S.; prohibiting a contract between a prepaid limited health service organization and a dentist from requiring the dentist to provide services at a fee set by the organization under certain circumstances; providing that covered services are those services listed as a benefit that a subscriber of a prepaid limited health service organization is entitled to receive under a contract; prohibiting a prepaid limited health service organization from providing merely de minimis reimbursement or coverage; requiring that fees for covered services be set in good faith and not be nominal; prohibiting the prepaid limited health service organization from requiring as a condition of a contract that a dentist participate in a discount medical plan; amending s. 641.315, F.S.; prohibiting a

20-00001A-14 201486__

contract between a health maintenance organization and a dentist from requiring the dentist to provide services at a fee set by the organization under certain circumstances; providing that covered services are those services listed as a benefit that a subscriber of a health maintenance organization is entitled to receive under a contract; prohibiting a health maintenance organization from providing merely de minimis reimbursement or coverage; requiring that fees for covered services be set in good faith and not be nominal; prohibiting the health maintenance organization from requiring as a condition of a contract that a dentist participate in a discount medical plan; providing for application of the act; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Section 627.6474, Florida Statutes, is amended to read:

627.6474 Provider contracts.—

(1) A health insurer may ~~shall~~ not require a contracted health care practitioner as defined in s. 456.001(4) to accept the terms of other health care practitioner contracts with the insurer or any other insurer, or health maintenance organization, under common management and control with the insurer, including Medicare and Medicaid practitioner contracts and those authorized by s. 627.6471, s. 627.6472, s. 636.035, or s. 641.315, except for a practitioner in a group practice as

defined in s. 456.053 who must accept the terms of a contract negotiated for the practitioner by the group, as a condition of continuation or renewal of the contract. Any contract provision that violates this section is void. A violation of this subsection ~~section~~ is not subject to the criminal penalty specified in s. 624.15.

(2)(a) A contract between a health insurer and a dentist licensed under chapter 466 for the provision of services to an insured may not contain a provision that requires the dentist to provide services to the insured under such contract at a fee set by the health insurer unless such services are covered services under the applicable contract.

(b) Covered services are those services that are listed as a benefit that the insured is entitled to receive under the contract. An insurer may not provide merely de minimis reimbursement or coverage in order to avoid the requirements of this section. Fees for covered services shall be set in good faith and must not be nominal.

(c) A health insurer may not require as a condition of the contract that the dentist participate in a discount medical plan under part II of chapter 636.

Section 2. Subsection (13) is added to section 636.035, Florida Statutes, to read:

636.035 Provider arrangements.—

(13)(a) A contract between a prepaid limited health service organization and a dentist licensed under chapter 466 for the provision of services to a subscriber of the prepaid limited health service organization may not contain a provision that requires the dentist to provide services to the subscriber of

the prepaid limited health service organization at a fee set by the prepaid limited health service organization unless such services are covered services under the applicable contract.

(b) Covered services are those services that are listed as a benefit that the subscriber is entitled to receive under the contract. A prepaid limited health service organization may not provide merely de minimis reimbursement or coverage in order to avoid the requirements of this section. Fees for covered services shall be set in good faith and must not be nominal.

(c) A prepaid limited health service organization may not require as a condition of the contract that the dentist participate in a discount medical plan under part II of this chapter.

Section 3. Subsection (11) is added to section 641.315, Florida Statutes, to read:

641.315 Provider contracts.—

(11)(a) A contract between a health maintenance organization and a dentist licensed under chapter 466 for the provision of services to a subscriber of the health maintenance organization may not contain a provision that requires the dentist to provide services to the subscriber of the health maintenance organization at a fee set by the health maintenance organization unless such services are covered services under the applicable contract.

(b) Covered services are those services that are listed as a benefit that the subscriber is entitled to receive under the contract. A health maintenance organization may not provide merely de minimis reimbursement or coverage in order to avoid the requirements of this section. Fees for covered services

<u>shall be set in good faith and must not be nominal.</u>

<u>(c) A health maintenance organization may not require as a condition of the contract that the dentist participate in a discount medical plan under part II of chapter 636.</u>

Section 4. <u>This act applies to contracts entered into or renewed on or after July 1, 2014.</u>

Section 5. This act shall take effect July 1, 2014.

THE FLORIDA SENATE

APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

12-10-13
Meeting Date

Topic FIGA public records

Bill Number SPB 7004
(if applicable)

Name Joy Ryan & Miriam Victorian

Amendment Barcode
(if applicable)

Job Title Attorney

Address Blank & Meenan, 204 S. Monroe St.
Street

Phone 681-6710

Tallahassee FL 32301
City State Zip

E-mail joy@blanklaw.com

Speaking: ☐ For ☐ Against ☒ Information

Representing FIGA

Appearing at request of Chair: ☒ Yes ☐ No

Lobbyist registered with Legislature: Joy ☒ Yes Miriam ☒ No

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S-001 (10/20/11)

The Florida Senate

BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Banking and Insurance

BILL:	SPB 7004
INTRODUCER:	For consideration by the Banking and Insurance Committee
SUBJECT:	Public Records/Florida Insurance Guaranty Association
DATE:	December 6, 2013 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Johnson	Knudson		**Submitted as Committee Bill**

I. Summary:

SPB 7004 is the result of an Open Government Sunset Review (OGSR) by the Banking and Insurance Committee staff of a public records exemption for certain information held by the Florida Insurance Guaranty Association (FIGA). The FIGA provides a mechanism for the payment of claims of insolvent property and casualty insurance companies in Florida.[1]

Current law provides that the following records are confidential and exempt, with prescribed limitations:

- Claim files;
- Medical records that are part of a claims file and other medical information relating to the claimant; and
- Information relating to matters covered by privileged attorney-client communications.

Pursuant to the Open Government Sunset Review Act, the exemption will repeal on October 2, 2014, unless reenacted by the Legislature. This bill reenacts the exemption and does not expand the scope of the public records exemption.

II. Present Situation:

Public Records Laws

The Florida Constitution provides every person the right to inspect or copy any public record made or received in connection with the official business of any public body, officer, or employee of the state, or of persons acting on their behalf.[2] The records of the legislative, executive, and judicial branches are specifically included.[3]

[1] Section 631.55, F.S.
[2] FLA. CONST., art. I, s. 24(a).
[3] *Id*.

The Florida Statutes also specify conditions under which public access must be provided to government records. The Public Records Act[4] guarantees every person's right to inspect and copy any state or local government public record[5] at any reasonable time, under reasonable conditions, and under supervision by the custodian of the public record.[6]

Only the Legislature may create an exemption to public records requirements.[7] Such an exemption must be created by general law and must specifically state the public necessity justifying the exemption.[8] Further, the exemption must be no broader than necessary to accomplish the stated purpose of the law. A bill enacting an exemption may not contain other substantive provisions[9] and must pass by a two-thirds vote of the members present and voting in each house of the Legislature.[10]

Open Government Sunset Review Act

The Open Government Sunset Review Act (the Act) prescribes a legislative review process for newly created or substantially amended public records or open meetings exemptions.[11] The Act requires the automatic repeal of such exemption on October 2nd of the fifth year after creation or substantial amendment, unless the Legislature reenacts the exemption.[12]

The Act provides that a public records or open meetings exemption may be created or maintained only if it serves an identifiable public purpose and is no broader than is necessary to meet such public purpose.[13] An exemption serves an identifiable purpose if it meets one of the

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[4] Chapter 119, F.S.

[5] Section 119.011(12), F.S., defines "public records" to mean "all documents, papers, letters, maps, books, tapes, photographs, films, sound recordings, data processing software, or other material, regardless of the physical form, characteristics, or means of transmission, made or received pursuant to law or ordinance or in connection with the transaction of official business by any agency." Section 119.011(2), F.S., defines "agency" to mean as "any state, county, district, authority, or municipal officer, department, division, board, bureau, commission, or other separate unit of government created or established by law including, for the purposes of this chapter, the Commission on Ethics, the Public Service Commission, and the Office of Public Counsel, and any other public or private agency, person, partnership, corporation, or business entity acting on behalf of any public agency." The Public Records Act does not apply to legislative or judicial records (*see Locke v. Hawkes*, 595 So.2d 32 (Fla. 1992)).

[6] Section 119.07(1)(a), F.S.

[7] FLA. CONST., art. I, s. 24(c). There is a difference between records the Legislature designates as exempt from public records requirements and those the Legislature designates *confidential and* exempt. A record classified as exempt from public disclosure may be disclosed under certain circumstances (s*ee WFTV, Inc. v. The School Board of Seminole*, 874 So.2d 48 (Fla. 5th DCA 2004), review denied 892 So.2d 1015 (Fla. 2004); *City of Riviera Beach v. Barfield*, 642 So.2d 1135 (Fla. 4th DCA 2004); and *Williams v. City of Minneola*, 575 So.2d 687 (Fla. 5th DCA 1991). If the Legislature designates a record as confidential and exempt from public disclosure, such record may not be released, by the custodian of public records, to anyone other than the persons or entities specifically designated in the statutory exemption (*see* Attorney General Opinion 85-62, August 1, 1985).

[8] FLA. CONST., art. I, s. 24(c).

[9] The bill may, however, contain multiple exemptions that relate to one subject.

[10] FLA. CONST., art. I, s. 24(c).

[11] Section 119.15, F.S. An exemption is substantially amended if the amendment expands the scope of the exemption to include more records or information or to include meetings as well as records (s. 119.15(4)(b), F.S.). The requirements of the Act do not apply to an exemption that is required by federal law or that applies solely to the Legislature or the State Court System (s. 119.15(2), F.S.).

[12] Section 119.15(3), F.S.

[13] Section 119.15(6)(b), F.S.

following purposes *and* the Legislature finds that the purpose of the exemption outweighs open government policy and cannot be accomplished without the exemption:

- It allows the state or its political subdivision to effectively and efficiently administer a governmental program, which administration would be significantly impaired without the exemption;
- It protects sensitive personal information that, if released, would be defamatory or would jeopardize an individual's safety; however, only the identity of an individual may be exempted under this provision; or
- It protects trade or business secrets.[14]

The Act also requires specified questions to be considered during the review process.[15]

When reenacting an exemption that will repeal, a public necessity statement and a two-thirds vote for passage are required if the exemption is expanded.[16] A public necessity statement and a two-thirds vote for passage are not required if the exemption is reenacted with grammatical or stylistic changes that do not expand the exemption, if the exemption is narrowed, or if an exception[17] to the exemption is created.[18]

Florida Insurance Guaranty Association

The Florida Insurance Guaranty Association (FIGA) is a not-for-profit corporation created by the Legislature in 1970 in order to service insurance claims, whether for or against the policyholder, of property and casualty insurers that have become insolvent and ordered liquidated. The association's membership is composed of all Florida licensed direct writers of property or casualty insurance.

The statutory authority governing FIGA applies to all kinds of direct insurance except the various types specifically excluded under s. 631.52, F.S. Examples of the excluded types of insurance are workers' compensation, surplus lines, fidelity or surety bonds, and life, annuity, health, or disability insurance. A covered claim is "an unpaid claim, including one of unearned premiums, which arises out of, and is within the coverage, and not in excess of, the applicable limits of an insurance policy."

[14] *Id*.
[15] Section 119.15(6)(a), F.S. The specified questions are:
- What specific records or meetings are affected by the exemption?
- Whom does the exemption uniquely affect, as opposed to the general public?
- What is the identifiable public purpose or goal of the exemption?
- Can the information contained in the records or discussed in the meeting be readily obtained by alternative means? If so, how?
- Is the record or meeting protected by another exemption?
- Are there multiple exemptions for the same type of record or meeting that it would be appropriate to merge?

[16] An exemption is expanded when it is amended to include more records, information, or meetings or to include meetings as well as records, or records as well as meetings.
[17] An example of an exception to a public records exemption would be allowing an additional agency access to confidential and exempt records.
[18] *See State of Florida v. Ronald Knight*, 661 So.2d 344 (Fla. 4th DCA 1995) (holding that nothing in s. 24, art. I of the Florida Constitution requires exceptions to a public records exemption to contain a public necessity statement).

The FIGA obtains funds to pay claims of insolvent insurance companies, in part, from the liquidation of assets of these companies by the Division of Rehabilitation and Liquidation in the Department of Financial Services. Funds are also generated from the liquidation of assets of insolvent insurers domiciled in other states but having claims in Florida. In addition, after insolvency occurs, FIGA can issue two types of assessments against property and casualty insurance companies to raise funds to pay claims – regular and emergency assessments. The FIGA assesses solvent insurance companies directly for both assessments, and the insurance company is allowed to pass the assessment on to its policyholders.

Public Records under Review

Section 631.582, F.S., provides that the following records held by the Florida Insurance Guaranty Association are confidential and exempt from the provisions of s. 119.07(1), F.S., and s. 24(a), Art. I of the Florida Constitution:

- Claims files, until the termination of all litigation, settlement, and final closing of all claims arising out of the same incident, although portions of the claims files may remain exempt as otherwise provided by law;
- Medical records that are part of a claims file and other information related to the medical condition or medical status of a claimant; and
- Records pertaining to matters reasonably encompassed in privileged attorney-client communications.

Claims files contain detailed information about the claim, including personal, sensitive information about the policyholder or claimant. Claims files may also contain information detailing the evaluation of the legitimacy of the claim, and a valuation of the award, if any, that should be made.

The law does not prescribe what matters are "reasonably encompassed in privileged attorney-client communications." Under the Florida Evidence Code, a client has a privilege of refusing to disclose the content of confidential communications stemming from the lawyer-client relationship. A communication between a lawyer and a client is "confidential" if it is not intended for disclosure to third persons other than when it is in furtherance of the provision of legal services or reasonably necessary for the transmission of the communication.

The law allows the release of records covered by the exemption to any state agency in the performance of that agency's official duties and responsibilities. The agency receiving the information, however, must maintain the confidential and exempt status of the records.

Section 631.582, F.S., provides for future review and repeal of the public records exemption on October 2, 2014. Professional staff of the Banking and Insurance conducted a review of the exemption pursuant to the Open Government Sunset Review Act and solicited comments from FIGA and other stakeholders. The FIGA indicated that there is a public necessity to continue to protect the information, and recommended reenactment of the public records exemption under review. The responses appears to indicate that the exemption is necessary to preserve the confidentiality and privacy of personal information and to maintain the effective and efficient administration of FIGA.

III. Effect of Proposed Changes:

The bill removes the repeal date, thereby reenacting the public records exemption for specified records of FIGA. The effective date of the bill is October 1, 2014.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

Not applicable. This bill does not appear to require counties or municipalities to spend funds or take an action requiring the expenditure of funds, reduce the authority that counties or municipalities have to raise revenues in the aggregate, or reduce the percentage of state tax shared with counties or municipalities.

B. Public Records/Open Meetings Issues:

This bill reenacts but does not expand the scope of an existing public records exemption; therefore, a two-thirds vote of the members present and voting in each house of the Legislature is not required for passage.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends the following section of the Florida Statutes: 631.582.
This bill creates the following sections of the Florida Statutes:

This bill repeals the following sections of the Florida Statutes:

IX. Additional Information:

A. Committee Substitute – Statement of Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.

FOR CONSIDERATION By the Committee on Banking and Insurance

597-00540-14 20147004__

A bill to be entitled

An act relating to a review under the Open Government Sunset Review Act; amending s. 631.582, F.S., which provides an exemption from public records for certain records held by the Florida Insurance Guaranty Association; abrogating the scheduled repeal of the exemption; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Section 631.582, Florida Statutes, is amended to read:

631.582 Public records exemption.—

(1) The following records of the Florida Insurance Guaranty Association are confidential and exempt from s. 119.07(1) and s. 24(a), Art. I of the State Constitution:

(a) Claims files, until termination of all litigation, settlement, and final closing of all claims arising out of the same incident, although portions of the claims files may remain exempt, as otherwise provided by law.

(b) Medical records that are part of a claims file and other information relating to the medical condition or medical status of a claimant.

(c) Records pertaining to matters reasonably encompassed in privileged attorney-client communications.

(2) Records or portions of records made confidential and exempt by this section may be released, upon written request, to any state agency in the performance of that agency's official duties and responsibilities. The receiving agency shall maintain

Florida Senate - 2014 (PROPOSED COMMITTEE BILL) SPB 7004

597-00540-14 20147004__

the confidential and exempt status of such record or portion of such record.

~~(3) This section is subject to the Open Government Sunset Review Act in accordance with s. 119.15 and shall stand repealed on October 2, 2014, unless reviewed and saved from repeal through reenactment by the Legislature.~~

Section 2. This act shall take effect October 1, 2014.

CODING: Words ~~stricken~~ are deletions; words underlined are additions.

Leonard Schulte

Leonard Schulte is the Director of Legal Analysis and Risk Evaluation of the Florida Hurricane Catastrophe Fund. He came to the FHCF in October 2010 after 25 years as a staff attorney and staff director in the Florida Senate and House and 7 years in private law practice.

During the decade of the 1990's he was the lead staff person in the Florida House of Representatives on hurricane-related insurance issues. He was directly involved in the creation of the FHCF and in later changes to the FHCF law, including revisions needed to obtain tax-exempt status and the creation of subsequent season capacity. His Senate staff experience included eight years in Bill Drafting and service as staff director of the Select Committee on the Lottery.

In private practice, his clients reflected a broad range of the property and casualty insurance industry, including trade associations, large national insurers, small domestics, and reinsurers.

He holds the insurance designations of CPCU (Chartered Property Casualty Underwriter), ARe (Associate in Reinsurance), and ARM (Associate in Risk Management).

He is a graduate of Dartmouth College and the University of Florida College of Law.

Florida Hurricane Catastrophe Fund: Briefing for the Senate Committee on Banking and Insurance

Leonard Schulte
Director of Legal Analysis & Risk Evaluation
Florida Hurricane Catastrophe Fund
December 10, 2013

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

Context: Managing Florida's Hurricane Risk

- Florida is the riskiest (insured) place in America
  - Florida's 1% annual probability ("100-year") probable maximum loss (PML) of more than $54 billion for insured residential property is more than 4 times as high as the next-highest state (Texas at $13.4 billion); the only other state that even comes close is Louisiana at $7.9 billion *(RMS data)*
  - Florida's average annual insured residential hurricane loss is usually estimated to be more than half of the total US average annual insured hurricane loss
  - The insured value of properties (residential and nonresidential) in coastal counties in Florida is $2.8 trillion, second only to New York ($2.9 trillion) among Atlantic and Gulf states *(AIR data)*
    - This is 26.9% of the total insured value of coastal-county property among Atlantic and Gulf States.
    - With respect to residential properties only, the total insured value in Florida is approximately $2.1 trillion, based on reported FHCF exposures *(FHCF data)*

Context: Managing Florida's Hurricane Risk

- Florida's response to being the riskiest place in America—five main parts
  - **Reduce future hurricane damage** through building codes and mitigation
  - **Assure continuing availability** of coverage through Citizens
  - **Protect consumers** through coverage requirements and strong rate regulation
  - **Promote market growth** through direct aid to new and small Florida domestic companies
    - Insurance Capital Buildup Incentive ("Surplus Note") Program
    - Special treatment for "Limited Apportionment Companies"
    - Citizens takeout bonuses
  - **Stabilize otherwise volatile markets** through the FHCF

Statutory Mission Statement

- The Cat Fund law, section 215.555, Florida Statutes, was enacted in November 1993 to help build a stable and competitive marketplace for residential property insurance, as a means toward achieving the ultimate goal: preserving the Florida economy
- In the words of the "Findings and Purpose" subsection of the statute:
  - The FHCF is created as "**a state program to provide a stable and ongoing source of reimbursement to insurers for a portion of their catastrophic hurricane losses**…"
  - Which will "**create additional insurance capacity sufficient to ameliorate the current dangers**…" to the state's economy *(s. 215.555(1)(e), F.S.)*

Objectivity and Uniformity

- The FHCF must provide coverage to each admitted residential property insurer on identical terms
  - Rate calculations are based entirely on an insurer's exposure (insured values of residential property by location and construction type), with no adjustment for subjective factors
  - All insurers are provided the identical coverage (except as modified by an insurer's selected options)
  - Rates are adopted by the SBA through Florida's formal rulemaking process, and coverages are specified by statute
- The same rate plan and coverage restrictions apply to all insurers, without regard to a particular company's age, financial soundness, or business practices

Objectivity and Uniformity

- Aligning risk and cost
  - The FHCF statute provides coverage for the types of losses that can be accurately and objectively modeled, and provides that each insurer will pay a premium based on its actual property exposures
    - The FHCF uses all five of the models found acceptable by the Florida Commission on Hurricane Loss Projection Methodology
  - Losses that are not based on physical damage to residential property are generally excluded by statute
  - This approach treats every insurance company the same, regardless of differences in their underlying policies, and regardless of differences in their finances or business practices

Ratemaking Standards

- "Actuarially indicated" rates are required by law
  - "Actuarially indicated" is statutorily defined for purposes of the FHCF statute as: "…an amount determined according to principles of actuarial science to be adequate, but not excessive, in the aggregate, to pay current and future obligations and expenses of the fund…and determined according to principles of actuarial science to reflect each insurer's relative exposure to hurricane losses." *(s. 215.555(2)(a), F.S.)*

Ratemaking Process

- The statutorily-specified ratemaking process requires that rates:
  - Be developed by an independent consultant
  - Be calculated using models found acceptable by the Florida Commission on Hurricane Loss Projection Methodology
  - Also include a “cash build-up factor” (25% for the 2013-2014 and subsequent contract years)
  - Be unanimously approved by the three SBA Trustees (Governor, CFO, and Attorney General)
- Rates are adopted through the transparent rulemaking process of the Administrative Procedure Act
  - In addition to the hearings and notices required under the APA, the proposed rates are also reviewed in a public meeting of the FHCF Advisory Council

Annual Revision and Feedback Cycle

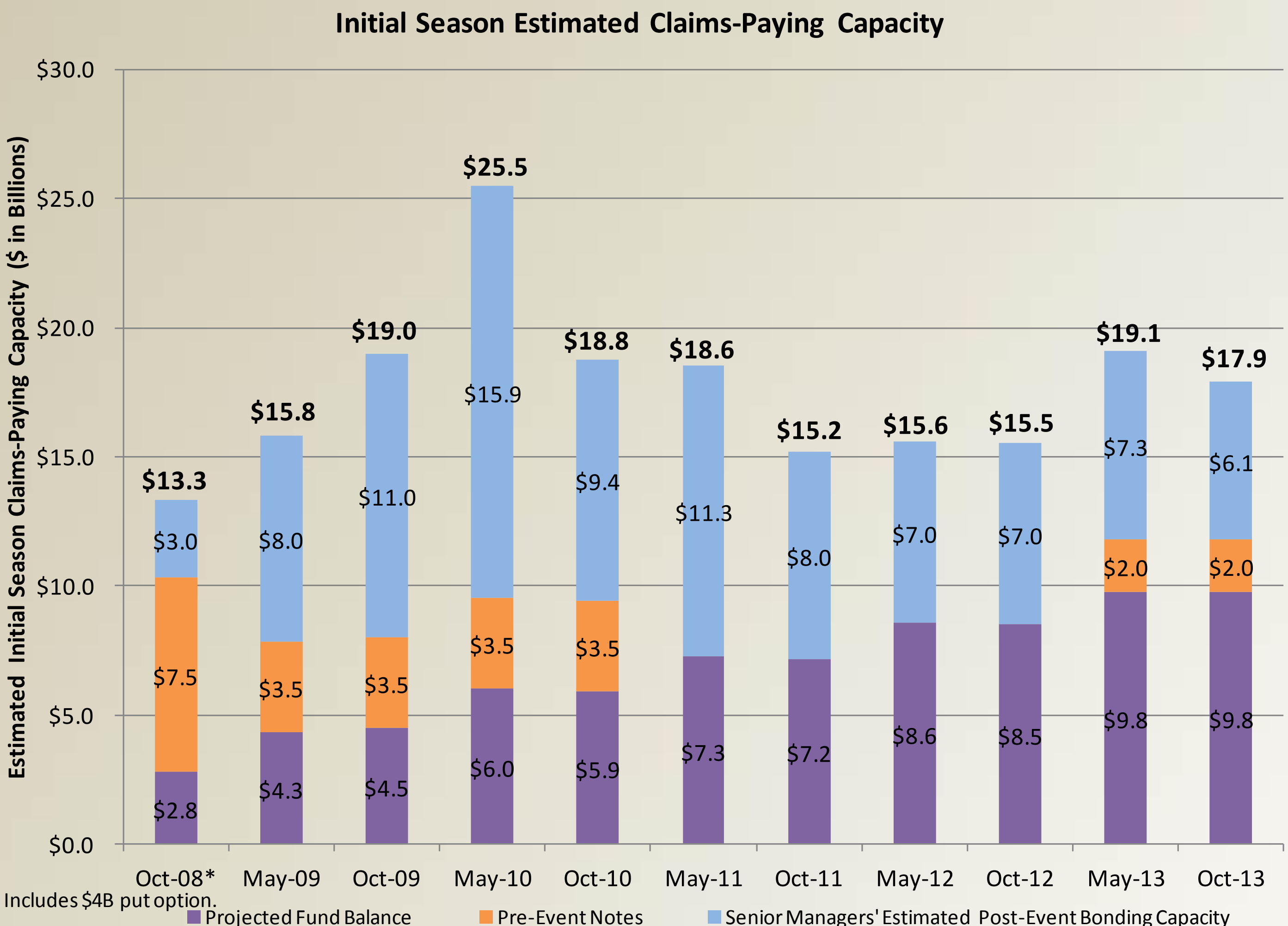
- February 1: Deadline for the SBA to adopt the Reimbursement Contract form (**Rule 19-8.010**); companies must execute the contract by March 1
- March-April: SBA adopts claims and exposure reporting and examination requirements (**Rules 19-8.029, .030**)
- April-May: SBA adopts premium formula (**Rule 19-8.028**)
- May: SBA publishes claims-paying capacity estimates for the upcoming contract year
- June 1: Effective date of Reimbursement Contract, last day to submit changes to coverage selections
- June 30: "As of" date for exposure reports
  - Each insurer's exposure is used to determine the insurer's premium, retention, and coverage limit; aggregate exposure is used in ratemaking
- September 1: Deadline for reporting exposure
- October: SBA publishes claims-paying capacity estimates for the current contract year

Claims-paying Capacity Estimates

- Statutory language *(s. 215.555(4)(c)2., F.S.)*:

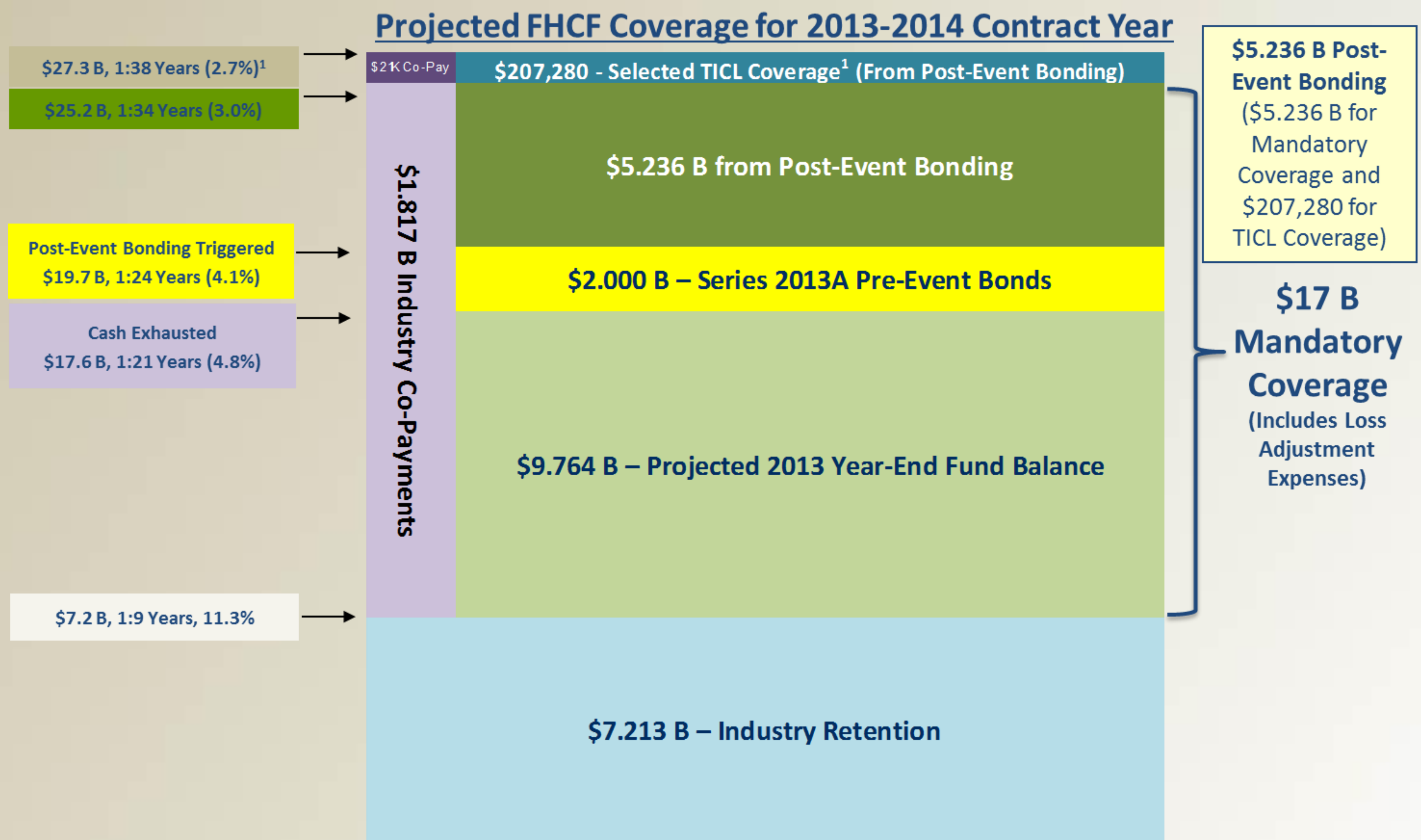
  In May and October of the contract year, the board shall publish in the Florida Administrative Register a **statement of the fund's estimated borrowing capacity, the fund's estimated claims-paying capacity, and the projected balance** of the fund as of December 31. After the end of each calendar year, the board shall notify insurers of the estimated borrowing capacity, estimated claims-paying capacity, and the balance of the fund as of December 31 to provide insurers with data necessary to assist them in determining their retention and projected payout from the fund for loss reimbursement purposes…**For all regulatory and reinsurance purposes, an insurer may calculate its projected payout from the fund as its share of the total fund premium for the current contract year multiplied by the sum of the projected balance of the fund as of December 31 and the estimated borrowing capacity for that contract year** as reported under this subparagraph.
- This is distinguished from "actual claims-paying capacity" as defined in s. 215.555(2)(m).

Claims-paying Capacity Estimates



* Includes $4B put option.
Numbers may not add due to rounding.

Finances: The Details



Finances: Performance in the Eight Hurricanes of 2004-2005

- How did the industry and the Cat Fund perform in the storms of 2004-2005?
  - Total residential claims paid by insurers: approximately $30 billion
  - Portion of the $30 billion reimbursed by the Cat Fund: approximately $10 billion
  - Portion of the Cat Fund's $10 billion raised through bonding: $2.65 billion
    - Assessments are currently set at 1.3%
    - Assessments will expire in 2016, when the last of these bond issues matures

Finances: Bonding History

- FHCF bonding history

Bond Issue	Amount	Retired/Maturity Date
Post-Event		
2006A	$1,350,025,000	2012
2008A	$625,000,000	2014
2010A	$675,920,000	2016
Pre-Event		
2006B	$2,800,000,000	2009
2007A	$3,500,000,000	2012
2013A	$2,000,000,000	$500 million matures in 2016; $500 million matures in 2018; $1 billion matures in 2020
Total post-event debt outstanding as of 11/1/2013: $1,000,920,000		
Total pre-event debt outstanding as of 11/1/2013: $2,000,000,000		

Policy Issues

- The FHCF statute embodies specific legislative policy decisions on all of the critical issues:
  - Coverages and exclusions
  - Dollar limits of coverage
  - Retention (“trigger”)
  - Ratemaking standards
  - Ratemaking process
- All of these policy decisions involve tradeoffs that affect the state of the property insurance market, and the high degree of specificity in the FHCF statute means that all of the key policy tradeoffs are resolved by elected officials in open debate

Policy Issues

- Key tradeoffs include:
  - Cash vs. debt
  - Narrow coverage (focusing on physical damage to property) vs. broad coverage (to match the coverage of the underlying insurance policy)
  - Residential property vs. both residential and nonresidential
  - Cover most hurricanes (frequent payouts) vs. cover the big ones (marshalling finite resources)
  - Current hurricane season vs. subsequent seasons
  - Maximizing capacity for the short term vs. maximizing stability for the long term
  - Objective (risk-based) premium calculation vs. subjective (judgment-based) premium calculation
  - Insurer "skin in the game" vs. full reimbursement

Policy Issues

- What are the potential real-world impacts of these kinds of tradeoffs?
  - Changes to the FHCF statute can change how the finite resources of the fund are allocated, with consequences for the entire residential property insurance market
  - Changes in how the resources are allocated can create competitive advantages and disadvantages, for example:
    - Lowering retention might disproportionately benefit companies that do not maintain high levels of surplus
    - Reimbursing operating costs (as distinguished from physical damage to property) might disproportionately benefit less efficient companies
    - Many changes will have a greater relative impact on the companies that depend most heavily on the FHCF
  - The impact of such changes on long-term private sector market growth is not necessarily positive, particularly if they make FHCF coverage less predictable or stable

Comparison to Reinsurers

- The coverage provided by the FHCF has many similarities to reinsurance, but there are important ways in which the FHCF does not function like a traditional reinsurer:
  - FHCF coverage levels and pricing are determined entirely by property exposure and modeled property losses, not by long-term business relationships or subjective evaluations of a company's finances or business practices
  - The types of risks that require subjective analysis or that might include non-hurricane losses are generally excluded from FHCF coverage, but traditional reinsurance often provides this kind of coverage for an appropriate premium
  - The FHCF is required to make the same (mandatory) coverage available to all admitted residential property insurers
  - FHCF coverage does not vary based on the provisions of the underlying policy
    - Uniform coverage at a uniform price, rather than negotiated coverage at a negotiated price

Comparison to Reinsurers

- Other nontraditional reinsurance alternatives also restrict their coverage or have other limitations that make them different from traditional reinsurers, for example:
  - ILWs (Industry Loss Warranties) exclude loss adjustment expenses entirely
  - Cat Bonds, ILWs, and index products exclude extra-contractual obligations and losses in excess of policy limits (ECO/XPL)
  - Almost all nontraditional reinsurance alternatives provide for commutation

Future Changes

- Proposed changes to the Cat Fund law raise these implementation questions:
  - How can the changes be implemented objectively?
  - How can the changes be implemented uniformly?
  - How can the changes be incorporated into the ratemaking process?
  - How can the changes be incorporated into the examination process?
  - How can we be sure the changes will not affect the Cat Fund's federal income tax exemption?

Contact Information

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REPORT PREPARED FOR THE
FLORIDA HURRICANE CATASTROPHE FUND

CLAIMS-PAYING CAPACITY ESTIMATES

OCTOBER 15, 2013

ONCE FINALIZED, THE STATEMENT OF THE FHCF'S ESTIMATED BORROWING CAPACITY, ESTIMATED CLAIMS-PAYING CAPACITY, AND PROJECTED YEAR-END BALANCE REQUIRED UNDER S. 215.555(4)(C)2., F.S., WILL BE PUBLISHED IN THE FLORIDA ADMINISTRATIVE REGISTER AS REQUIRED BY LAW.

RAYMOND JAMES
PUBLIC FINANCE DEPARTMENT
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SECTION **PAGE**

Appendix

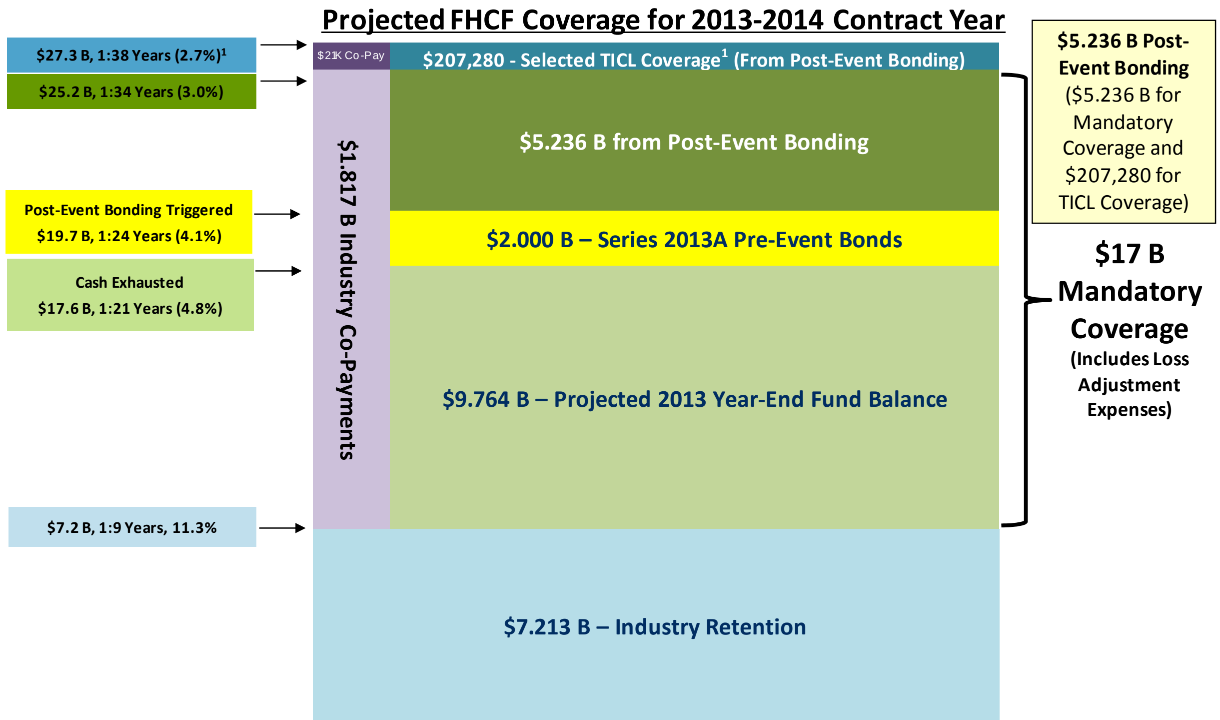
I. *Introduction*

The Florida Hurricane Catastrophe Fund ("FHCF") is a tax-exempt trust fund created by the State of Florida in 1993. Its purpose is to stabilize the State's property insurance markets by providing contractually specified coverage for loss reimbursement to participating insurers after a hurricane(s). In exchange for this loss reimbursement, participating insurers pay the FHCF annual reimbursement premiums (based on exposure reported annually) that are proportionate to each insurer's share of the FHCF's risk exposure and are determined by a premium formula to derive actuarially indicated premiums. In addition, participating insurers must meet a contractually specified retention on each hurricane before insurers trigger reimbursements, and all such reimbursements are subject to co-pay amounts selected by each participating insurer based on statutorily available options. With limited exceptions, participation in the FHCF is mandatory for property insurers writing residential property insurance in the State.

The FHCF may obtain funds to pay its contractual reimbursement obligations from several potential sources:

(1) *Accumulated reimbursement premiums*
(2) *Pre-event bond proceeds and other pre-event liquidity resources*
(3) *Reinsurance recoveries (if any)*
(4) *Post-event revenue bond proceeds (issued pursuant to FL Statutes 215.555(6)) secured by emergency assessments*
(5) *Emergency assessments (which may be levied pursuant to FL Statutes 215.555(6)(b) in lieu of or in addition to revenue bonds)*
(6) *Investment earnings on accumulated reimbursement premiums and emergency assessments*

The total potential obligation of the FHCF is capped by statute for each contract year. For the contract year June 1, 2013 – May 31, 2014, the maximum total obligation for the mandatory portion of the FHCF is $17 billion. In addition, there is also an optional coverage, Temporary Increase in Coverage Limits ("TICL"), available only through the 2013 season that insurers may select. Based on the final TICL selections, only $207,280 of optional coverage was selected. The total potential reimbursement obligation of the FHCF is $17.0002 billion. However, the FHCF obligation is limited to its actual claims-paying capacity which depends heavily on financial market conditions at the time when post-event revenue bonds need to be issued following an event. The chart on the next page depicts a summary of the FHCF's projected coverage for the 2013-2014 contract year.



Not drawn to scale

Total Potential FHCF 2013 Obligations = $17B (mandatory coverage) + $207,280 (TICL) = $17.0002 B.

The probabilities and return times represent aggregate insurance industry ground up per event losses. The probability of loss is higher at the lower loss levels near the retention and is lower at the top or near the statutory limit.

[1] *$207,280 of TICL optional coverage was selected from the total maximum available coverage of $2 billion.*

Pursuant to FL Statutes 215.555(4)(c)(2), *"in May and October of the contract year, the board shall publish in the Florida Administrative Register a statement of the fund's estimated borrowing capacity, the fund's estimated claims-paying capacity, and the projected balance of the fund as of December 31."* The purpose of this claims-paying capacity estimates report is to provide an estimate of the borrowing and claims-paying capacity of the FHCF for the 2013 season in order to assist participating insurers in determining their reimbursements.

Estimates of the FHCF's claims-paying capacity are required by law to be made in May and October of each year. These estimates are useful from the perspective that some insurers operate in multiple states and tend to purchase their private reinsurance in January, while many other insurers operate solely in Florida and purchase their private reinsurance in June of each year.

II. The Process

Raymond James and the FHCF staff utilized the resources of the FHCF's senior managing underwriters to estimate FHCF bonding capacity

As in prior years, in order to estimate the FHCF's borrowing capacity for the 2013 and 2014 seasons, we took the following three steps:

(1) *Evaluated market conditions for the FHCF using internal resources.* Raymond James & Associates, Inc. ("Raymond James"), a full service broker dealer with over $5.7 billion in market capitalization (NYSE: RJF, www.raymondjames.com), serves as the independent financial advisor to the FHCF. We rank among the top 10 municipal underwriters in the country and participate daily in the market for fixed income securities similar to those the FHCF has or would issue to help meet its reimbursement obligations after an event, and have served as advisor or underwriter on the issuance of over $32 billion of debt and related financial instruments for the FHCF and other state-sponsored property insurance entities around the country since 2005.

(2) *Solicited formal written feedback from its four senior managing underwriters of the financial services team.* These firms – Barclays, Citi, Goldman Sachs, and JP Morgan[1] – are four of the largest financial services firms in the world, and each one has extensive experience and expertise with FHCF securities and similar instruments. In the solicitation, we asked them to provide their estimates, given certain assumptions, of the FHCF's bonding capacity. In our written request for feedback, we sought to ensure that the underwriters had a clear understanding of the purpose of asking them to provide such estimates, and the uses therefor. A copy of the solicitation and the response of each of the managers is contained in Appendix A.

(3) *With FHCF staff, evaluated the written feedback and determined a recommended bonding capacity estimate for inclusion in this report.*

[1] *The financial services team was selected through a competitive solicitation process in May 2008.*

III. Analytical Considerations

The FHCF has very strong debt repayment capabilities. From a credit standpoint, the ability to levy emergency assessments on all property and casualty insurance lines except workers' compensation, medical malpractice, accident and health functions similarly to a statewide sales tax on an essential product with an underlying premium base of over $36 billion. The strength of this pledged revenue stream is the primary reason the three major rating agencies – Moody's, Standard & Poor's and Fitch – rate the FHCF's debt Aa3, AA-, and AA respectively. To put those ratings in perspective, less than 5% of U.S. corporations have ratings in the AA category by Standard & Poor's.

The major constraint for the FHCF in achieving its maximum reimbursement obligation is potential limitation of market access and capacity, not a lack of assessment capability

While the FHCF statute does limit the amount of assessments that can be levied – 6% for losses attributable to one contract year and 10% for all years – these percentages, when applied to the current size of the assessment base ($36.185 billion[2]) mean the FHCF could levy annual assessments of as much as $2.171 billion for hurricanes occurring in one contract year and $3.619 billion for hurricanes occurring over multiple contract years. These annual amounts, in conjunction with the other available resources of the FHCF, are estimated to be more than sufficient to support enough bonds to enable the FHCF to meet its maximum initial season obligation, and to fund a full subsequent season of coverage as well, *assuming that the markets are functioning in a normal manner and the FHCF has market access to issue such bonds at the current market rate for the initial season, or even at inflated rates of as high as 8%*.

Although market conditions have significantly improved over the last two years and the FHCF's Series 2013A pre-event financing was extremely successful, market conditions and access are still critical to understanding the challenges facing the FHCF, especially after a large event. Given the FHCF's current resources and potential statutory obligations, it could still need to bond the remaining $5.236 billion after a hurricane event that causes losses up to the potential FHCF obligations during the 2013 - 2014 contract year. The table on the following page shows the calculations for potential bonding.

FHCF Obligations and Cash Resources – 2013-2014 Contract Year	Amount ($ in billions)
Mandatory Coverage	$17.000
TICL Additional Optional Coverage*	$0.000
Total Potential FHCF Obligations	**$17.000**
Projected 2013 Year-End Fund Balance	**$9.764**
Series 2013A Pre-Event Bonds Balance	**$2.000**
Net Amount Potentially Needed from Bonding	**$5.236**

** $207,280 of TICL optional coverage was selected from the total maximum available coverage of $2 billion.*

[2] *See Appendix B for an analysis of the size of the FHCF's assessment base over time.*

Bonding needs of this size are extremely large by municipal market standards. For example, the charts below show that the only two issues completed above this amount in the taxable or tax-exempt municipal market since 2009 are $6.855 billion (taxable) and $6.543 billion (tax-exempt), both issued by the State of California[3].

Largest 25 Taxable Municipal Issuances By Par Amount Since 2009					
Rank	Issuer Name	State	Year of Sale	Issue Description	Par ($MM)
1	California	CA	2009	Various Purpose GO Bonds	$6,855
2	Illinois	IL	2011	General Obligation Bonds	$3,700
3	Illinois	IL	2010	General Obligation Bonds	$3,466
4	California	CA	2010	Various Purpose GO Bonds	$3,400
5	California	CA	2010	Various Purpose GO Bonds	$3,275
6	Grand Parkway Transportation Corporation	TX	2013	Subordinated Tier Toll Rev Bonds	$2,920
7	California	CA	2009	Various Purpose GO & Ref Bonds	$2,825
8	California	CA	2013	Various Purpose GO Bonds	$2,472
9	California	CA	2011	General Obligation Bonds	$2,391
10	New Jersey Economic Development Authority	NJ	2013	School Facilities Con Ref Bonds	$2,253
11	Port Authority of NY & NJ	NY	2012	Consolidated Bonds	$2,000
11	**Florida Hurricane Catastrophe Fund Finance Corp.**	**FL**	**2013**	**Revenue Bonds**	**$2,000**
12	California	CA	2011	Various Purpose GO Bonds	$1,980
13	New Jersey Turnpike Authority	NJ	2010	Turnpike Revenue Bonds	$1,850
14	Los Angeles USD	CA	2010	General Obligation Bonds	$1,808
15	New Jersey Turnpike Authority	NJ	2009	Turnpike Revenue Bonds	$1,750
16	Los Angeles USD	CA	2009	General Obligation Bonds	$1,656
17	Regents of the Univ of California	CA	2013	General Revenue Bonds	$1,594
18	JobsOhio Beverage System	OH	2013	Stwide Sr Ln Liquor Profits Bonds	$1,511
19	Bay Area Toll Authority (BATA)	CA	2010	Subordinate Toll Bridge Rev Bonds	$1,500
19	Texas Transportation Commission	TX	2010	State Highway Fund Revenue Bonds	$1,500
20	Empire State Development Corporation	NY	2009	State Personal Inc Tax Rev Bonds	$1,472
21	NYC Transitional Finance Authority	NY	2012	Future Tax Secured Sub Bonds	$1,400
22	American Municipal Power Inc	OH	2010	New Clean Renew Energy Rev Bonds	$1,379
23	SC Public Services Authority (Santee Cooper)	SC	2013	Revenue Obligations	$1,341
24	Regents of the Univ of California	CA	2009	General Revenue Bonds	$1,323
25	NYS Dorm Authority	NY	2010	State Personal Inc Tax Rev Bonds	$1,317

Source: Thomson Financial for long-term taxable issuances from January 1, 2009 to September 15, 2013.

[3] *For this and all other market comparison data, we have restricted the data set to 2009 and later. The financial crisis that began in 2007 fundamentally changed the dynamics of fixed income markets from both an issuer and an investor standpoint. Therefore, comparisons to transactions that occurred during or prior to the crisis have little analytical value for the FHCF in 2013-2014.*

Largest 25 Tax-Exempt Municipal Issuances By Par Amount Since 2009					
Rank	Issuer Name	State	Year of Sale	Issue Description	Par ($MM)
1	California	CA	2009	Various Purpose GO Bonds	$6,543
2	Puerto Rico Sales Tax Finance Corporation	PR	2009	Sales Tax Revenue Bonds	$4,118
3	California	CA	2009	Economic Recovery Ref Bonds	$3,436
4	Michigan Finance Authority	MI	2011	Unemployment Oblig Assess Bonds	$3,323
5	California Dept of Wtr Resources	CA	2010	Power Supply Revenue Bonds	$2,993
6	Grand Parkway Transport Corporation	TX	2013	First & Sub Tier Toll Rev Bonds	$2,920
7	Michigan Finance Authority	MI	2012	Unemploy Oblig Assess Rev Bonds	$2,917
8	Pennsylvania Econ Dev Fin Authority	PA	2012	Unemploy Compensation Rev Bond	$2,827
9	California	CA	2013	GO Various Purpose & Ref Bonds	$2,630
10	New York Liberty Dev Corp	NY	2009	Revenue Bonds	$2,594
10	New York Liberty Dev Corp	NY	2011	Multi-Modal Liberty Rev Ref Bonds	$2,594
11	California	CA	2010	Various Purpose GO Bonds	$2,500
12	California	CA	2013	Various Purpose GO Bonds	$2,472
13	**Florida Citizens Property Insurance Corporation**	**FL**	**2010**	**High-Risk Acct Sr Secured Bonds**	**$2,400**
14	California	CA	2011	Various Purpose GO & Ref Bonds	$2,391
15	Puerto Rico	PR	2012	GO Public Improvement Ref Bonds	$2,318
16	New Jersey Economic Dev Authority	NJ	2013	School Facilities Con Ref Notes	$2,253
17	California	CA	2011	Various Purpose GO Bonds	$1,980
18	California	CA	2012	Various Purpose GO Ref Bonds	$1,905
19	California Statewide Comm Dev Authority	CA	2009	Revenue Bonds	$1,895
20	Puerto Rico Sales Tax Fin Corporation	PR	2010	Sales Tax Revenue Bonds	$1,824
21	NYS Dorm Authority	NY	2012	State Personal Inc Tax Rev Bonds	$1,815
22	Los Angeles USD	CA	2010	GO Refunding Bonds	$1,808
23	Puerto Rico Aqueduct & Sewer Authority	PR	2012	Revenue Bonds	$1,800
24	Illinois	IL	2012	GO Refunding Bonds	$1,798
25	Puerto Rico Government Dev Bank	PR	2011	Senior Notes	$1,797

Source: Thomson Financial for long-term tax-exempt issuances from January 1, 2009 to September 15, 2013.

However, after a hurricane occurs, the FHCF may not need to do one single large financing, but based on past payout patterns could potentially meet its obligations by issuing multiple series of bonds over a period of 12 months or longer. Therefore, it is also instructive to consider which issuers in the municipal market (both taxable and tax-exempt) have issued the most debt in a 12 month period. The chart below shows that in 2009 the State of California issued over $23.180 billion of municipal debt (and an additional $10.544 billion in 2010). These are positive data points from the FHCF's standpoint, since this massive issuance occurred at a time when California was undergoing significant fiscal distress, and was being downgraded to become the lowest-rated of all 50 states (A1/A-/BBB, several notches below the FHCF's ratings). However, the largest amounts issued in 2011 and 2012 were by the New York State Dormitory Authority in the amounts of $4.0 billion and $7.0 billion, respectively. The largest amount issued year-to-date in 2013 is again by the State of California, which has current ratings of A1/A/A (the ratings have improved since 2010), in the amount of $5.9 billion.

Largest 25 Issuers By Issued Par Amount In 2009		
Rank	Issuer Name	Par ($MM)
1	California	$23,180
2	NYS Dorm Authority	$7,501
3	New York City-New York	$6,161
4	Puerto Rico Sales Tax Fin Corp	$5,574
5	NYC Transitional Finance Auth	$4,344
6	Illinois Finance Authority	$4,137
7	California Statewide Comm Dev Au	$4,121
8	Connecticut	$3,788
9	Washington	$3,315
10	Pennsylvania Turnpike Commission	$2,946
11	Los Angeles USD	$2,925
12	Regents of the Univ of California	$2,741
13	New York Liberty Dev Corp	$2,594
14	Empire State Development Corp	$2,551
15	Georgia	$2,513
16	New Jersey Turnpike Authority	$2,499
17	NYC Municipal Water Finance Auth	$2,431
18	Wisconsin	$2,391
19	California Health Facs Fin Auth	$2,327
20	Indiana Finance Authority	$2,268
21	California St Public Works Board	$2,191
22	Massachusetts	$2,181
23	NYS Thruway Authority	$2,179
24	Bay Area Toll Authority	$2,069
25	District of Columbia	$2,067

Largest 25 Issuers By Issued Par Amount In 2010		
Rank	Issuer Name	Par ($MM)
1	California	$10,544
2	Illinois	$8,678
3	NYS Dorm Authority	$5,712
4	New York City-New York	$5,226
5	California Dept of Wtr Resources	$4,946
6	NYC Transitional Finance Auth	$4,317
7	NYC Municipal Water Finance Auth	$3,798
8	Puerto Rico Sales Tax Fin Corp	$3,625
9	Metropolitan Transport Auth (MTA)	$3,539
10	Chicago City-Illinois	$3,418
11	Washington	$3,398
12	Massachusetts	$3,289
13	Puerto Rico Electric Power Auth	$3,104
14	Georgia Muni Electric Au (MEAG)	$2,796
15	Puerto Rico Government Dev Bank	$2,783
16	Pennsylvania	$2,688
17	Clark Co-Nevada	$2,582
18	Texas Transportation Commission	$2,478
19	Texas Public Finance Authority	$2,435
20	Los Angeles USD	$2,411
21	Bay Area Toll Authority	$2,385
22	Miami-Dade Co-Florida	$2,385
23	American Municipal Power Inc	$2,364
24	New Jersey Trans Trust Fund Au	$2,359
25	Illinois Finance Authority	$2,327

Largest 25 Issuers By Issued Par Amount In 2011		
Rank	Issuer Name	Par ($MM)
1	NYS Dorm Authority	$4,021
2	Illinois	$3,700
3	NYC Transitional Finance Auth	$3,149
4	New York City-New York	$2,516
5	NYC Municipal Water Finance Auth	$2,505
6	California	$2,391
7	New Jersey Economic Dev Auth	$2,216
8	Indiana Finance Authority	$2,031
9	Houston City-Texas	$1,927
10	Regents of the Univ of California	$1,600
11	Los Angeles City-California	$1,581
12	Massachusetts	$1,557
13	Massachusetts Dev Finance Agcy	$1,541
14	Port Authority of NY & NJ	$1,525
15	Florida State Board of Education	$1,514
16	Puerto Rico	$1,401
17	Puerto Rico Government Dev Bank	$1,395
18	Chicago City-Illinois	$1,394
19	Wisconsin	$1,349
20	Maryland	$1,293
21	California Dept of Wtr Resources	$1,269
22	Washington	$1,242
23	North Texas Tollway Authority	$1,191
24	Illinois Finance Authority	$1,129
25	Energy Northwest	$1,103

Largest 25 Issuers By Issued Par Amount In 2012		
Rank	Issuer Name	Par ($MM)
1	NYS Dorm Authority	$7,029
2	Metropolitan Transport Authority (MTA)	$6,691
3	California	$5,762
4	New York City-New York	$5,708
5	NYC Transitional Finance Authority	$5,663
6	Illinois	$5,118
7	Michigan Finance Authority	$3,819
8	Port Authority of NY & NJ	$3,695
9	Washington	$3,509
10	Pennsylvania Econ Dev Finance Authority	$3,030
11	Puerto Rico	$2,734
12	Chicago City-Illinois	$2,673
13	NYS Thruway Authority	$2,662
14	Connecticut	$2,653
15	NYC Municipal Water Finance Authority	$2,550
16	Dallas & Fort Worth Cities-Texas	$2,529
17	New Jersey Economic Dev Authority	$2,168
18	California St Public Works Board	$2,101
19	Puerto Rico Aqueduct & Sewer Authority	$2,096
20	Indiana Finance Authority	$1,970
21	Massachusetts	$1,957
22	San Antonio City-Texas	$1,912
23	Regents of the Univ of California	$1,860
24	Illinois Finance Authority	$1,830
25	Louisiana	$1,815

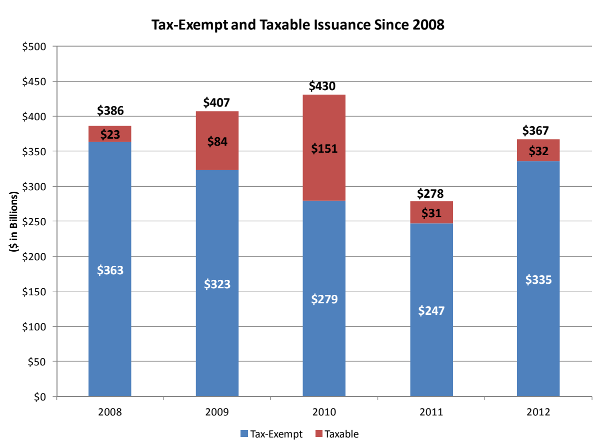
Largest 25 Issuers By Issued Par Amount In 2013		
Rank	Issuer Name	Par ($MM)
1	California	$5,866
2	New York City-New York	$3,357
3	Illinois	$3,004
4	Grand Parkway Transport Corporation	$2,920
5	New Jersey Econ Dev Authority	$2,537
6	Washington	$2,427
7	Regents of the University of California	$2,244
8	New Jersey Turnpike Authority	$2,137
9	Massachusetts	$2,025
10	**Florida Hurricane Catastrophe Fund Finance Corp.**	**$2,000**
11	Metropolitan Transport Authority (MTA)	$1,884
12	NYC Transitional Finance Authority	$1,801
13	New Jersey Transportation Trust Fund Authority	$1,726
14	Dallas & Fort Worth Cities-Texas	$1,706
15	Empire State Development Corporation	$1,596
16	North Carolina	$1,571
17	JobsOhio Beverage System	$1,511
18	NYS Dorm Authority	$1,479
19	Iowa Finance Authority	$1,469
20	California Health Facilities Finance Authority	$1,454
21	NYC Municipal Water Finance Authority	$1,344
22	SC Public Services Authority (Santee Cooper)	$1,341
23	NYC Housing Development Corporation	$1,307
24	Connecticut	$1,255
25	Indiana Finance Authority	$1,248

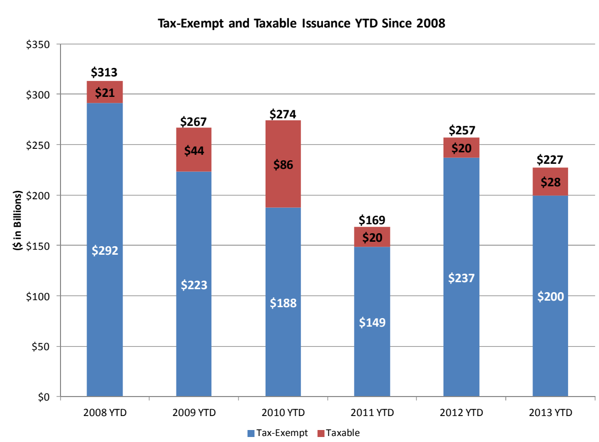
Source: Thomson Financial for long-term issuances from January 1, 2009 to September 15, 2013.

Analysis of potential market acceptance of large amounts of FHCF debt must include not only relevant historical references, but also an evaluation of current market conditions and cash flow needs. In this regard, conditions seem to be consistent in the municipal tax-exempt market, but have significantly improved in both the taxable municipal and corporate markets.

U.S. corporate bond sales surged to $1.4 trillion in 2012, surpassing the record in 2007 of $1.1 trillion, as investors sought higher-yielding alternatives to government securities and companies took advantage of borrowing costs at all-time lows. So far in 2013 (through August 31, 2013), corporate bond issuance is $883 billion, which is 7% greater than the $827 billion issued in 2012 over the same time period. The corporate bond market has topped $1 trillion each year since 2010 as interest rates have been consistently historically low. An example of increased issuance in the currently low interest rate environment is the recent record-breaking Verizon transaction. On September 11, 2013, Verizon sold $49 billion of bonds (nearly triple the previous record issuance of $17 billion by Apple in April 2013) in order to finance its $130 billion buyout of Vodafone's stake in Verizon. Verizon already had $34 billion in debt outstanding prior to the sale, but was able to capitalize on strong investor demand with an order book of over $100 billion due to its reputation, ratings (Baa1/BBB+) and use of proceeds. The Verizon sale consisted of $11 billion of 10-year bonds at 5.19% (2.27% above the 10-year Treasury) and $15 billion of 30-year bonds at 6.56% (2.70% above the 30-year Treasury).

After declining significantly in 2011, municipal issuance rebounded strongly in 2012 with a 32% increase. Year-to-date 2013 issuance is in line with 2012 with $227 billion issued through September 15, 2013 compared to $257 billion over the same time period in 2012.





Source: Thomson Financial for long-term issuances from January 1, 2008 to September 15, 2013.

The increase in issuance to more normal historical levels is encouraging for the FHCF; in addition, the FHCF has some factors working in its favor independent of market trends, including, but not limited to: (1) the FHCF is a well-regarded, highly-rated credit (AA category), closely associated with (though not guaranteed by) the State of Florida, which is a blue-chip name in the market; (2) in April 2013, the FHCF successfully priced $2 billion of Series 2013A taxable pre-event bonds with 3, 5 and 7-year maturities at a true interest cost of 2.61% and received over $3.6 billion in orders (1.79x oversubscribed), which has helped re-establish the FHCF in the taxable market and proven that there is significant capacity for the FHCF to issue bonds at cost-effective rates; and (3) similar to the Series 2013A pre-event financing, any post-event bond issuances of the size the FHCF may need to undertake would also be included in the various indices market observers use to track market performance, so institutional money managers seeking to at least match indexed returns may have a strong additional incentive to buy FHCF bonds, particularly if they are offered at interest rates marginally higher than those typically associated with AA category credits.

Estimating the FHCF's post-event bonding capacity is an inexact science. To do so requires a consideration of the factors above, an extrapolation about what market conditions might exist after hurricanes of various sizes, and an evaluation of the many subjective and substantive considerations surrounding these estimates and the uses thereof. Certainty is not a defining characteristic of an exercise like this; nor can the results be responsibly guaranteed. Nevertheless, with the proper experience, perspective and analysis, one can make estimates suitable for the FHCF's requirements – conservative estimates, not guaranteed to be accurate, but responsibly determined using the best available sources.

One note of caution is that financial markets can be highly volatile and uncertain. Such uncertainity creates significant risk for participating insurers who rely on the FHCF for reimbursements. Although financial market conditions have significantly improved and are currently expected to be conducive to favorable debt issuance, it is not possible to guarantee financial market conditions into the future. The FHCF's estimated claims-paying capacity is highly subjective and depends heavily on the opinions of senior managing underwriters. As such, participating insurers should recognize the potential impact that financial markets can have on the FHCF's claims-paying ability. The following pages provide current bonding and claims-paying estimates.

IV. *Bonding and Claims-Paying Capacity Estimates*

The preliminary estimated bonding capacity of the FHCF for the current contract year is $6.1 billion

To estimate the FHCF's bonding capacity, we used the general process described in Section II and detailed in Appendix A. The specific wording of the capacity question we asked the FHCF's senior managing underwriters was as follows:

> *"Please provide us with your firm's opinion on the potential tax-exempt and/or taxable post event market capacity over the next 0-12 months **and** 12-24 months at rates that are above the current "market" scale as needed."*[4]

We considered all data, but based on a desire for conservatism, cash flow requirement projections from Paragon Strategic Solutions Inc., the FHCF's consulting actuary, and guidance from FHCF staff about potential payout timing, as in the past we continue to use the estimates for the first 12 months in formulating the bonding capacity estimate.

In general, it would take a hurricane event exceeding $25 billion to exhaust the FHCF's capacity. However, the timing of reimbursements to participating insurers is highly dependent on both the size of the event and the nature of the loss. A large event (e.g., 1 in 100 year hurricane) that involves many total losses (such as occurs with a category 5 hurricane) could result in exhausting the FHCF's resources in 3 to 6 months. Weaker hurricanes may result in slow loss development thus stretching the reimbursement of losses over several years. The FHCF's financing of losses needs to account for the rapid reimbursement of claims since some insurers may not be able to survive for over a year waiting for FHCF recoveries. The amount of debt that the FHCF can raise within the first twelve months is important for participating insurers in protecting their financial solvency. Although the FHCF may be able to raise sufficient debt over two or three years, some participating insurers may not have financial resources to survive that long.

We are comfortable including estimates that contained some above-market interest rate capacity estimates in recognition of the fact that the FHCF has ample assessment capability within its statutory limits to issue bonds, even at significantly higher rates[5]. For purposes of calculating the potential assessment impact of the FHCF's bonding needs, we assumed that FHCF post-event bonds for the initial season would carry interest rates at current market levels and the refinancing of the Series 2013A pre-event bonds and post-event bonds for subsequent season losses would be at 8%, several hundred basis

[4] The complete information request and all responses are included in Appendix A.
[5] For example a 30-year bond issue at an 8% interest rate sized to produce the maximum potential FHCF obligation ($5.236 billion) for the current contract year and refinancing the Series 2013A pre-event bonds would require an annual assessment of only 2.20%, well below the 6% statutory cap.

points above where the senior managers estimate the FHCF could issue bonds in the current market. Since participating insurers rely on these estimates for solvency protection, this adds additional conservatism to the analysis. There is also some overlap between tax-exempt and taxable capacity estimates as the investor base has changed and market acceptance has increased for taxable bonds as a result of the initial increase in municipal taxable issuance in 2009 and 2010, which will marginally reduce the capacity for tax-exempt debt or vice-versa. A summary of the senior managers' responses is shown in the table below:

FHCF Post-Event Estimated Bonding Capacity					
	Barclays	Citi	Goldman Sachs	JP Morgan	Average [1]
Bonding Estimates					
Tax-Exempt:					
0-12 Months	$1.5-2.5 B	$2.0 B	$2.5-3.5 B	$3.0-4.0 B	$2.6 B
12-24 Months	$1.5-2.5 B	$2.0 B	$2.5-3.5 B	$2.0-3.0 B	$2.4 B
Total tax-exempt	*$3.0-5.0 B*	*$4.0 B*	*$5.0-7.0 B*	*$5.0-7.0 B*	*$5.0 B*
Taxable:					
0-12 Months	$3.0-5.0 B	$4.0 B	$3.0-4.0 B	$2.0-3.0 B	$3.5 B
12-24 Months	$3.0 B	$4.0 B	$3.0-4.0 B	$2.0-3.0 B	$3.3 B
Total taxable	*$6.0-8.0 B*	*$8.0 B*	*$6.0-8.0 B*	*$4.0-6.0 B*	*$6.8 B*
0-12 Months Total	**$4.5-7.5 B**	**$6.0 B**	**$5.5-7.5 B**	**$5.0-7.0 B**	**$6.1 B**
12-24 Months Total	$4.5-5.5 B	$6.0 B	$5.5-7.5 B	$4.0-6.0 B	$5.7 B
0-24 Months Total	$9.0-13.0 B	$12.0 B	$11.0-15.0 B	$9.0-13.0 B	$11.8 B

[1] Averages are rounded to the nearest hundred million dollars

As discussed earlier, we believe that using only the 0-12 months number to compute an average is a conservative and necessary approach to estimating bonding capacity. Using this methodology yields an estimated bonding capacity of approximately $6.1 billion and this capacity is expected to be sufficient to meet the FHCF's potential obligations, even if one conservatively expects that the FHCF payout after an event will need to occur within the first twelve months. However, when considering the larger picture of the FHCF's ability to pay additional claims for a subsequent season, the FHCF's bonding capacity beyond 0-12 months is also an important factor. Each of the senior managers believes that the FHCF would have significant additional capacity in the period 12-24 months after an event[6]. This additional capacity, although limited, could be used to fund almost half of the amount potentially needed for subsequent season losses, in approximate amounts as shown on the following page:

[6] The longer the time frame for estimation purposes, the greater the degree of uncertainty.

Estimated Bonding Capacity ($ in B)	
Initial Season	
Estimated Bonding Capacity 0-12 months Average	6.100
Projected 2013 Year-End Fund Balance	9.764
Series 2013A Pre-Event Bonds	2.000
Estimated Claims Paying Capacity 0-12 months	**17.864**
Initial Season Statutory Limit Plus Optional Coverage (TICL)	17.000
Potential Excess Capacity Available After Initial Season (0-12 months)	**0.864**
Subsequent Season	
Potential Additional Bonding Capacity - 12-24 months	5.700
Potential Additional Bonding Capacity - 0-24 months	6.564
Projected Subsequent Season Reimbursement Premiums	1.281
Subsequent Season Statutory Limit	17.000
Potential Subsequent Season Claims Paying Capacity	**7.845**
Amount Less than the Maximum Statutory Limit	**(9.155)**

Estimated Claims-Paying Capacity

Claims-paying capacity of the FHCF is simply equal to the sum of the projected fund balance plus the available pre-event bonds (or any other financing resources available) and the estimated bonding capacity. The FHCF projects that its year-end fund balance for the 2013-2014 season will be approximately $9.764 billion as calculated by its administrator, Paragon.

Using this projection and the $2 billion of Series 2013A pre-event bonds, and a bonding capacity estimate of $6.1 billion, the FHCF's estimated claims-paying capacity for the initial season is $17.864 billion, which is $0.864 billion above the total potential maximum claims-paying obligation of $17.000 billion. The FHCF can use the potential additional bonding amounts from the initial season or a portion of the Series 2013A pre-event bonds plus the projected $5.7 billion in bonding capacity for the following 12-24 months and the fund balance accumulated during the subsequent season to estimate its claims-paying capacity in the 2014-2015 season. The breakdown of this potential claims-paying capacity and annual assessment at the current interest rates is shown on the following page, for informational purposes only.

Estimated Claims-Paying Capacity					
	Projected Fund Balance	Series 2013A Pre-Event Bonds	Post-Event Estimated Borrowing Capacity *	Total Estimated Claims Paying Capacity	Annual Assessment %
Initial Season (0-12 Months)	$9.764B	$2.000B	$5.236B	$17.000B	1.69%**
Subsequent Season (12-24 Months)	$1.281B		$6.564B	$7.845B	1.60%

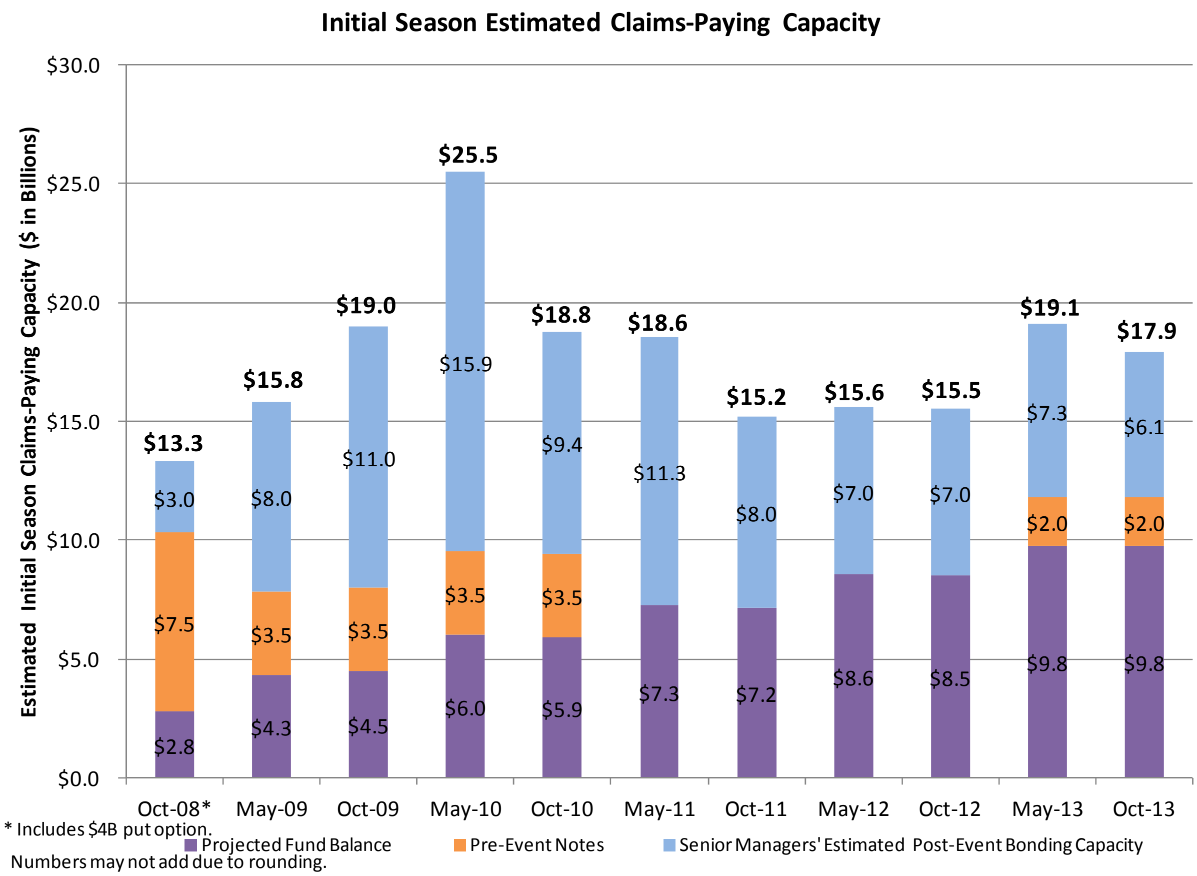
* *Post-Event Estimated Borrowing Capacity for Initial Season is $6.1 billion but only $5.236 is required to meet FHCF's initial season potential obligation. The remaining $0.864B is included in the subsequent season capacity.*

** *For example a 30-year bond issue at an 8% interest rate sized to produce the maximum potential FHCF obligation ($5.236 billion) for the current contract year and refinancing the Series 2013A pre-event bonds would require an annual assessment of only 2.20%, well below the 6% statutory cap.*

Historical Perspective on Estimated Claims-Paying Capacity

The estimated claims-paying capacity of the FHCF over time is subject to changes in the projected fund balance, available pre-event liquidity, and estimates of bonding capacity. While the projected fund balance has climbed steadily during the past several hurricane-free years, the senior managers' estimates of the FHCF's bonding capacity have significantly varied during that time period, reflecting both the big picture fundamental changes to the market described in Section III and the impact of market volatility at the time we asked them for estimates. The current average estimate for 0-12 months of $6.1 billion is marginally lower than it was in May 2013.

The chart below shows the total estimated initial season claims-paying capacity of the FHCF since October 2008 with projected fund balance (**purple**), pre-event notes (**orange**) and estimated post-event bonding capacity (**blue**).



The chart reflects the volatility of the FHCF's claims-paying capacity estimates over time. The pre-event notes and the projected fund balance are reliable amounts since they are known prior to an event, but the post-event bonding capacity can vary significantly depending on financial market conditions after a hurricane event, as denoted by the blue portion of the bars above. If the FHCF is unable to issue post-event debt consistent with its estimates, insurers may end up with a shortage of resources to pay their claims. It is therefore important that the FHCF's claims-paying capacity estimates be reasonable and conservative to minimize financial risk for participating insurers.

It is also interesting to compare the range of the estimates during this time period, which is indicative of the level of uncertainty and variability among the senior managers with regard to the FHCF's bonding capacity. The table below shows individual as well as aggregate ranges for each estimate since May 2010.

Post-Event Estimated Bonding Capacity Over 12 Months (Senior Managers' Range)									
($ in Billions)	May-10	Oct-10	May-11	Oct-11	May-12	Oct-12	May-13	Oct-13	Oct-May 2013 Change
Barclays	Not Provided	$10.0	$10.0	$8-$10	$9-$11	$8-$10	$6.5-$9.5	$4.5-$7.5	↓
Citi	$12-$16	$14.5-$16.5	$12-$15	$10-$11	$8-$9	$7.0	$9.8	$6.0	↓
Goldman Sachs	$15-$20	$10-$15	$4.0	$5.0	$1.5-$4	$2-$4	$3.5-$5.5	$5.5-$7.5	↑
JPMorgan	$22-$26	$22-$26	$17-$23	$6-$8	$6-$8	$6-$8	$6-$8	$5.0-$7.0	↓
Overall Range	$12-$26	$10-$26	$4-$23	$5-$11	$1.5-$11	$2-$10	$3.5-$9.8	$4.5-$7.5	↓

The wide range of estimates shown in the table reflects the fundamental uncertainty of the bonding capacity estimating process for the FHCF. We believe the process of using a survey of the opinions of the best experts with the most relevant experience, and employing a conservative approach to pick among several potential estimates of capacity, provides a reasonable estimate that suits the purposes of the FHCF and its participating insurers' needs. Due to the recent success of the Series 2013A pre-event financing and improved market conditions, the estimated ranges have significantly narrowed. However, it still does not provide a guaranteed source of liquidity or claims-paying capacity, and the actual bonding results achieved by the FHCF after a hurricane could vary substantially from this estimate.

In the case of any bonding shortfall, the FHCF could simply levy assessments (up to a total of over $2.1 billion per year) without issuing bonds, although this approach could fall short of meeting the FHCF's payout timing needs for its participating insurers. However, any additional certainty of funding for the FHCF can only be achieved by increasing the pre-event committed cash resources of the fund (for example, by expanding the pre-event liquidity funding program to minimize the amount of post-event bonding needs for the initial and/or subsequent seasons) or by decreasing the potential obligations of the fund – or both – so that available committed cash resources meet or exceed potential obligations.

Disclaimer

The information contained herein is solely intended to facilitate discussion of potentially applicable financing applications and is not intended to be a specific buy/sell recommendation, nor is it an official confirmation of terms.

The analysis or information presented herein is based upon projections and have limitations. No representation is made that it is accurate or complete or that any results indicated will be achieved. In no way is past performance indicative of future results. Changes to any prices, levels, or assumptions contained herein may have a material impact on results. Any estimates or assumptions contained herein represent our best judgment as of the date indicated and are subject to change without notice.

Appendix A – Bonding Capacity Solicitation & Senior Manager Responses

Florida Hurricane Catastrophe Fund Bonding Capacity Analysis

1. Please provide a 30-year scale for the FHCF using the MMD at the close of business September 20, 2013. This scale should be the one that you believe reflects a "market" scale given the FHCF's credit with no capacity constraints. Please use 30 years of serial bonds (7/1/14 - 7/1/43) with 5.0% coupons throughout when writing the scale. Base the scale on an uninsured financing given the FHCF's current underlying ratings of Aa3/AA-/AA (Moody's / S&P / Fitch).

2. Please provide a 30-year taxable scale using the Treasury curve at the close of business September 20, 2013. This scale should be the one that you believe reflects a "market" scale given the FHCF's credit with no capacity constraints. Please use 30 years of serial bonds (7/1/14 - 7/1/43) with par-ish coupons throughout when writing the scale. Base the scale on an uninsured financing given the FHCF's current underlying ratings of Aa3/AA-/AA (Moody's / S &P / Fitch).

3. Please provide us with your firm's opinion on the potential tax-exempt and/or taxable post-event market capacity over the next 0-12 **and** 12-24 months at rates that are at or above the current "market" scale as needed.

FHCF Post-Event Market Capacity – At Current Market			
Time Period	**Tax-Exempt**	**Taxable**	**Total**
0-12 Months	$1.5-2.5 Billion	$3.0-5.0 Billion	$4.5-7.5 Billion
12-24 Months	$3.0-5.0 Billion	$6.0-8.0 Billion	$9.0-13.0 Billion

Florida Hurricane Catastrophe Fund Bonding Capacity Analysis

20-Sep	MMD	Coupon	UST Benchmark	UST Yield	Tax-Exempt Spread (bps)	Tax-Exempt Yield	Taxable Spread (bps)	Taxable Yield
2014	0.18%	5.00%	1Yr	0.11%	50	0.68%	55	0.66%
2015	0.36%	5.00%	2Yr	0.34%	65	1.01%	75	1.09%
2016	0.65%	5.00%	3Yr	0.69%	75	1.40%	95	1.64%
2017	0.95%	5.00%	5Yr	1.50%	85	1.80%	110	2.60%
2018	1.35%	5.00%	5Yr	1.50%	95	2.30%	135	2.85%
2019	1.66%	5.00%	7Yr	2.13%	105	2.71%	200	4.13%
2020	1.91%	5.00%	7Yr	2.13%	115	3.06%	225	4.38%
2021	2.21%	5.00%	10Yr	2.75%	120	3.41%	235	5.10%
2022	2.43%	5.00%	10Yr	2.75%	120	3.63%	250	5.25%
2023	2.60%	5.00%	10Yr	2.75%	120	3.80%	265	5.40%
2024	2.77%							
2025	2.95%							
2026	3.12%							
2027	3.25%							
2028	3.38%	5.00%	10Yr	2.75%	130	4.68%	335	6.10%
2029	3.50%							
2030	3.61%							
2031	3.69%							
2032	3.77%							
2033	3.84%	5.00%	30Yr	3.77%	130	5.14%	313	6.90%
2034	3.91%							
2035	3.97%							
2036	4.02%							
2037	4.07%							
2038	4.11%							
2039	4.14%							
2040	4.16%							
2041	4.18%							
2042	4.19%							
2043	4.20%	5.00%	30Yr	3.77%	125	5.45%	335	7.12%

Note: We assumed a make-whole call for all taxable rates

BARCLAYS

Citigroup Global Markets Inc.
Public Finance Department
200 South Orange Avenue, Suite 2170
Orlando, FL 32801

MEMORANDUM

To: Florida Hurricane Catastrophe Fund

From: Citigroup

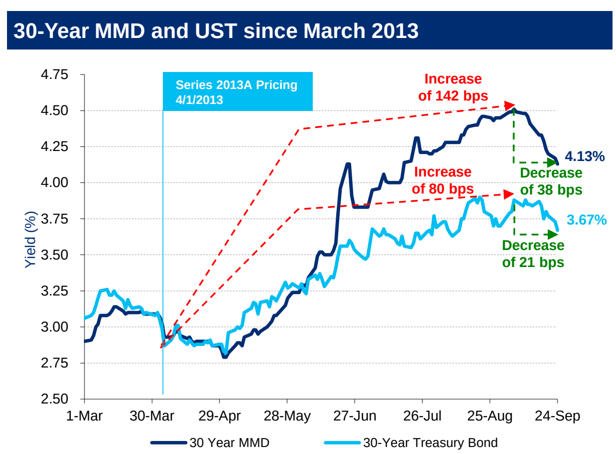
Date: September 27, 2013

Re: Florida Hurricane Catastrophe Fund Financing Corporation, September 2013 Capacity Analysis

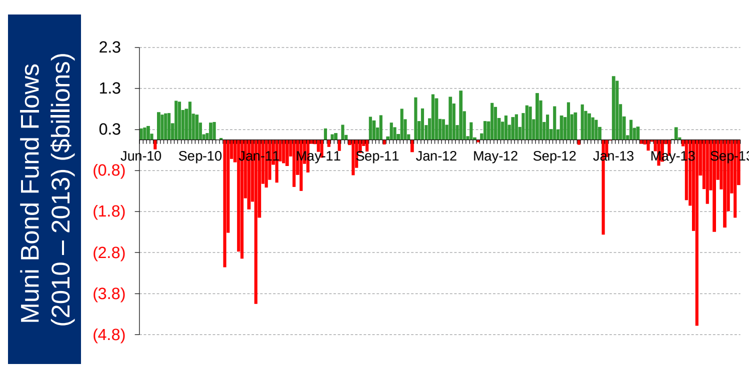
Citigroup is pleased to provide the Florida Hurricane Catastrophe Fund ("FHCF") with updated estimated post-event bond capacity. As discussed in more detail, the fixed income markets are still facing the same volatility since our last capacity analysis and the overall economy continues to face pressures, both domestically and abroad.

Current Market Conditions. As you no doubt aware, the municipal market has seen significant challenges over the past few months. Several factors continue to push yields higher, but two seem to remain the key drivers.

- **Concerns about Potential end to QE3.** First, the market has been focused on possible changes in Federal Reserve policy and the potential for unwinding of QE3 in the near term. Interest rates moved sharply upward between the months of May and September, as the Federal Reserve emphasized that further signs of economic recovery will prompt the FOMC to begin tapering its securities purchases. Recently, however, on September 18th, the FOMC announced it will continue its monthly $85 billion bond purchasing program indicating the economic data does not provide sufficient confirmation to warrant reducing purchases. As a result, both Treasury and Municipal yields have rallied in recent weeks as shown in the chart above.



- **Bond Fund Outflows Continue.** Second, the severe negative momentum in fixed income funds in general. The 4-week moving average of taxable funds has moved from approximately positive $7 billion to negative $4 billion over a very short period, beginning in late May, just as muni flows dipped severely from approximately negative $120 million to negative $2-$3 billion. It seems clear that rising Treasury yields and concerns about the tapering of QE by the Fed were exerting an impact on both major fund classes that started at precisely the same time. Taxable fund flows have since bounced back into positive territory for two weeks in a row: $1.38 billion and $1.33 billion for the past two weeks. Given the strength of the correlation between taxable flows and muni flows beginning in late May, the return to modestly positive net numbers in the taxable fund space is considered a potential leading indicator for muni fund flows as well.



1. Please provide a 30-year scale for the FHCF using the MMD at the close of business tomorrow (09/20/13). This scale should be the one that you believe reflects a "market" scale given the FHCF's credit with no capacity constraints. Please use 30 years of serial bonds (7/1/14 - 7/1/43) with 5.0% coupons throughout when writing the scale. Base the scale on an uninsured financing given the FHCF's current underlying ratings of Aa3/AA-/AA (Moody's / S&P / Fitch).

Florida Hurricane Catastrophe Fund Tax-Exempt 30-Year Scale Ratings: Aa3/AA-/AA (M/S/F)				
Maturity	**MMD (09/20/13)**	**Spread (bps)**	**Coupon**	**Yield**
2014	0.18%	50	5.00%	0.68%
2015	0.36%	60	5.00%	0.96%
2016	0.65%	70	5.00%	1.35%
2017	0.95%	80	5.00%	1.75%
2018	1.35%	90	5.00%	2.25%
2019	1.66%	100	5.00%	2.66%
2020	1.91%	110	5.00%	3.01%
2021	2.21%	110	5.00%	3.31%
2022	2.43%	110	5.00%	3.53%
2023	2.60%	110	5.00%	3.70%
2024	2.77%	120	5.00%	3.97%
2025	2.95%	130	5.00%	4.25%
2026	3.12%	140	5.00%	4.52%
2027	3.25%	150	5.00%	4.75%
2028	3.38%	150	5.00%	4.88%
2029	3.50%	150	5.00%	5.00%
2030	3.61%	150	5.00%	5.11%
2031	3.69%	150	5.00%	5.19%
2032	3.77%	150	5.00%	5.27%
2033	3.84%	150	5.00%	5.34%
2034	3.91%			
2035	3.97%			
2036	4.02%			
2037	4.07%			
2038	4.11%	150	5.00%	5.61%
2039	4.14%			
2040	4.16%			
2041	4.18%			
2042	4.19%			
2043	4.20%	150	5.00%	5.70%

Market Rates as of 9/20/2013.

2. Please provide a 30-year taxable scale using the Treasury curve at the close of business tomorrow (09/20/13). This scale should be the one that you believe reflects a "market" scale given the FHCF's credit with no capacity constraints. Please use 30 years of serial bonds (7/1/14 - 7/1/43) with par-ish coupons throughout when writing the scale. Base the scale on an uninsured financing given the FHCF's current underlying ratings of Aa3/AA-/AA (Moody's / S&P / Fitch).

Florida Hurricane Catastrophe Fund Taxable 30-Year Scale Ratings: Aa3/AA-/AA (M/S/F)				
Maturity	**TSY (09/20/13)**	**Spread (bps)**	**Coupon**	**Yield**
2014	0.340%	50-75	0.84-1.09%	0.84-1.09%
2015	0.340%	90-100	1.24-1.34%	1.24-1.34%
2016	0.690%	110-120	1.79-1.89%	1.79-1.89%
2017				
2018	1.500%	145-170	2.95-3.20%	2.95-3.20%
2019				
2020	2.130%	200-225	4.13-4.38%	4.13-4.38%
2021				
2022				
2023	2.750%	225-250	5-5.25%	5-5.25%
2024				
2025				
2026				
2027				
2028	2.750%	300-325	5.75-6%	5.75-6%
2029				
2030				
2031				
2032				
2033	3.770%	225-250	6.02-6.27%	6.02-6.27%
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				
2043	3.770%	240-260	6.17-6.37%	6.17-6.37%

Market Rates as of 9/20/2013.
2014-2015 spread to 2-Year Treasury Rate.
2016 spread to 3-Year Treasury Rate.
2018 spread to 5-Year Treasury Rate.
2020 spread to 7-Year Treasury Rate.
2023 and 2028 spread to 10-Year Treasury Rate.
2033 and 2043 spread to 30-Year Treasury Rate.

3. Please provide us with your firm's opinion on the potential tax-exempt and/or taxable post-event market capacity over the next 0-12 and 12-24 months at rates that are at or above the current "market" scale as needed.

Under current market conditions and assuming the current "market" scales provided in our response to questions #1 and #2, below are our capacity estimates for the FHCF.

FHCF Post-Event Market Capacity			
Time Period	**Tax-Exempt**	**Taxable**	**Total**
0-12 Months	$2 billion	$4 billion	**$6 billion**
12-24 Months	$2 billion	$4 billion	**$6 billion**

Subject to market conditions and buy-in from large investors.
Preliminary/ Subject to Change.

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Memorandum

INVESTMENT BANKING DIVISION

Date: September 27, 2013

To: Florida Hurricane Catastrophe Fund

From: Goldman, Sachs & Co.

Subject: Florida Hurricane Catastrophe Fund Bonding Capacity Analysis

Goldman Sachs is pleased to provide an update of estimated FHCF post-event bonding capacity. Given the success that the FHCF had in its taxable pre-event offering earlier this year, we feel confident of the ability to raise significant funds in today's market. However, the tax-exempt market has not performed well relative to other markets since we last estimated capacity for the FHCF. This experience is a reminder that the tax-exempt market has a narrow investor base, creating supply/demand imbalances that can persist for several months at a time; we saw this happen in 2011 and, now, in 2013. The FHCF's ability to borrow in large size during these times of stress may be very limited in the tax-exempt market. The market has improved in recent weeks as rates have declined. The taxable market has performed much better than the tax-exempt market during this time; this is largely due to a much broader investor base for taxable bonds, which includes pension funds and international buyers.

We would also highlight that the market for the FHCF's bonds after a large event is still very much unknown. We would recommend the FHCF remain conservative in its estimates of post-event capacity for planning purposes given this high level of uncertainty. If you have any questions, please feel free to reach out to the Goldman Sachs team. Please see the following pages for our responses to questions.

1. ***Please provide a 30-year scale for the FHCF using the MMD at the close of business tomorrow (09/20/13). This scale should be the one that you believe reflects a "market" scale given the FHCF's credit with no capacity constraints. Please use 30 years of serial bonds (7/1/14 - 7/1/43) with 5.0% coupons throughout when writing the scale. Base the scale on an uninsured financing given the FHCF's current underlying ratings of Aa3/AA-/AA (Moody's / S&P / Fitch).***

Tax-Exempt Scale

Year	Coupon	MMD (9/20)	Spread	Yield
2014	5.00%	0.18%	0.25%	0.43%
2015	5.00%	0.36%	0.50%	0.86%
2016	5.00%	0.65%	0.60%	1.25%
2017	5.00%	0.95%	0.65%	1.60%
2018	5.00%	1.35%	0.70%	2.05%
2019	5.00%	1.66%	0.75%	2.41%
2020	5.00%	1.91%	0.80%	2.71%
2021	5.00%	2.21%	0.85%	3.06%
2022	5.00%	2.43%	0.90%	3.33%
2023	5.00%	2.60%	0.90%	3.50%
2024	5.00%	2.77%	0.90%	3.67%
2025	5.00%	2.95%	0.90%	3.85%
2026	5.00%	3.12%	0.90%	4.02%
2027	5.00%	3.25%	0.90%	4.15%
2028	5.00%	3.38%	0.90%	4.28%
2029	5.00%	3.50%	0.90%	4.40%
2030	5.00%	3.61%	0.90%	4.51%
2031	5.00%	3.69%	0.90%	4.59%
2032	5.00%	3.77%	0.90%	4.67%
2033	5.00%	3.84%	0.90%	4.74%
2034				
2035				
2036				
2037				
2038	5.00%	4.11%	0.87%	4.98%
2039				
2040				
2041				
2042				
2043	5.00%	4.20%	0.85%	5.05%

2. ***Please provide a 30-year taxable scale using the Treasury curve at the close of business tomorrow (09/20/13). This scale should be the one that you believe reflects a "market" scale given the FHCF's credit with no capacity constraints. Please use 30 years of serial bonds (7/1/14 - 7/1/43) with par-ish coupons throughout when writing the scale. Base the scale on an uninsured financing given the FHCF's current underlying ratings of Aa3/AA-/AA (Moody's / S&P / Fitch).***

Taxable Scale

Year	Coupon	UST (9/20)	Spread	Yield
2014				
2015				
2016	1.94%	0.69%	1.25%	1.94%
2017				
2018	3.50%	1.50%	2.00%	3.50%
2019				
2020	4.73%	2.13%	2.60%	4.73%
2021				
2022				
2023	5.55%	2.75%	2.80%	5.55%
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033	6.87%	3.77%	3.10%	6.87%
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				
2043	7.02%	3.77%	3.25%	7.02%

3. ***Please provide us with your firm's opinion on the potential tax-exempt and/or taxable post-event market capacity over the next 0-12 and 12-24 months at rates that are at or above the current "market" scale as needed.***

Tax-Exempt Capacity

Tax-Exempt Capacity ($bn)

Time Period	Tax-Exempt
0-12 Months	$2.5-3.5
12-24 Months	$2.5-3.5
0-24 Months Aggregate	$5-7

Current Market Taxable Capacity

At current market levels, we estimate that the majority of taxable capacity would come from municipal buyers. Therefore, we would estimate that limited incremental demand, above tax-exempt demand, would come from the taxable market. Our estimates for taxable capacity at current market levels are shown below, along with an estimate of how much we expect would be incremental to tax-exempt demand.

Current Market Capacity ($bn)

Time Period	Taxable	Incremental to Tax-Exempt	Total with Tax-Exempt
0-12 Months	$3-4	$1.5-2	$4-5.5
12-24 Months	$3-4	$1.5-2	$4-5.5
0-24 Months Aggregate	$6-8	$3-4	$8-11

Elevated Rates Taxable Capacity

Per the FHCF's request that we assume rates can rise in our demand estimates, we provide estimates assuming taxable rates rise up to 200 basis points above our estimated current market scale. We have assumed that an increase in spread beyond 200 basis points above current market levels may exceed rates that would be acceptable to the various stakeholders of the FHCF.

Elevated Rates Market Capacity ($bn)

Time Period	Taxable	Incremental to Tax-Exempt	Total with Tax-Exempt
0-12 Months	$5-6	$3-4	$5.5-7.5
12-24 Months	$5-6	$3-4	$5.5-7.5
0-24 Months Aggregate	$10-12	$6-8	$11-15

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J.P.Morgan

To:	Florida Hurricane Catastrophe Fund
From:	J.P. Morgan
Date:	September 27, 2013
Subject:	Debt Capacity and Indicative Pricing

Please find below J.P. Morgan's estimate of the Florida Hurricane Catastrophe Fund's "projected" bonding capacity over the next 0-12 and 12-24 months, based on current market conditions. Pursuant to your request, we have also estimated "theoretical" post-event bonding capacity assuming current interest rates and no market constraints on spread levels.

While estimated market capacity remains very similar to our April 2013 estimates, indicative yields for both an FHCF tax-exempt or taxable offering have increased due to significant rate increase in both the tax-exempt and taxable indices. Since the April 2013 Capacity Analysis, 10-year MMD has increased by 90 basis points, and 30-year MMD increased by 130 basis points as of the September 20, 2013 closing. 10-year and 30-year Treasuries increased by 101 and 78 basis points over this period, respectively. While estimated tax-exempt credit spreads have largely remained unchanged, estimated taxable spreads have increased by 12.5 and 25 basis points in the 5- and 10-year benchmark maturities.

***"Projected" Market Capacity*.** Based on current market conditions as of September 20, 2013, J.P. Morgan estimates that FHCF could sell $2.0 billion - 3.0 billion tax-exempt bonds and $1.5 – 2.5 billion taxable bonds over the next 0-12 months. Over the following 12-24 month period, FHCF could sell an additional $1.0 - 2.0 billion of tax-exempt bonds and $1.0 - 2.0 billion of taxable bonds. This would provide FHCF a total post-event market capacity of $3.0 - 5.0 billion tax-exempt and $2.5 - 4.5 billion taxable, assuming current market conditions.

"Theoretical" Market Capacity. Assuming unconstrained spreads, J.P. Morgan believes it is reasonable to expect that FHCF could sell $3.0 - 4.0 billion tax-exempt bonds and $2.0 - 3.0 billion taxable bonds over the next 0-12 months. Over the following 12-24 month period, FHCF could sell an additional $2.0 - 3.0 billion of tax-exempt bonds and $2.0 - 3.0 billion of taxable bonds. This would provide FHCF a total theoretical capacity of $5.0 - 7.0 billion tax-exempt and $4.0 - 6.0 billion taxable, assuming unlimited spreads.

Please see the tables below for indicative market capacity over the next 0-12 and 12-24 months.

Indicative Market Capacity, as of September 20, 2013

	0 - 12 Months	12 - 24 Months	Potential Total Capacity by Product
30-year Tax-exempt -- Current Rates	$2-3 billion	$1-2 billion	$3-5 billion
30-year Tax-exempt -- Unconstrained Spreads	$3-4 billion	$2-3 billion	$5-7 billion
30-year Taxable -- Current Rates	$1.5-2.5 billion	$1-2 billion	$2.5-4.5 billion
30-year Taxable -- Unconstrained Spreads	$2-3 billion	$2-3 billion	$4-6 billion

FHCF Market Capacity

Time Period	Total Tax-exempt	Total Taxable	Total
0 - 12 Months	$3-4 billion	$2-3 billion	$5-7 billion
12 - 24 Months	$2-3 billion	$2-3 billion	$4-6 billion

On the following pages, please find J.P. Morgan's estimated 30-year tax-exempt and taxable scales assuming market conditions as of September 20, 2013. The scales assume FHCF's current underlying ratings of Aa3/AA-/AA. As market conditions change, we will review our estimates of FHCF's post-event pricing and capacity and promptly update FHCF and its Financial Advisor.

J.P.Morgan

Florida Hurricane Catastrophe Fund Tax-Exempt Rates as of Close of Business September 20, 2013				
Maturity	**MMD**	**Coupon (%)**	**Yield (%)**	**Spread (bps)**
7/1/2014	0.18%	5.00%	0.48%	30
7/1/2015	0.36%	5.00%	0.76%	40
7/1/2016	0.65%	5.00%	1.15%	50
7/1/2017	0.95%	5.00%	1.55%	60
7/1/2018	1.35%	5.00%	2.00%	65
7/1/2019	1.66%	5.00%	2.36%	70
7/1/2020	1.91%	5.00%	2.66%	75
7/1/2021	2.21%	5.00%	2.99%	78
7/1/2022	2.43%	5.00%	3.23%	80
7/1/2023	2.60%	5.00%	3.43%	83
7/1/2024	2.77%	5.00%	3.62%	85
7/1/2025	2.95%	5.00%	3.82%	87
7/1/2026	3.12%	5.00%	4.02%	90
7/1/2027	3.25%	5.00%	4.15%	90
7/1/2028	3.38%	5.00%	4.28%	90
7/1/2029	3.50%	5.00%	4.40%	90
7/1/2030	3.61%	5.00%	4.51%	90
7/1/2031	3.69%	5.00%	4.59%	90
7/1/2032	3.77%	5.00%	4.67%	90
7/1/2033	3.84%	5.00%	4.74%	90
7/1/2034	3.91%	5.00%	5.01%	
7/1/2035	3.97%	5.00%	5.01%	
7/1/2036	4.02%	5.00%	5.01%	
7/1/2037	4.07%	5.00%	5.01%	
7/1/2038	4.11%	5.00%	5.01%	90
7/1/2039	4.14%	5.00%	5.10%	
7/1/2040	4.16%	5.00%	5.10%	
7/1/2041	4.18%	5.00%	5.10%	
7/1/2042	4.19%	5.00%	5.10%	
7/1/2043	4.20%	5.00%	5.10%	90

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Florida Hurricane Catastrophe Fund Taxable Rates as of Close of Business September 20, 2013				
Maturity	**Treasury**	**Coupon (%)**	**Yield (%)**	**Spread (bps)**
7/1/2014	0.11%	0.76%	0.76%	65
7/1/2015	0.34%	1.19%	1.19%	85
7/1/2016	0.69%	1.69%	1.69%	100
7/1/2017	1.50%	2.45%	2.45%	95
7/1/2018	1.50%	3.00%	3.00%	150
7/1/2019	2.13%	3.73%	3.73%	160
7/1/2020	2.13%	4.13%	4.13%	200
7/1/2021	2.75%	4.65%	4.65%	190
7/1/2022	2.75%	4.85%	4.85%	210
7/1/2023	2.75%	5.00%	5.00%	225
7/1/2024	2.75%	5.15%	5.15%	240
7/1/2025	2.75%	5.35%	5.35%	260
7/1/2026	2.75%	5.50%	5.50%	275
7/1/2027	2.75%	5.65%	5.65%	290
7/1/2028	2.75%	5.80%	5.80%	305
7/1/2029	3.69%			
7/1/2030	3.69%			
7/1/2031	3.69%			
7/1/2032	3.69%			
7/1/2033	3.69%	6.04%	6.04%	235
7/1/2034	3.69%			
7/1/2035	3.69%			
7/1/2036	3.69%			
7/1/2037	3.69%			
7/1/2038	3.69%			
7/1/2039	3.69%			
7/1/2040	3.69%			
7/1/2041	3.69%			
7/1/2042	3.69%			
7/1/2043	3.69%	6.19%	6.19%	250

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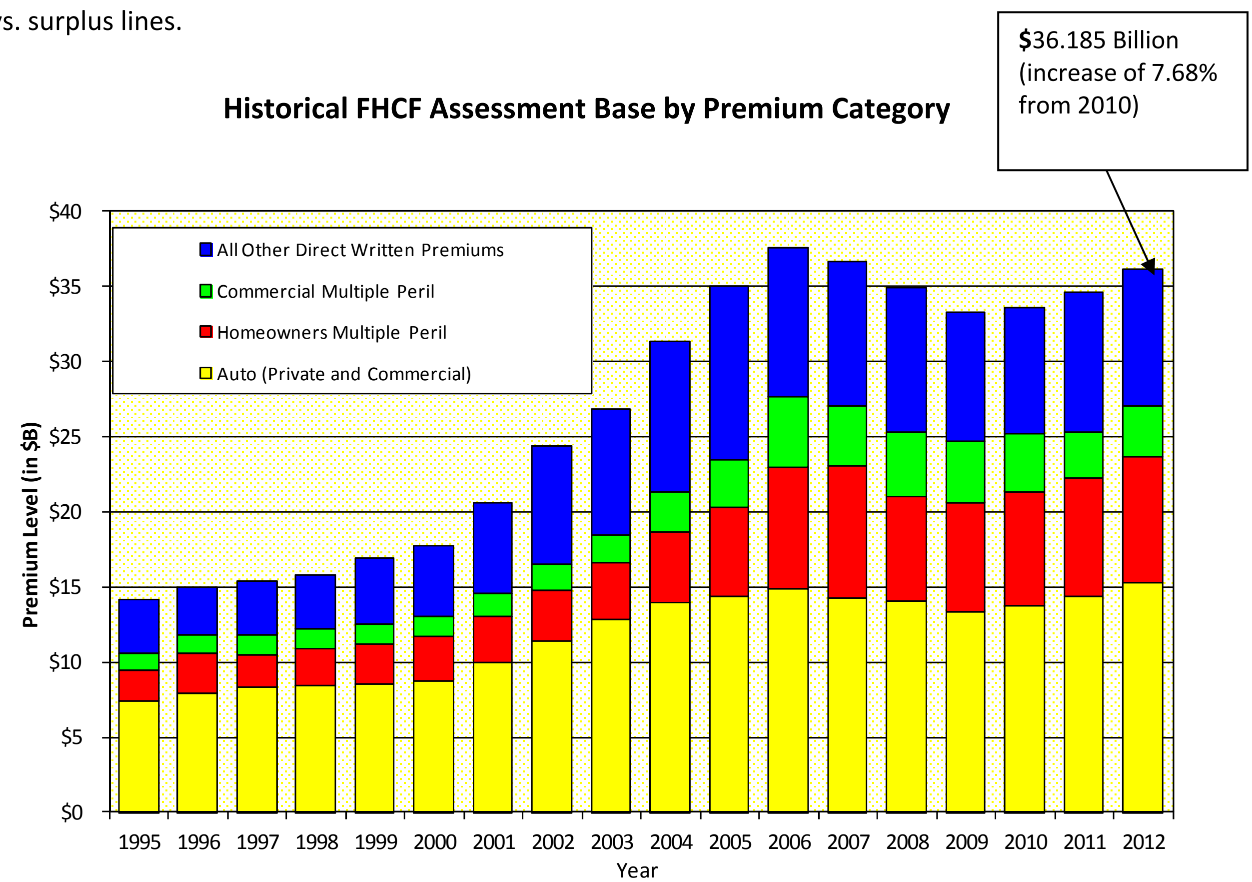
Appendix B – The FHCF's Assessment Base

According to Florida Statutes 215.555(6)(b)1., *"(i)f the board determines that the amount of revenue produced under subsection (5) is insufficient to fund the obligations, costs, and expenses of the fund and the corporation, including repayment of revenue bonds and that portion of the debt service coverage not met by reimbursement premiums, the board shall direct the Office of Insurance Regulation to levy, by order, an* ***emergency assessment on direct premiums for all property and casualty lines of business in this state, including property and casualty business of surplus lines insurers regulated under part VIII of chapter 626, but not including any workers' compensation premiums or medical malpractice premiums. As used in this subsection, the term "property and casualty business" includes all lines of business identified on Form 2, Exhibit of Premiums and Losses, in the annual statement required of authorized insurers by s. 624.424 and any rule adopted under this section, except for those lines identified as accident and health insurance and except for policies written under the National Flood Insurance Program****."*

In numerical terms, this gives the FHCF an ability to assess against a base which, as of the end of 2012 (the last official measurement date), totaled approximately $36.185 billion. The chart and table below show the evolution of the FHCF's assessment base over time, both by type of coverage and admitted market vs. surplus lines.



Historical FHCF Assessment Base – Admitted Market vs. Surplus Lines, and the dollar value of a 6% assessment

Calendar Year	Admitted Lines DWP	Surplus Lines and NIMA Clearinghouse DWP	Total Aggregate Premium	6% Emergency Assessment	% Premium Change from Prior Year
1995	$13,782,528,507	-	$13,782,528,507	-	6.87%
1996	$14,994,283,493	-	$14,994,283,493	-	8.79%
1997	$15,401,838,211	-	$15,401,838,211	-	2.72%
1998	$15,817,192,766	-	$15,817,192,766	-	2.70%
1999	$16,036,013,133	-	$16,036,013,133	-	1.38%
2000	$16,780,114,935	-	$16,780,114,935	-	4.64%
2001	$19,195,286,560	-	$19,195,286,560	-	14.39%
2002	$22,150,290,949	-	$22,150,290,949	-	15.39%
2003	$24,410,590,887	$2,434,696,171	$26,845,287,058	$1,610,717,223	21.20%
2004	$28,648,648,240	$2,695,485,410	$31,344,133,650	$1,880,648,019	16.76%
2005	$31,713,757,522	$3,275,286,947	$34,989,044,469	$2,099,342,668	11.63%
2006	$33,346,228,384	$4,207,911,564	$37,554,139,948	$2,253,248,397	7.33%
2007	$32,545,116,166	$4,101,192,689	$36,646,308,855	$2,198,778,531	-2.42%
2008	$30,830,430,041	$4,095,348,540	$34,925,778,581	$2,095,546,715	-4.69%
2009	$29,453,527,854	$3,859,038,017	$33,312,565,871	$1,998,753,952	-4.62%
2010	$29,888,170,348	$3,714,534,581	$33,602,704,929	$2,016,162,296	0.87%
2011	$30,943,210,703	$3,696,415,984	$34,639,626,687	$2,078,377,601	3.09%
2012	$32,322,974,210	$3,862,061,107	$36,185,035,317	$2,171,102,119	4.46%

Source: Office of Insurance Regulation ("OIR") and Florida Surplus Lines Service Office ("FSLSO")
DWP is as of 12/31 and is based on companies reporting to the OIR on behalf of the FHCF and is subject to change as company/agent adjustments are reported.
In 2004, the Florida legislature excluded medical malpractice for 3 years and included surplus lines.
In 2007 and 2010, the Florida legislature continued to exclude medical malpractice, now until June 2016.
Average direct written premium increase from 1995-2012 (geometric mean) is 5.90%.

2012 Admitted Market Lines Premiums

Line of Business	2012 Total Assessable Premium
Fire	$1,044,935,234
Allied Lines	$2,227,065,976
Multiple Peril Crop	$122,108,622
Farmowners Multiple Peril	$38,242,589
Homeowners Multiple Peril	$8,208,701,277
Commercial Multiple Peril (Non-Liability)	$1,053,351,750
Commercial Multiple Peril (Liability)	$443,369,040
Mortgage Guaranty	$243,937,201
Ocean Marine	$282,679,356
Inland Marine	$839,664,653
Financial Guaranty	$10,790,207
Earthquake	$7,939,312
Other liability - occurrence	$1,297,509,743
Other liability - claims	$501,921,773
Products Liability	$90,248,969
Private Passenger Auto No-Fault (PIP)	$3,392,055,268
Other Private Passenger Auto Liability	$7,096,424,037
Commercial Auto No-Fault (PIP)	$99,261,664
Other Commercial Auto Liability	$1,169,126,167
Private Passenger Auto Physical	$3,216,364,995
Commercial Auto Physical Damage	$238,233,526
Aircraft (All Perils)	$107,376,718
Fidelity	$57,056,633
Surety	$248,962,634
Burglary and Theft	$14,798,150
Boiler and Machinery	$54,276,900
Credit	$222,960,792
Warranty	$321,548,469
Aggregate Write-ins	$97,544,959
Independently Procured Coverage (IPC)	$3,834,021
Allowed Adjustments *	($429,316,425)
Totals	**$32,322,974,210**

** Adjustments to DWP, which are not subject to FHCF assessments*
Source: Florida Office of Insurance Regulation, Market Research Unit

2012 Surplus Lines and NIMA Clearinghouse Premiums

Coverage Code		2012 Surplus Lines and NIMA Clearinghouse Premiums
1000	Commercial Property	$1,860,486,126
1001	Builders Risk	$30,960,287
1002	Business Income	$3,062,004
1003	Apartments (Commercial)	$6,791,567
1004	Boiler and Machinery	$20,290
1005	Commercial Package (Property & Casualty)	$266,730,359
1006	Condominium Package (Commercial)	$59,279,248
1007	Crop Hail	$42,999
1008	Difference In Conditions	$19,154,198
1009	Earthquake	$202,767
1010	Flood	$23,790,556
1011	Glass (Commercial)	$7,841
1012	Mortgagee Impairment	$297,586
1013	Windstorm &/or Hail	$70,913,684
1014	Mold Coverage - Commercial	$1,114,651
1016	Excess Flood - Commercial	$10,651,514
1100	Bankers Blanket Bond	$1,774
1101	Blanket Crime Policy	$1,113,352
1102	Employee Dishonesty	$685,780
1103	Identity Theft	$713,249
1104	Deposit Forgery	$407,637
1105	Miscellaneous Crime	$137,419
1201	Credit Insurance	$307,410
1202	Animal Mortality	$2,174,777
1203	Mortgage Guaranty	$154,883
1205	Product Recall	$14,201
1206	Kidnap/Ransom	$1,717,152
1207	Surety	$185,600
1208	Weather Insurance	$1,437,131
1209	Prize Indemnification	$129,753
1210	Travel Accident	$52,293
1211	Terrorism	$274,133
1212	Fidelity	$12,531,234
2000	Homeowners-HO-1	$533,103
2001	Homeowners-HO-2	$699,204
2002	Homeowners-HO-3	$599,457
2003	Tenant Homeowners-HO-4	$153,494,990
2004	Homeowners-HO-5	$640,403
2005	Condo Unit-Owners HO-6	$9,290,707
2006	Homeowners-HO-8	$29,795,915
2007	Dwelling Builders Risk	$18,008,416
2008	Dwelling Flood	$1,623,677
2009	Dwelling Property	$952,830
2010	Farmowners Multi-Peril	$43,203,272
2011	Mobile Homeowners	$1,753,757
2012	Windstorm	$5,432,460
2013	Mold Coverage - Residential	$33,095,917
2015	Excess Flood - Residential	$18,404,863
3000	Marina Operations Legal	$798,140
3001	Marine Liabilities Package	$6,771,201
3002	Ocean Marine-Hull &/or Protection & Indemnity	$5,619,318
3003	Ocean Cargo Policy	$15,462,069
3004	Ship Repairers Legal Liability	$22,127
3005	Stevedores Legal Liability	$22,075,759
3006	Personal & Pleasure Boats & Yachts	$2,245,634
3007	Ocean Marine Builder's Risk	$19,784,905
4000	Inland Marine (Commercial)	$17,507,867
4001	Inland Marine (Personal)	$16,338,926
4002	Motor Truck Cargo	$7,195,890
4003	Jewelers Block	$606,405
4005	Contractors Equipment	$243,425
4006	Electronic Data Processing	$509,503,799
5000	Commercial General Liability	$49,907,696
5001	Commercial Umbrella Liability	$22,395,205
5002	Directors & Officers Liability (Profit)	$3,697,918
5003	Directors & Officers Liability (Non-Profit)	$468,602
5004	Educator Legal Liability	$10,066,283
5005	Employment Practices Liability	$78,951,453
5006	Excess Commercial General Liability (Not Umbrella)	$10,222,749
5007	Excess Personal Liability (Not Umbrella)	$3,546,074
5008	Liquor Liability	$4,170,811
5009	Owners & Contractors Protective	$6,384,417
5010	Personal Umbrella	$8,715,148
5011	Personal Liability	$41,555,314
5012	Pollution & Environment Liability	$11,512,753
5013	Product & Completed Operations Liability	$2,448,738
5014	Public Officials Liability	$2,531,466
5015	Police Professional Liability	$5,743,079
5016	Media Liability	$3,828,980
5017	Railroad Protective Liability	$98,747
5018	Asbestos Removal & Abatement	$896,870
5019	Guard Service Liability	$2,151,965
5020	Special Events Liability	$27,972,659
5021	Miscellaneous Liability	$142,598
7000	Architects & Engineers Liability	$16,218,858
7001	Insurance Agents & Brokers E&O	$15,757,124
7002	Lawyers Professional Liability	$42,611,991
7003	Miscellaneous E&O Liability	$83,417,291
7004	Real Estate Agents E&O	$1,573,876
7005	Software Design Computer E & S	$350,201
8000	Commercial Auto Liability	$12,425,258
8001	Commercial Auto Excess Liability	$6,745,644
8002	Commercial Auto Physical Damage	$11,763,520
8003	Dealers Open Lot	$3,624,277
8004	Garage Liability	$21,613,016
8005	Garage Keepers Legal	$1,570,219
8006	Private Passengers Auto-Physical Damage Only	$16,891
8007	Personal Excess Auto Liability	$118,542
9000	Commercial Aircraft Hull &/or Liability	$21,046,816
9001	Airport Liability	$1,895,763
9002	Aviation Cargo	$331,727
9003	Aviation Product Liability	$6,212,253
9005	Personal & Pleasure Aircraft	$110,424
Total		**$3,862,061,107**

Source: FSLSO and NIMA Clearinghouse
Based on policies with a submitted/filed/written date from 1/1/12 to 12/31/12.

Prepared for:

Florida Hurricane Catastrophe Fund

2013 Ratemaking Formula Report

Andrew Rapoport FCAS, MAAA

Paul Budde Ph.D., ACAS, MAAA

March 21, 2013

2013 RATEMAKING FORMULA REPORT
Agenda

1. **What's New?**
2. **Overall Indications**
3. **Ratemaking Overview**
4. **Premium, Rates and Coverage**
5. **Other Topics of Interest**
6. **Recap**
7. **Questions**

1. What’s New?

2013 RATEMAKING FORMULA REPORT
What's New?

- **0% Exposure Trend (3rd Year)**
- **Statutory Changes:**
  - Mandatory Cash Build-up Factor increases from 20% to 25%
  - Optional TICL premium factor increases from 500% to 600%
  - Maximum TICL limit declines from $4B to $2B
- **Per Company Limit /Retention Adjustment (-0.73% in 2012, +1.60% in 2012)**
- **Projected Pre-Event Notes Expense $43.3 Million**
  - $14.5 Million for partial year coverage in 2012
- **Maximum mitigation credit/debit increased to 30% from 20%.**
- **Use of Florida Public Model Commercial Losses**

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2. Overall Indications

2013 RATEMAKING FORMULA REPORT
Overall Indications

FHCF Reimbursement Premium ($ Billions)

	FHCF	TICL	Total
2012 Premium (Actual)	$1.262	$0.003	$1.265
2013 Premium (Projected)	$1.343	$0.002	$1.345
% Premium Change	6.4%	-33.3%	6.3%
% Rate Change (Exposure adjusted)	6.4%	NA	NA

Note: 2013 TICL premium based on reported selections through March 17, 2013

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Rate Changes by Type of Business

Type of Business	FHCF Layer (No change to Cash Build-up*)	FHCF Layer (Per Statute*)
Residential	2.25%	6.51%
Tenants	4.11%	8.45%
Condominiums	5.22%	9.60%
Mobile Home	-3.91%	0.10%
Commercial Habitational	2.13%	6.38%
Total Rate Change	**2.18%**	**6.43%**

* Cash Build-up Factor for 2012 was 20%; for 2013 it is 25%

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2013 RATEMAKING FORMULA REPORT
Overall Indications

Rate On Line Changes

LIMIT (FHCF + TICL)			FHCF + TICL Layer 2012	2013	Change
$17,000,000,000	Mandatory	Actual 2012	7.42%	7.90%	6.43%
$17,000,000,000	Mandatory	Modeled	7.73%	7.90%	2.21%
$1,000,000,000	TICL	Modeled	16.10%	18.92%	17.48%
$2,000,000,000	TICL	Modeled	15.69%	18.38%	17.13%

Note: Projected 2013 TICL limit purchased is 0.7% of maximum available.

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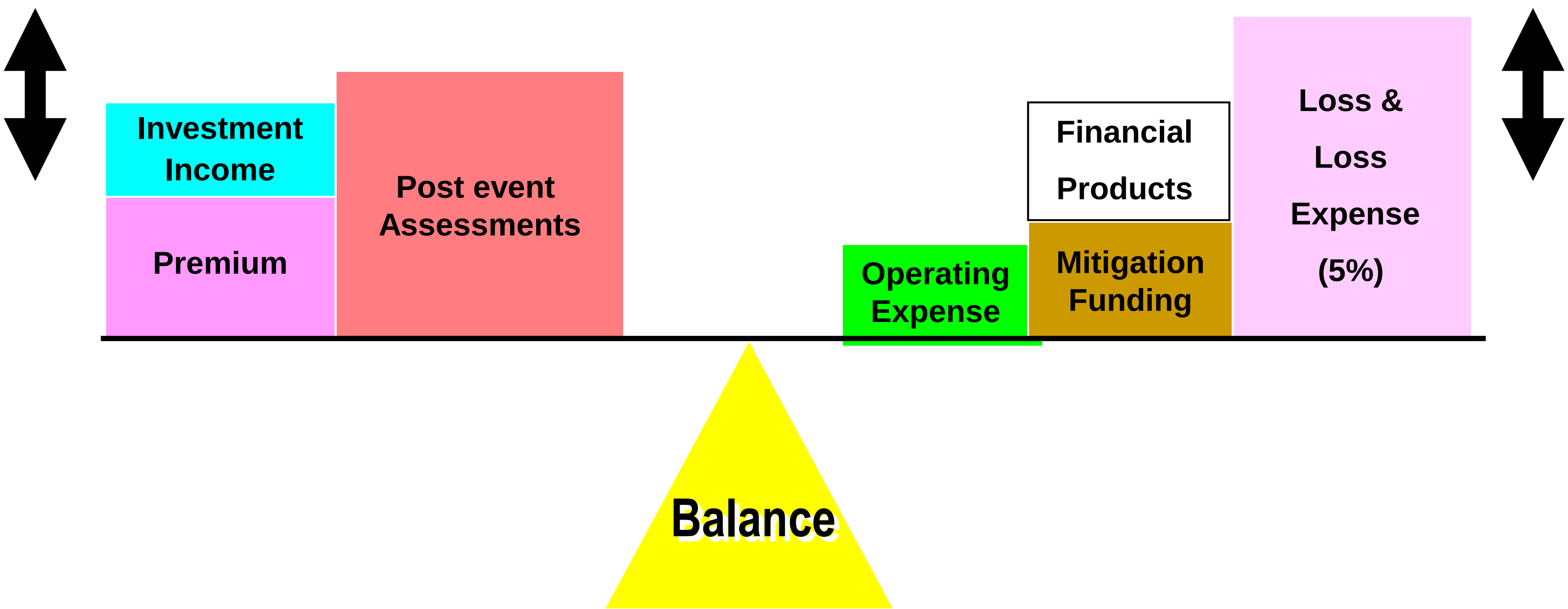
3. Ratemaking Overview

Where Does the FHCF Get Its Funds? Where Do They Go?



Premiums are derived from the Ratemaking Formula

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Ratemaking Overview

1. **Trend 6/30 Prior Year Exposure Data & Send Modelers**
2. **Combine Results for Industry Excess Loss Costs**
3. **Add Allocated Loss Adjustment Expenses (5%)**
4. **Misc. Technical Adjustments**
   - **Retention & limit**
   - **Law & ordinance**
   - **Aggregate wind deductible adjustment**
   - **Reconciliation to accepted model level (one model)**
   - **Actual FPM commercial losses used in 2013**

2013 RATEMAKING FORMULA REPORT
Ratemaking Overview

5. **Fixed Loadings**
   - **Operating expenses**
   - **Expenses for pre-event notes**
6. **Allocation to Classes**
   - **Type of business, territory, construction, deductible**

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7. **Rating Classifications for Mitigation**
   - **Year built**
   - **Structure opening protection**
   - **Roof shape**
8. **TICL Coverage**
9. **Apply Cash Build-up Factor and TICL Premium Loading**

4. Premium, Rates and Coverage

2013 RATEMAKING FORMULA REPORT
Overall Indications

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% Rate Change (Exposure adjusted)	6.4%	NA	NA

Note: 2013 TICL premium based on reported selections through March 17, 2013

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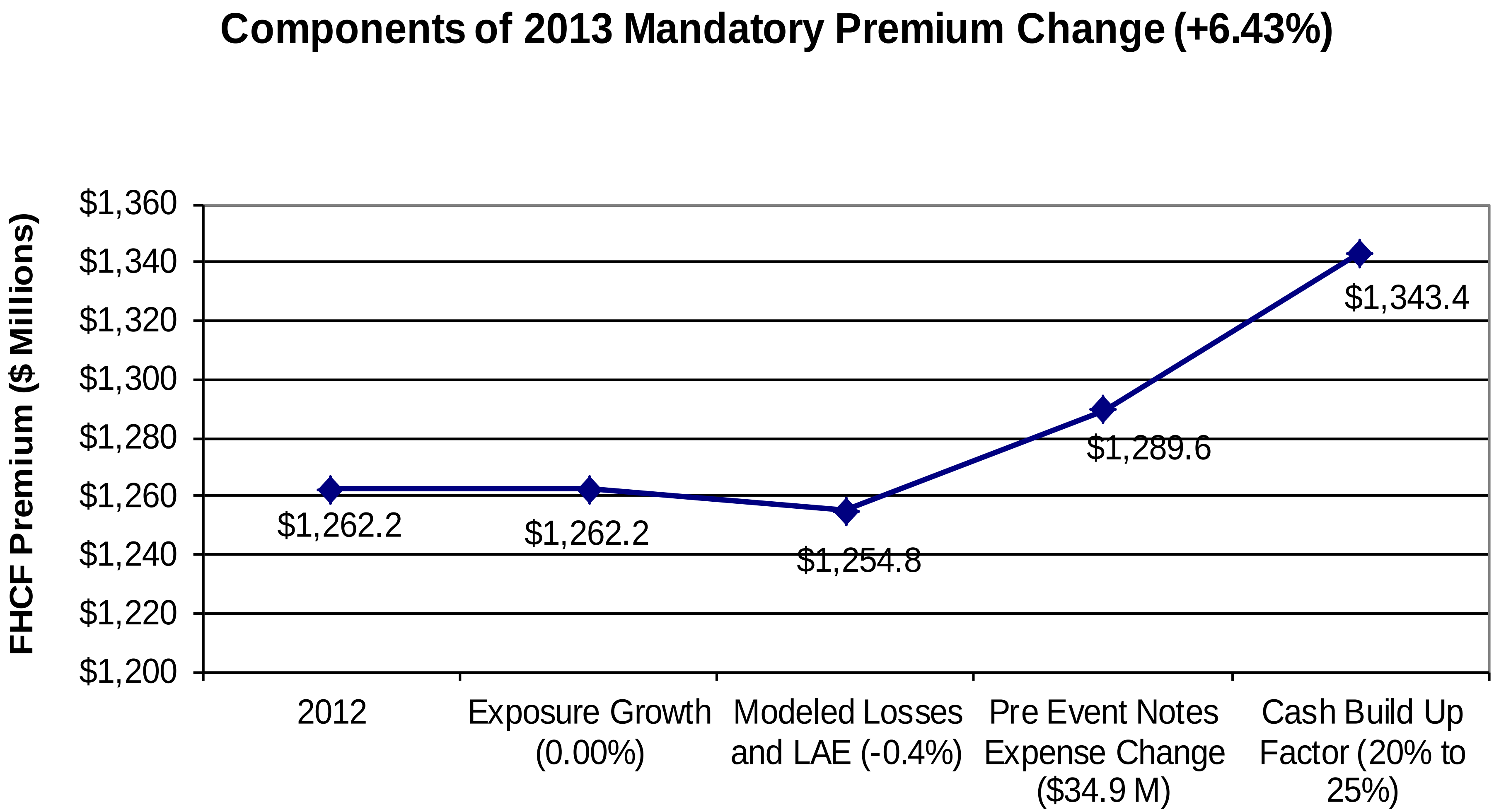
2013 RATEMAKING FORMULA REPORT
Premium, Rates and Coverage



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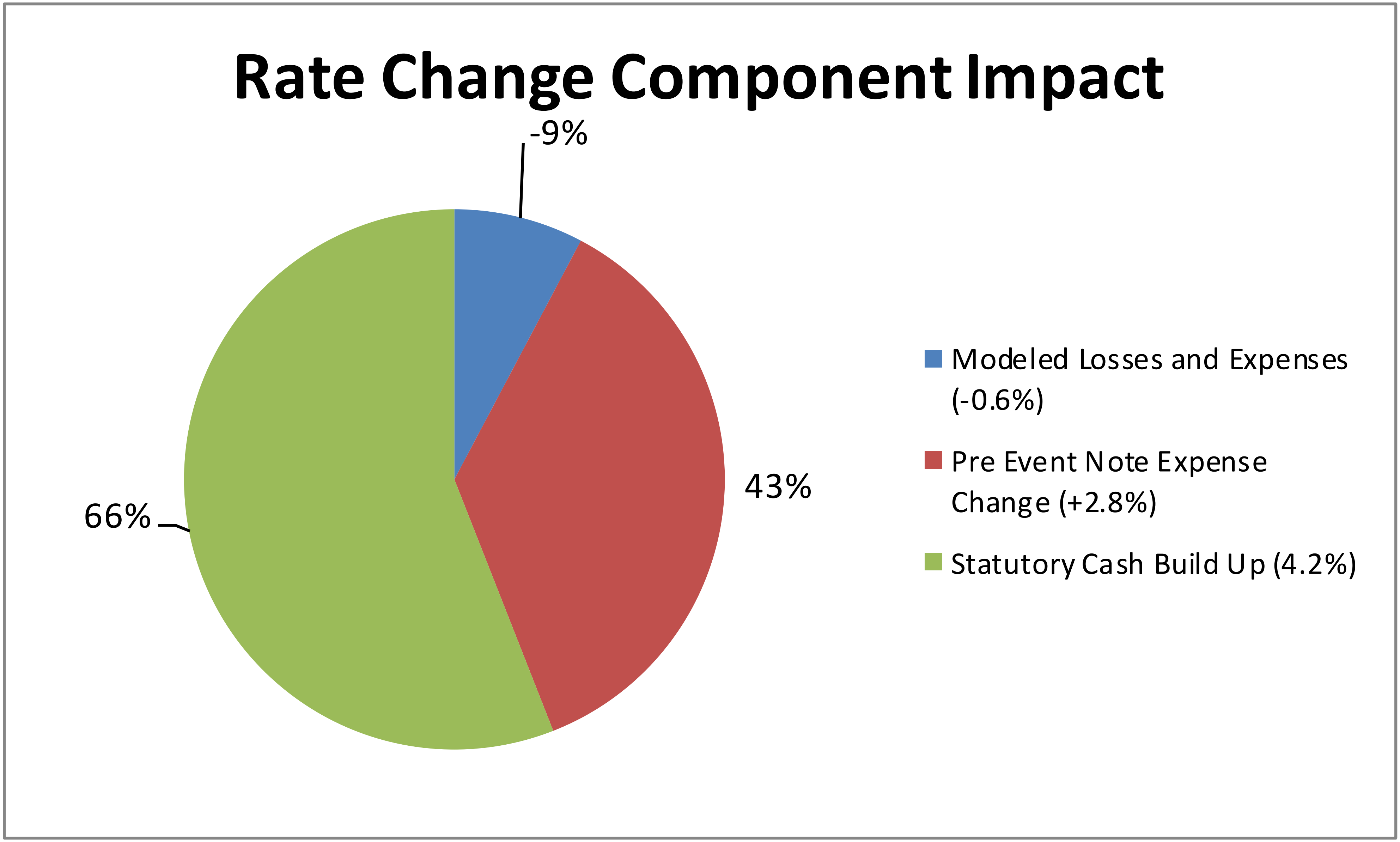
2013 RATEMAKING FORMULA REPORT
Premium, Rates and Coverage



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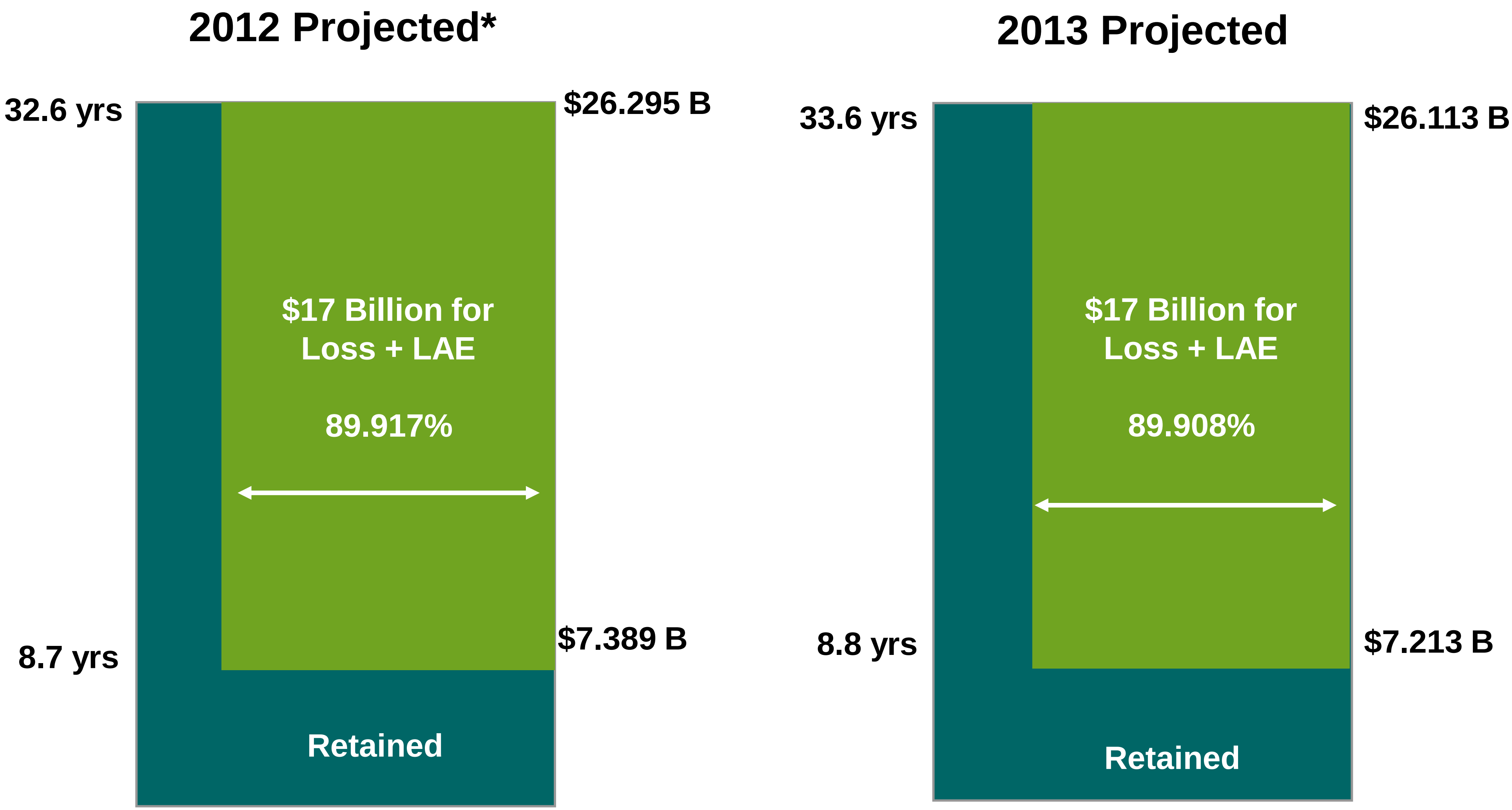
2013 RATEMAKING FORMULA REPORT
The Covered Layer



*** 2012 actual coverage, after all reporting of exposures, was 89.908% of $18.908 B xs $7.097 B**

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2013 RATEMAKING FORMULA REPORT
Mandatory Coverage

	2012 Actual	2013 Proposed
FHCF Retention	$7.097 B	$7.213 B
FHCF Limit	$17.000 B	$17.000 B
FHCF Mandatory Premium	$1.262 B	$1.343 B
Coverage	89.908%	89.908%
Payout Multiple	13.4690	12.6548
Retention Multiples for FHCF Coverage Selections		
90%	5.6170	5.3639
75%	6.7404	6.4366
45%	11.2340	10.7277

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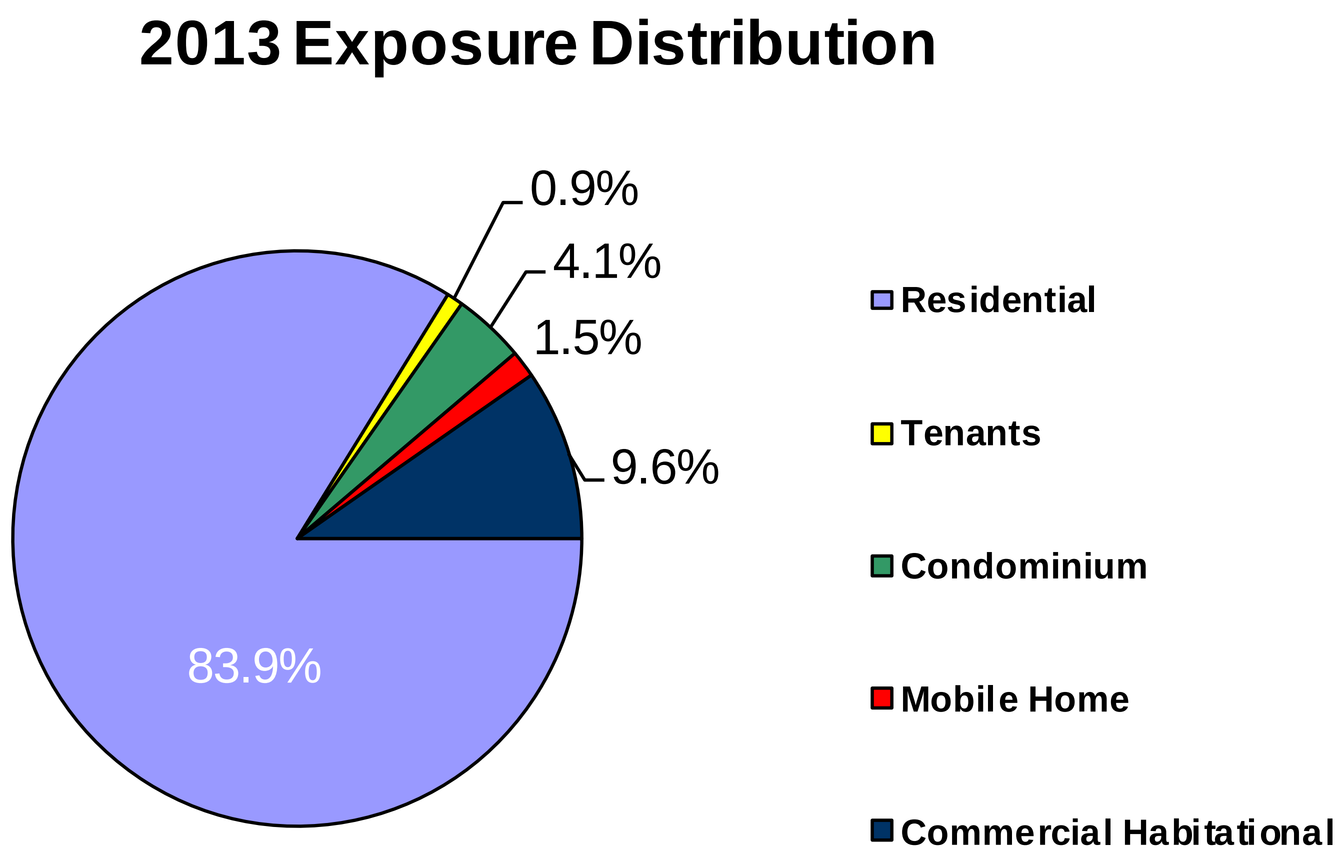
2013 RATEMAKING FORMULA REPORT
Exposures by Type of Business



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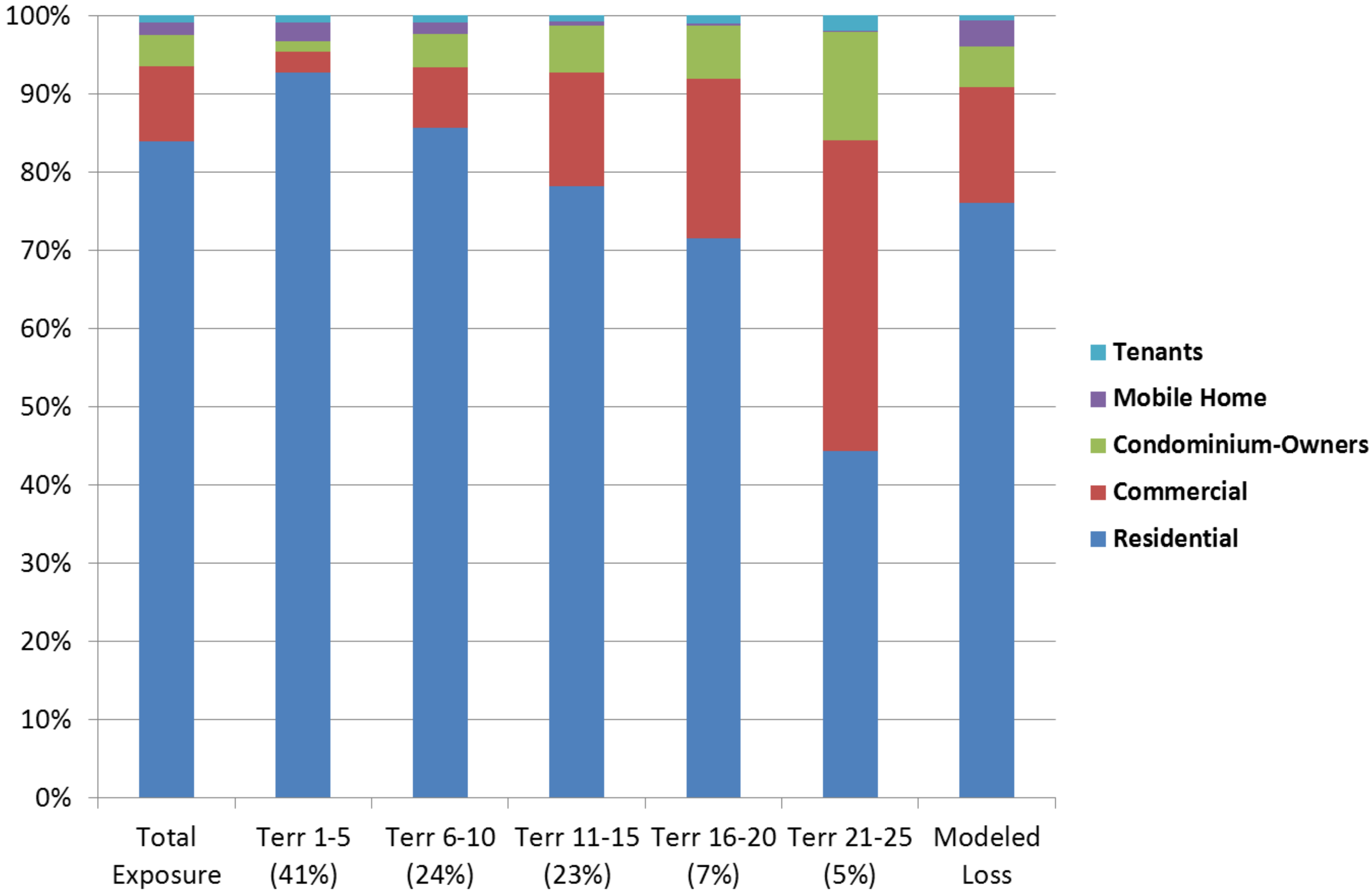
2013 RATEMAKING FORMULA REPORT
Exposure and Loss by Type of Business



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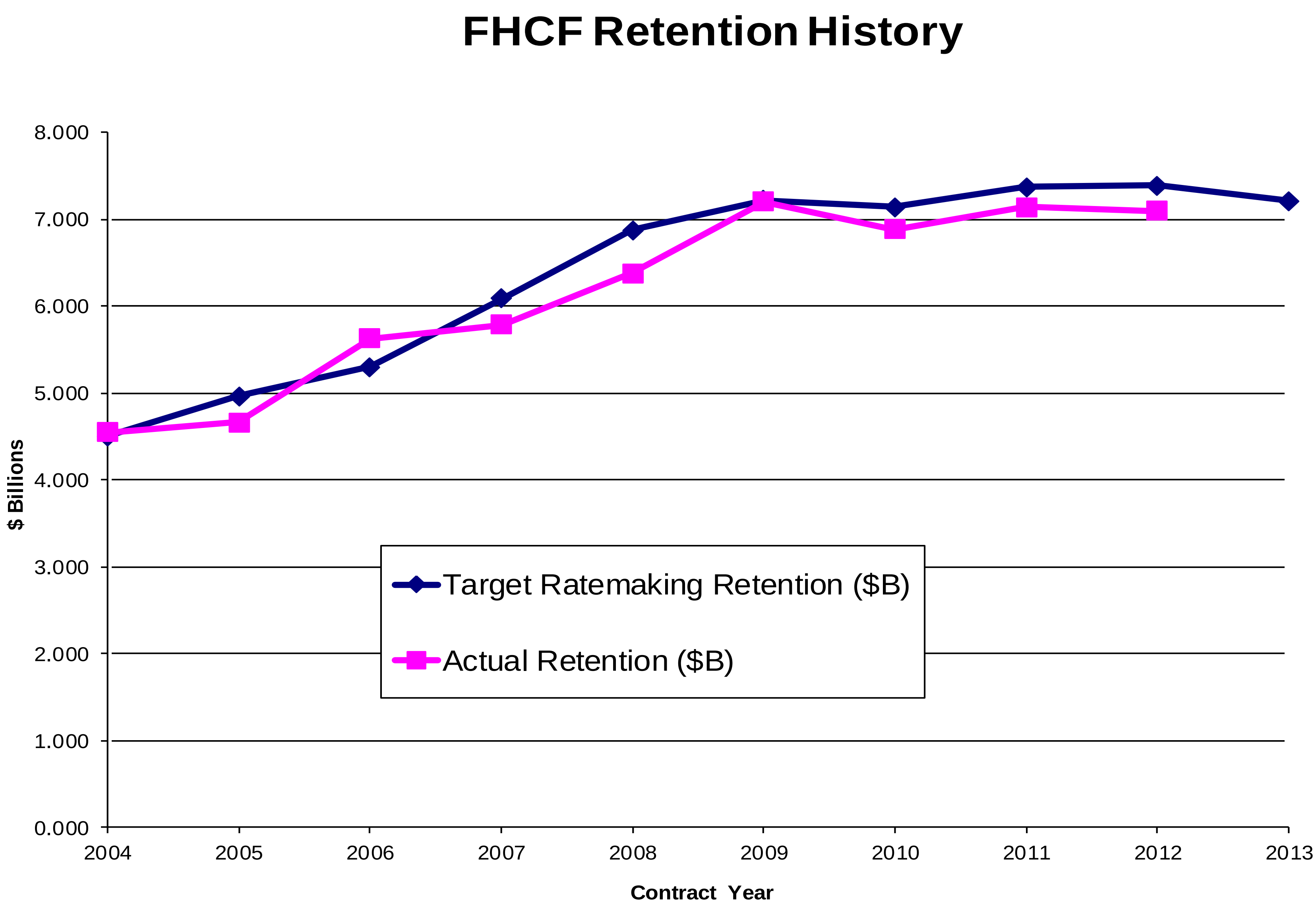
2013 RATEMAKING FORMULA REPORT
Retention History



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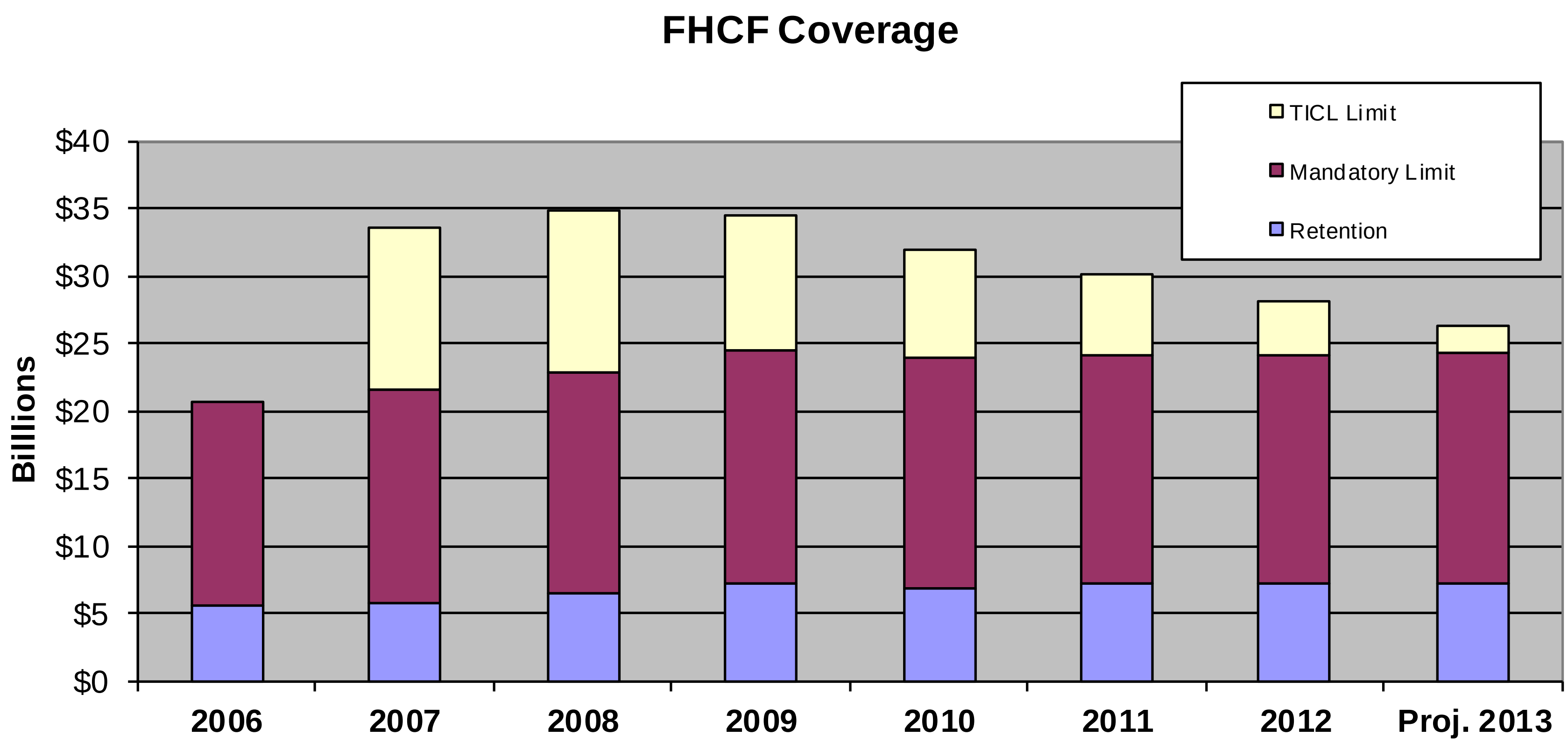
2013 RATEMAKING FORMULA REPORT
Limit History

($B)	2006	2007	2008	2009	2010	2011	2012	Proj. 2013
Retention	5.627	5.785	6.377	7.204	6.881	7.143	7.097	7.213
Mandatory	15.000	15.845	16.530	17.175	17.000	17.000	17.000	17.000
TICL Limit	0.000	12.000	12.000	10.000	8.000	6.000	4.000	2.000



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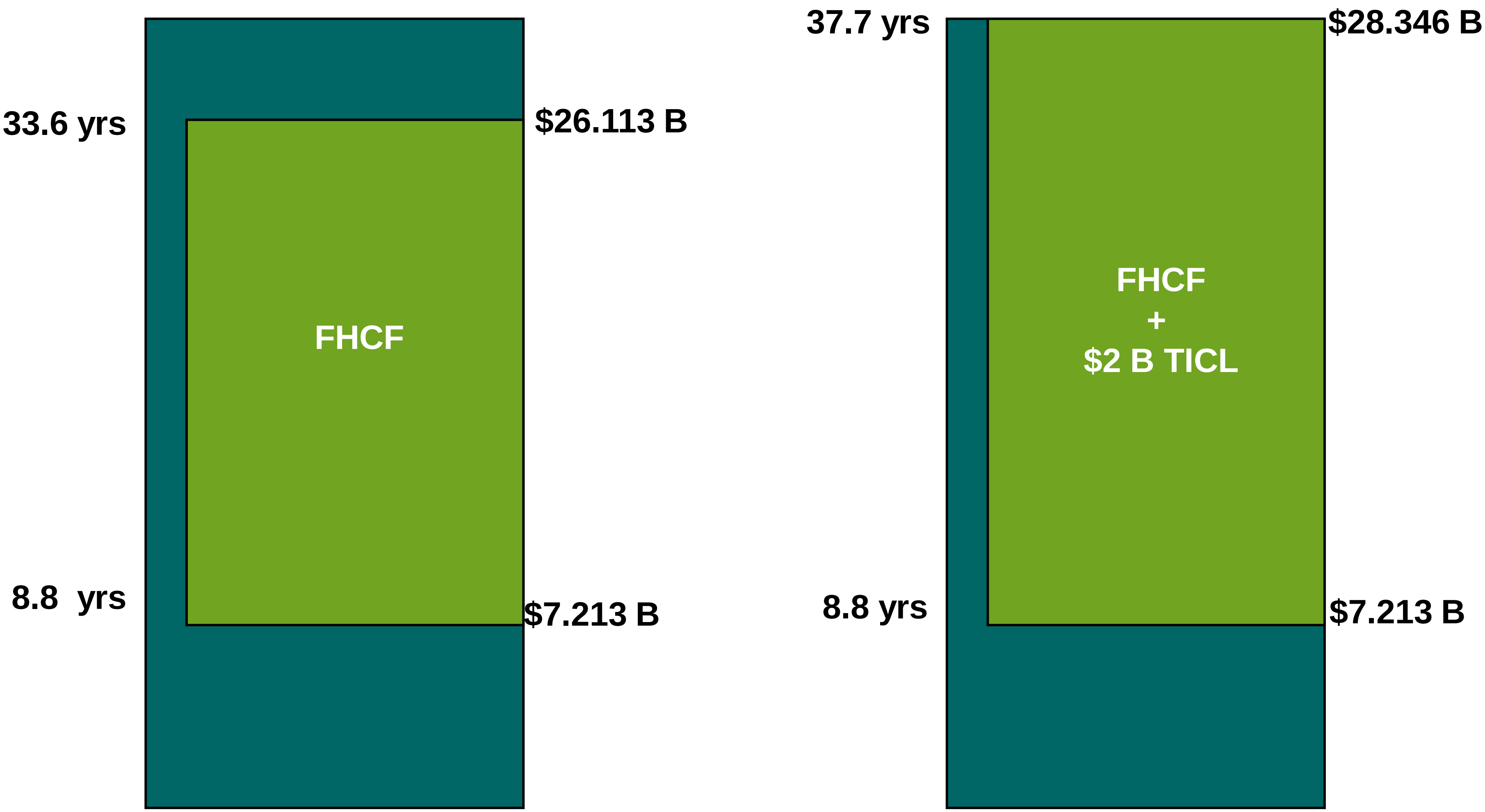
2013 RATEMAKING FORMULA REPORT
Temporary Increased Coverage Limit Options (TICL)

TICL Special Features

- **Optional coverage placed above mandatory FHCF layer**
- **Options available in $1 billion industry increments**
- **2013 maximum option is industry $2 billion limit**
- **Maximum decreases by $2 billion per year and expires after 2013**
  - $2 billion maximum for 2013
  - $0 billion maximum for 2014

2013 RATEMAKING FORMULA REPORT
TICL Coverage for 2013



Mandatory FHCF Layer

89.908% of $18.908 B xs $7.213 B

Mandatory Layer Plus $2 Billion TICL Option

89.908% of $21.133 B xs $7.213 B

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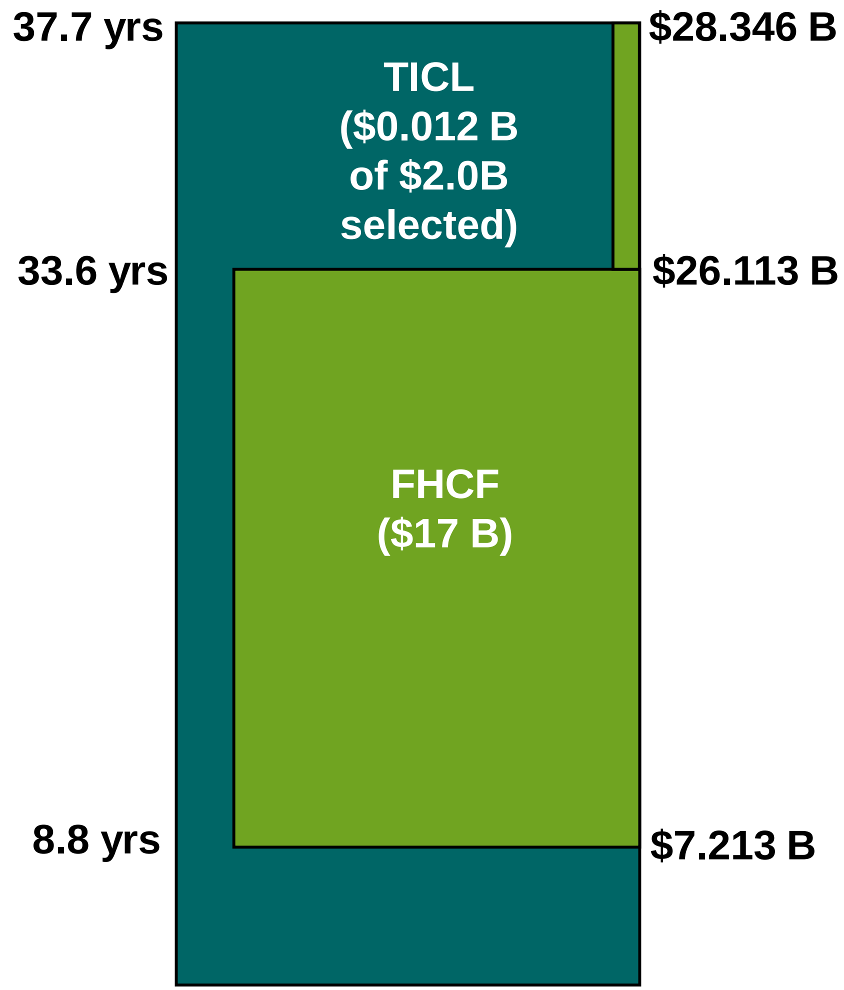
2013 RATEMAKING FORMULA REPORT
TICL Purchased for 2013 (as of 03/18/2013)

Company Selections

TICL 2013 Selection	# of Companies	% of FHCF 2012 Premium
$ 0 B	155	99.3%
$ 1 B	2	0.2%
$ 2 B	5	0.5%
Total	162	100.0%



Note: TICL selection subject to change up to 06/01/2013.

% of premium based on prior year premium.

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TICL Pricing and Coverage

- **Per statute, priced like the FHCF layer, except with a loading:**
  - 400% for 2011, 500% for 2012, 600% for 2013
- **TICL payout multiple added to the FHCF payout multiple and multiplied by FHCF reimbursement premium to calculate insurer's share of FHCF + TICL limit**
- **No change to retention multiples**
- **Premium adjustment factors for selected TICL limit are multiplied by mandatory FHCF rates to calculate FHCF + TICL rates**

2013 RATEMAKING FORMULA REPORT
Temporary Increased Coverage Limits (TICL)

(1) Mandatory FHCF Limit	Coverage Provided	(2) Mandatory FHCF Premium	(3) FHCF Rate on Line	(4) FHCF Payout Multiple
$17,000,000,000	$17.000B xs $7.213B*	$1,343,361,133	7.90%	12.6548

(5) TICL Limit	Coverage Provided	(6) TICL Premium	(7) TICL Rate on Line	(8) TICL Payout Multiple+	(9) FHCF + TICL Premium	(10) FHCF + TICL Payout Multiple	(11) FHCF + TICL Prem Adj Factor*
$1,000,000,000	$18.000B xs $7.213B	$189,187,733	18.919%	0.7444	$1,532,548,865	13.3992	1.1408
$2,000,000,000	$19.000B xs $7.213B	$367,575,417	18.379%	1.4888	$1,710,936,550	14.1436	1.2736

+ Multiply by mandatory FHCF Reimbursement premium to get TICL Limit
* Multiply published FHCF mandatory rates by the premium adjustment factor for the selected TICL limit level (actual factors include additional decimal places)

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5. Other Topics of Interest

2013 RATEMAKING FORMULA REPORT
Modeled Losses ($ Billions)

	2012	2013	% Change
Modeled Exposure	$2,118	$2,075	-2.0%
Gross Losses	$3.639	$3.517	-3.4%
FHCF Layer Losses	$1.006	$0.982	-2.4%
Loss Cost per $1,000	0.4750	0.4734	-0.3%

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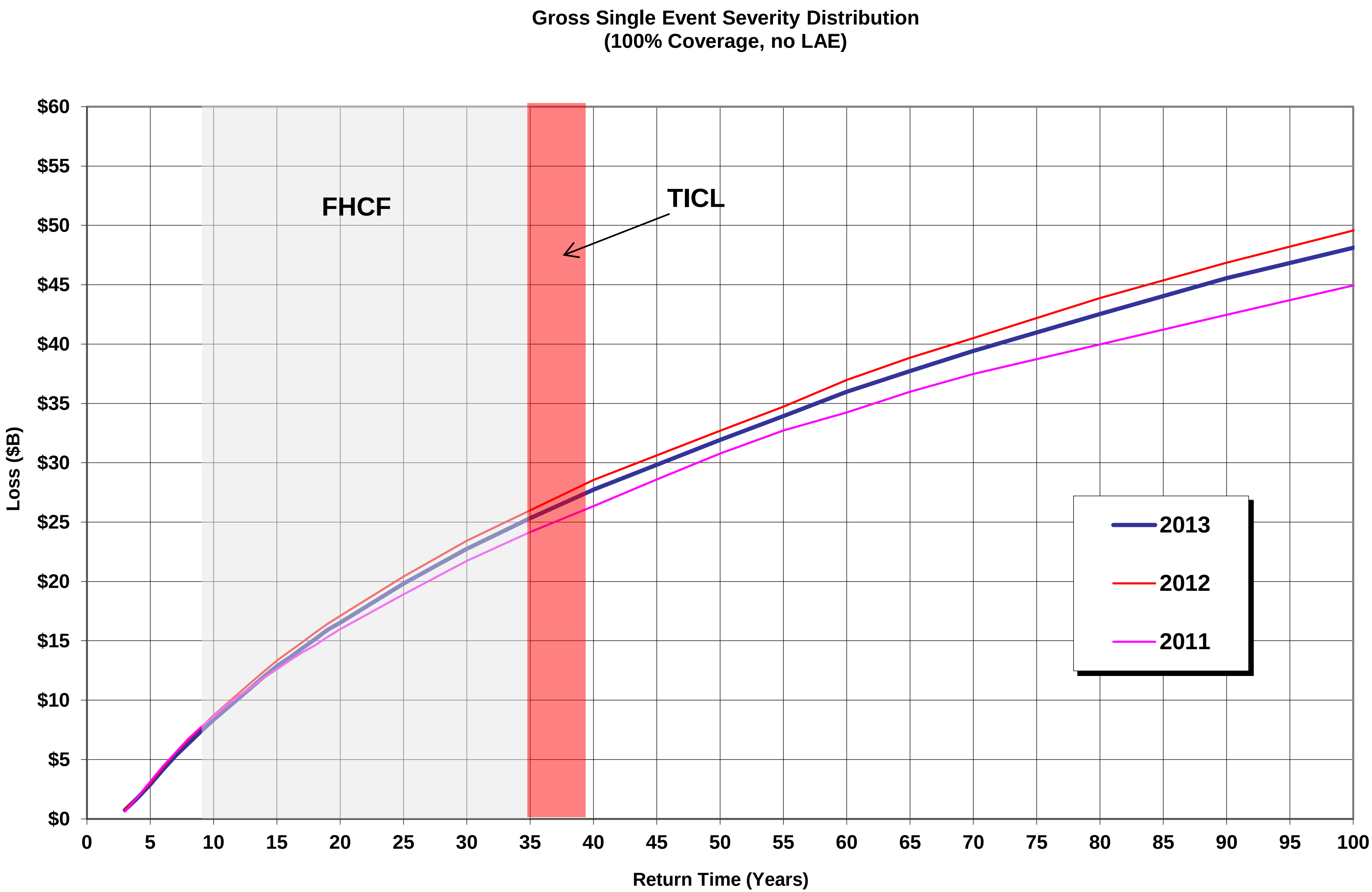
2013 RATEMAKING FORMULA REPORT
Modeled Losses



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2013 RATEMAKING FORMULA REPORT
Loadings and Factors

Adjustment	2011	2012	2013
Adj. to Gross Losses	4.2%	4.2%	4.2%
Post-model	5.0%	5.0%	5.0%
Retention + Limit	1.6%	1.6%	-0.7%
Investment Income	-4.5%	0.0%	0.0%
Operating Expense	$7,771,000	$7,771,000	$7,640,000
Mitigation	$10,000,000	$0	$0
Multiple Deductible Reimbursement	$38,187	$0	$0
Pre Event Note Expense	$37,833,318	$14,139,834	$43,331,028
Financial Product Expense	$0	$0	$0

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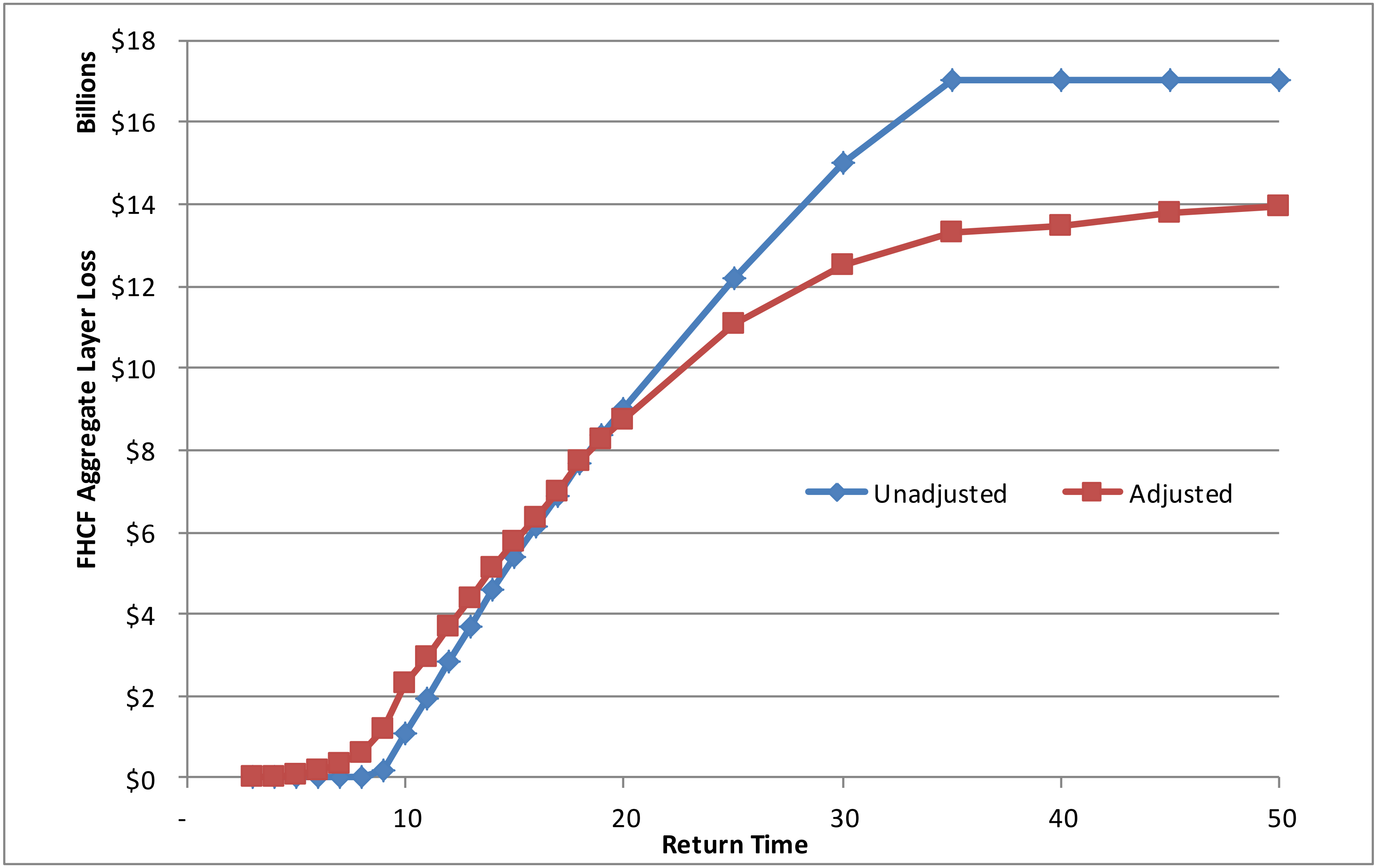
2013 RATEMAKING FORMULA REPORT
Retention Limit Adjustment 2013 Update



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2013 RATEMAKING FORMULA REPORT
Expense for Pre-event Notes

Florida Hurricane Catastrophe Fund
2013 Ratemaking Formula Report
Pre-Event Note Expense Loading
Contract Term : 06/01/2013 to 5/31/2014

		2013A Projected Debt Service
1	Debt Service	47,331,028
2	Interest Earnings	10,000,000
3	Liquidity Costs (ex default loading) (1)-(2)	37,331,028
4	Total Market Value	2,000,000,000
5	Exp. Default Loading %	0.3%
6	Exp. Default Cost (4)*(5)	6,000,000
7	Total Projected Liquidity Facility Cost (3)+(6)	43,331,028

Notes
- This method uses values projected by the FHCF's Financial Advisor, Raymond James - Kapil Bhatia (1/30/13) plus a judgemental loading for potential asset loss.

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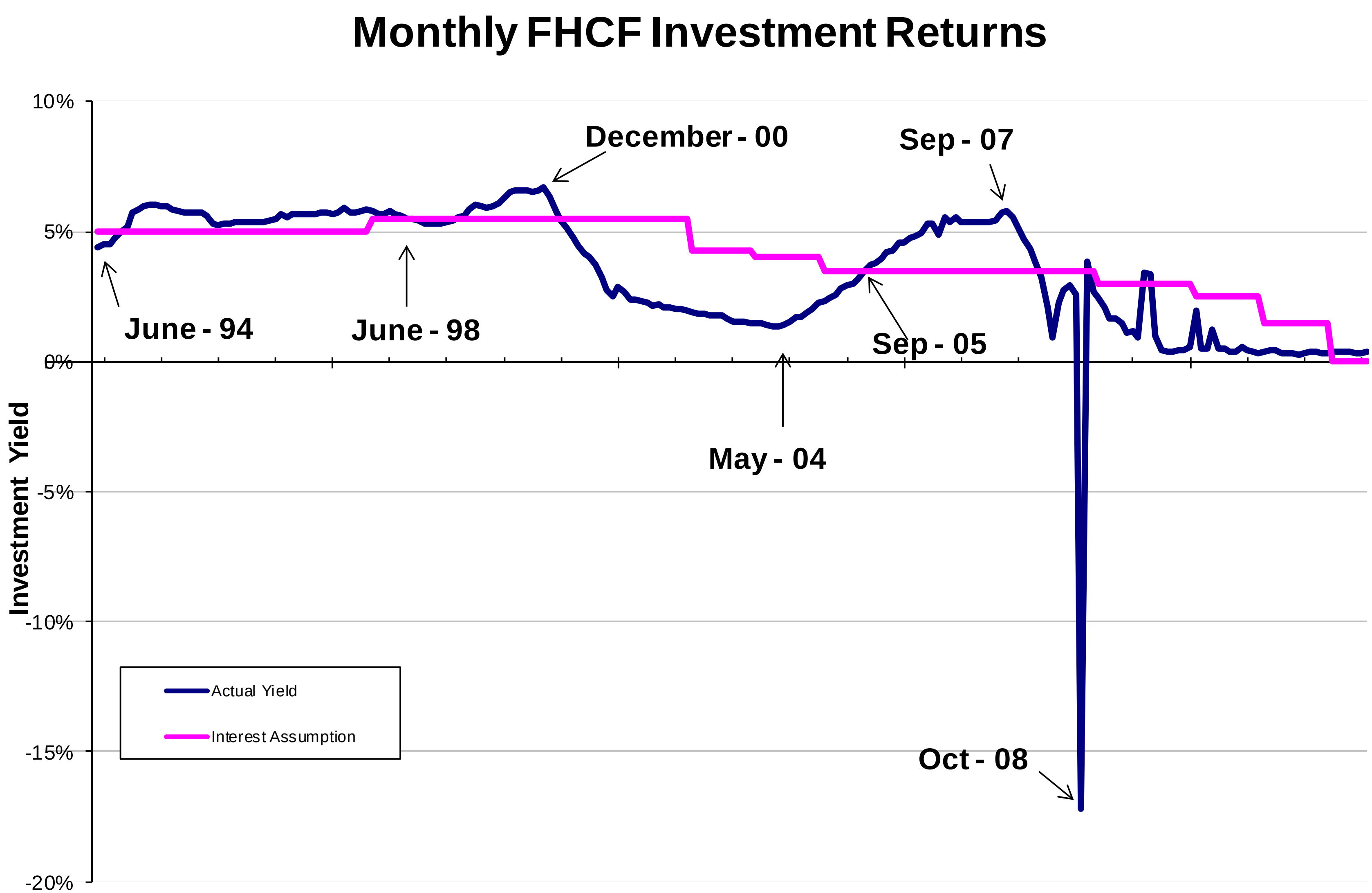
2013 RATEMAKING FORMULA REPORT
FHCF Investment Returns



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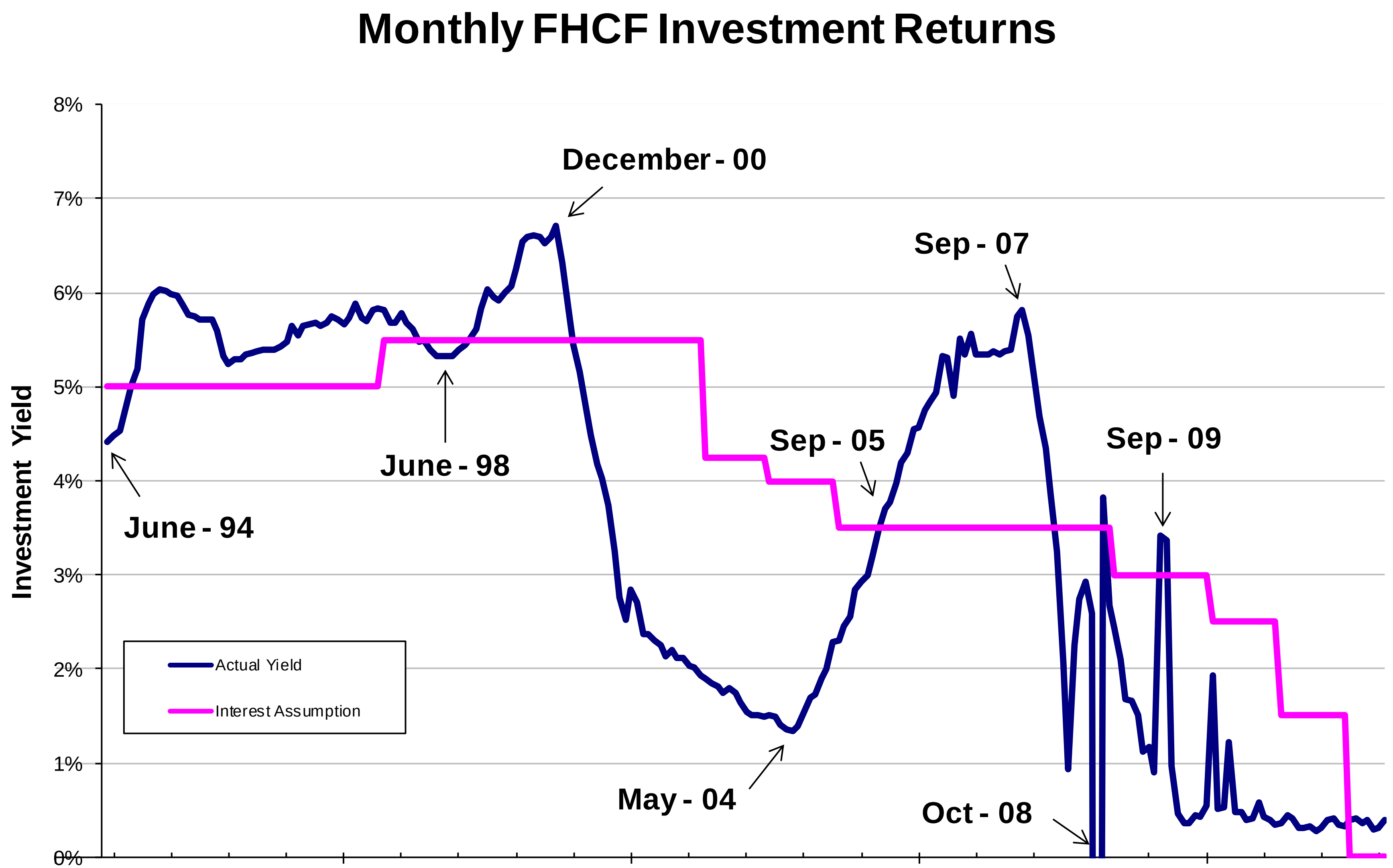
Monthly FHCF Investment Returns
Investment Yield
8%
7%
6%
5%
4%
3%
2%
1%
0%
December - 00
Sep - 07
June - 98
Sep - 05
Sep - 09
June - 94
May - 04
Oct - 08
Actual Yield
Interest Assumption

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2013 RATEMAKING FORMULA REPORT
Mitigation Rating Factors

- **FHCF member companies are required to adjust primary rates for mitigation**
- **Hurricane models show significant differentiation in risk for exposures with these features**
- **Classifications first used with FHCF rates in 2009**
  - Capped at +/-10% in 2009
  - Capped at +/-20% in 2010 to 2012
  - Recommend : Increase Cap to +/-30% in 2013

2013 RATEMAKING FORMULA REPORT
Mitigation Rating Factors

Florida Hurricane Catastrophe Fund 2013 Ratemaking
Change in 2012 FHCF Premium Due to Increasing
Mitigation Factor Cap
Based on 2012 Rates and Reported Exposure Data

	20% to 30% Cap Change		20% to 40% Cap Change	
Change in Premium	Company Count	% of Premium	Company Count	% of Premium
-30% to -25%	0	0.0%	0	0.0%
-25% to -20%	0	0.0%	1	0.1%
-20% to -15%	0	0.0%	5	4.5%
-15% to -10%	4	0.2%	7	2.1%
-10% to -5%	17	8.8%	14	7.0%
-5% to 5%	112	85.9%	79	45.9%
5% to 10%	28	5.1%	35	36.8%
10% to 15%	0	0.0%	17	3.5%
15% to 20%	0	0.0%	3	0.0%
20% to 25%	0	0.0%	0	0.0%
25% to 30%	0	0.0%	0	0.0%
30% to 35%	0	0.0%	0	0.0%
Total	161	100%	161	100%

2013 RATEMAKING FORMULA REPORT
Expanded Rating Classification

To Calculate the Final FHCF Rate for a risk:

Preliminary factor = (year built factor) x (roof shape factor) x (opening protection factor)
Capped factor = 1.3 if the preliminary factor exceeds 1.3; or
0.7 if the preliminary factor is less than 0.7; or
the preliminary factor in all other cases.
Final rate = (Base rate) x (Capped factor) x (On balance factor)

Rating Factor	Description	Type of Business				
		Commercial	Residential	Mobile Home	Tenants	Condos
Year Built	2002 or later	0.6546	0.7121	1.0000	0.6037	0.6476
	1995-2001	0.7024	0.8028	1.0000	0.7236	0.7543
	1994 or Earlier	1.1303	1.1716	1.0000	1.2280	1.1812
	Unknown or Mobile Home	1.0165	1.0661	1.0000	1.0800	1.0565
Roof Shape	Hip, Mansard, or Pyramid	0.8459	0.8551	1.0000	0.7487	0.7724
	Gable, Other or Unknown	1.0321	1.0936	1.0000	1.0370	1.0364
Opening Protection	Structure Opening Protection	0.8567	0.8379	1.0000	0.6923	0.7801
	No Structure Opening Protection	1.0477	1.0877	1.0000	1.0490	1.0990
On Balance Factor		0.9653	0.9897	1.0000	0.9599	0.9793

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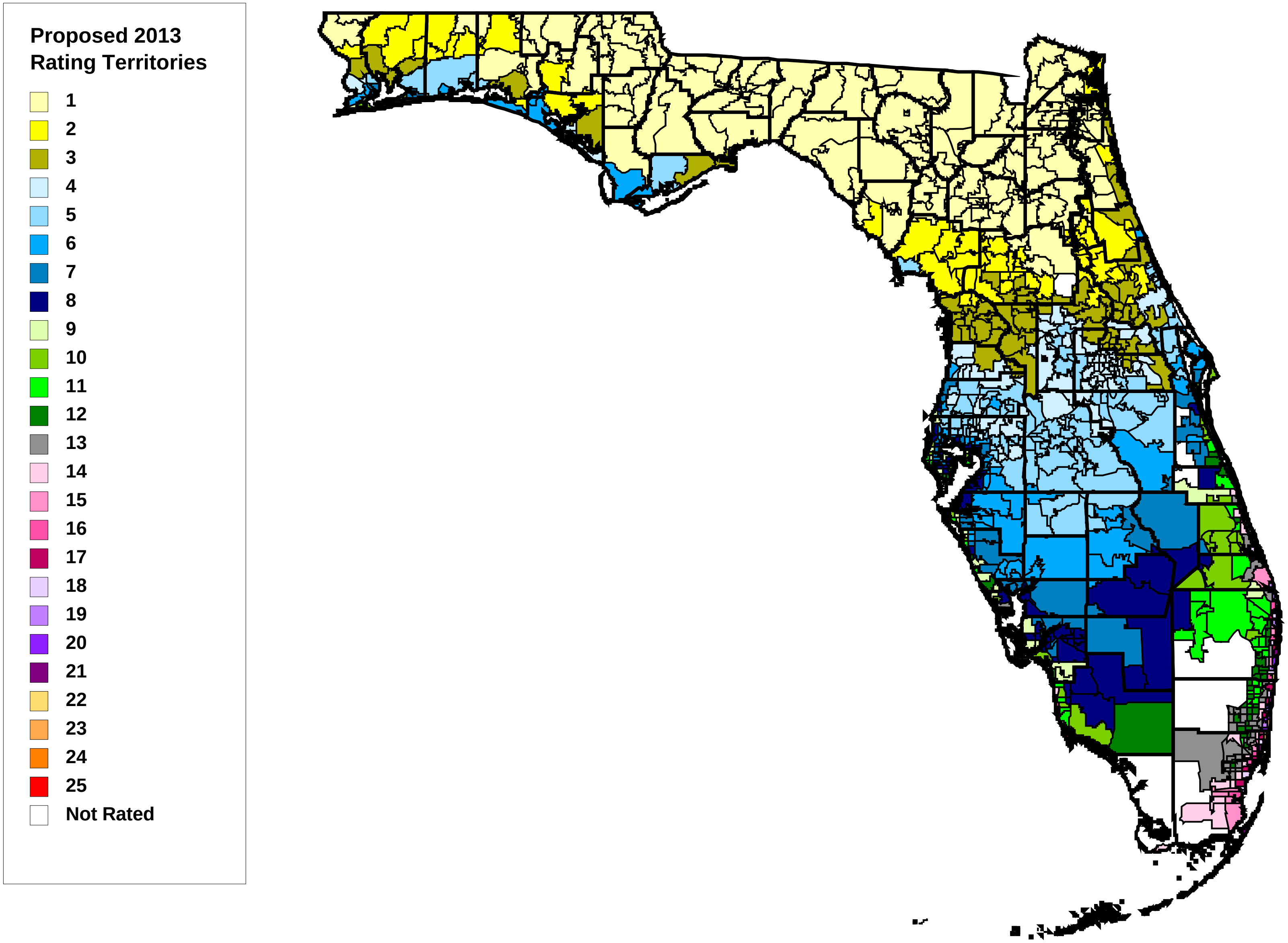
Proposed 2013 Rating Territories



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2013 RATEMAKING FORMULA REPORT
% Rate Changes for 2013

% Change in Rates

Maximum Decrease	**-34.26%**
Maximum Increase	**87.65%**

Threshold From	To	**Count of ZIP Codes**	**Percentage of Zip Codes in Group**	**Residential Exposure (in 000's)**	**Percentage of Res Exposure in Group**	**Residential Exposure Risk Counts (Houses)**	**Percentage of Risk Counts in Group**
Greater Than	-40%	0	0.00%	-	0.00%	-	0.00%
-40%	-25%	31	2.11%	31,382,069	2.09%	68,846	1.83%
-25%	-15%	18	1.23%	22,282,430	1.48%	55,964	1.49%
-15%	0%	479	32.67%	566,761,612	37.67%	1,398,927	37.21%
0%	15%	651	44.41%	604,285,581	40.16%	1,542,268	41.02%
15%	45%	199	13.57%	172,676,593	11.48%	440,567	11.72%
45%	65%	86	5.87%	107,281,531	7.13%	252,777	6.72%
Greater Than	65%	1	0.07%	24,187	0.00%	86	0.00%
		1,465	**99.93%**	**1,504,694,003**	**100.00%**	**3,759,435**	**100.00%**
New ZIP Codes in 2013		1	0.07%	-	0.00%	-	0.00%
		1,466	**100.00%**	**1,504,694,003**	**100.00%**	**3,759,435**	**100.00%**

Residential, masonry, 2% deductible risks

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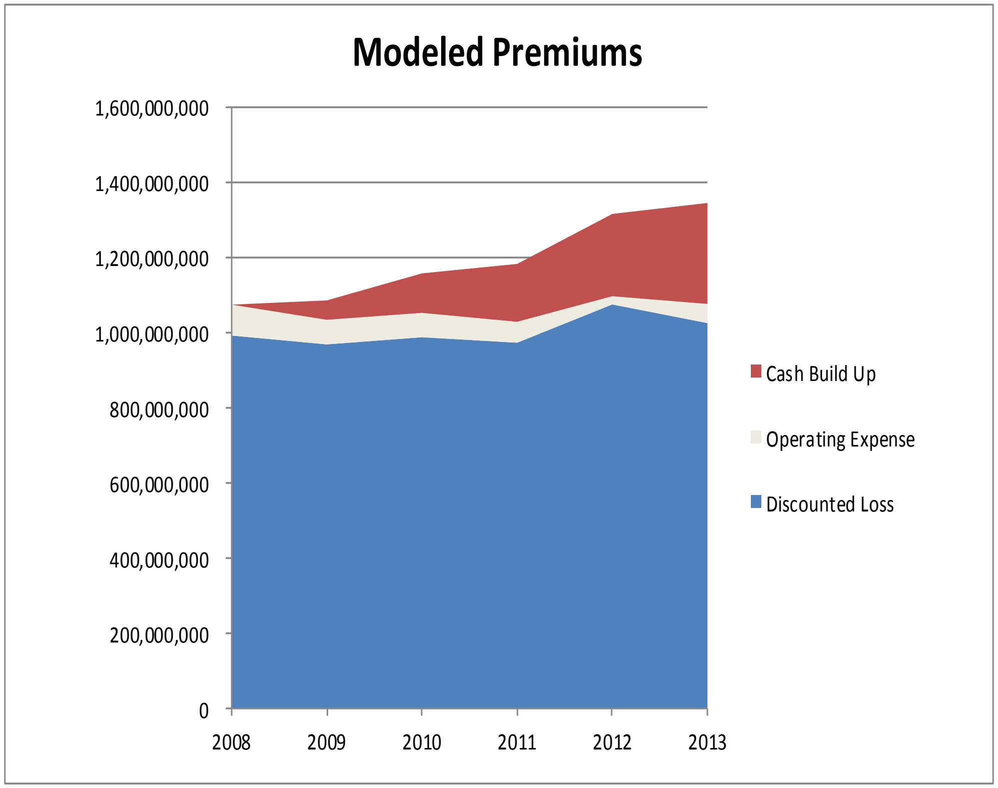
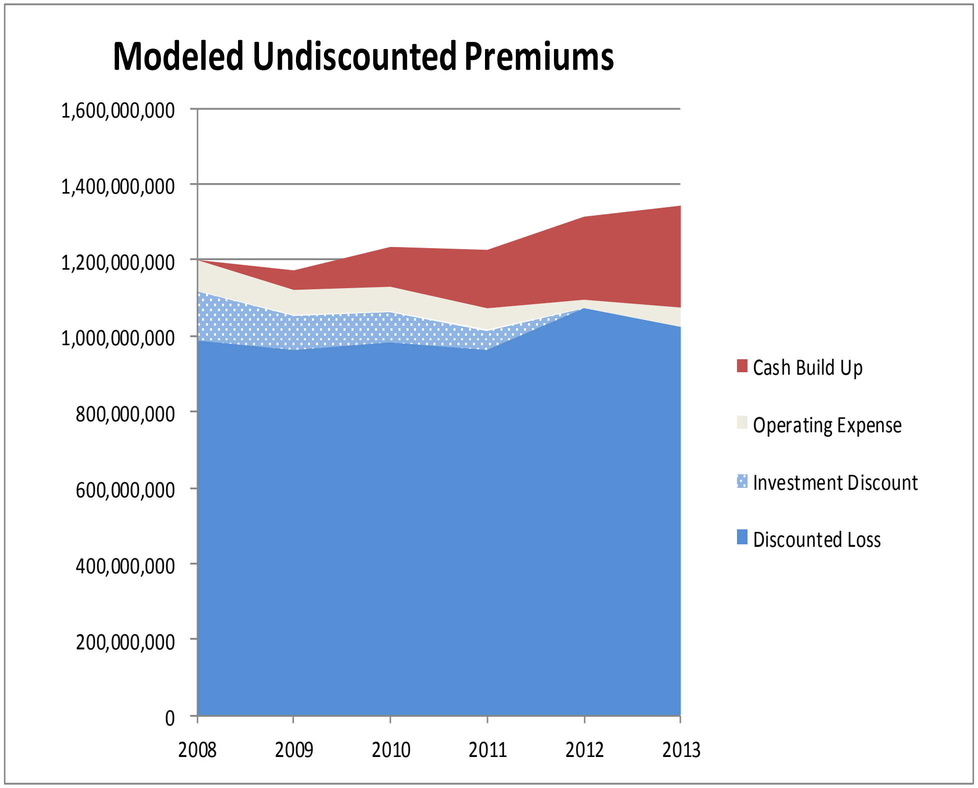
7. Recap

2013 RATEMAKING FORMULA REPORT
History of Component Indications

	2008	2009	2010	2011	2012	2013
Discounted Loss	990,619,049	967,000,146	986,038,487	971,475,818	1,073,304,022	1,023,717,879
Operating Expense	82,136,065	65,463,190	64,889,850	55,642,505	21,910,834	50,971,028
Cash Build Up	0	51,623,167	105,092,834	154,067,748	219,042,971	268,672,227
Modeled Premiums	1,072,755,114	1,084,086,503	1,156,021,171	1,181,186,071	1,314,257,827	1,343,361,134
Investment Discount	127,479,463	88,670,499	78,563,624	45,594,759	0	0
Modeled Undiscounted Premiums	1,200,234,577	1,172,757,002	1,234,584,795	1,226,780,830	1,314,257,827	1,343,361,134





2013 RATEMAKING FORMULA REPORT
Overall Indications

FHCF Reimbursement Premium ($ Billions)

	FHCF	TICL	Total
2012 Premium (Actual)	$1.262	$0.003	$1.265
2013 Premium (Projected)	$1.343	$0.002	$1.345
% Premium Change	6.4%	-33.3%	6.3%
% Rate Change (Exposure adjusted)	6.4%	NA	NA

<u>Note:</u> 2013 TICL premium based on reported selections through March 17, 2013

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Rate Changes by Type of Business

	FHCF Layer	
Type of Business	**(No change to Cash Build-up*)**	**(Per Statute*)**
Residential	2.25%	6.51%
Tenants	4.11%	8.45%
Condominiums	5.22%	9.60%
Mobile Home	-3.91%	0.10%
Commercial Habitational	2.13%	6.38%
Total Rate Change	**2.18%**	**6.43%**

* Cash Build-up Factor for 2012 was 20%; for 2013 it is 25%

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2013 RATEMAKING FORMULA REPORT
Overall Indications

Rate On Line Changes

LIMIT (FHCF + TICL)			FHCF + TICL Layer 2012	FHCF + TICL Layer 2013	Change
$17,000,000,000	Mandatory	Actual 2012	7.42%	7.90%	6.43%
$17,000,000,000	Mandatory	Modeled	7.73%	7.90%	2.21%
$1,000,000,000	TICL	Modeled	16.10%	18.92%	17.48%
$2,000,000,000	TICL	Modeled	15.69%	18.38%	17.13%

Note: Projected 2013 TICL limit purchased is 0.7% of maximum available.

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8. Questions

2013 RATEMAKING FORMULA REPORT
Questions

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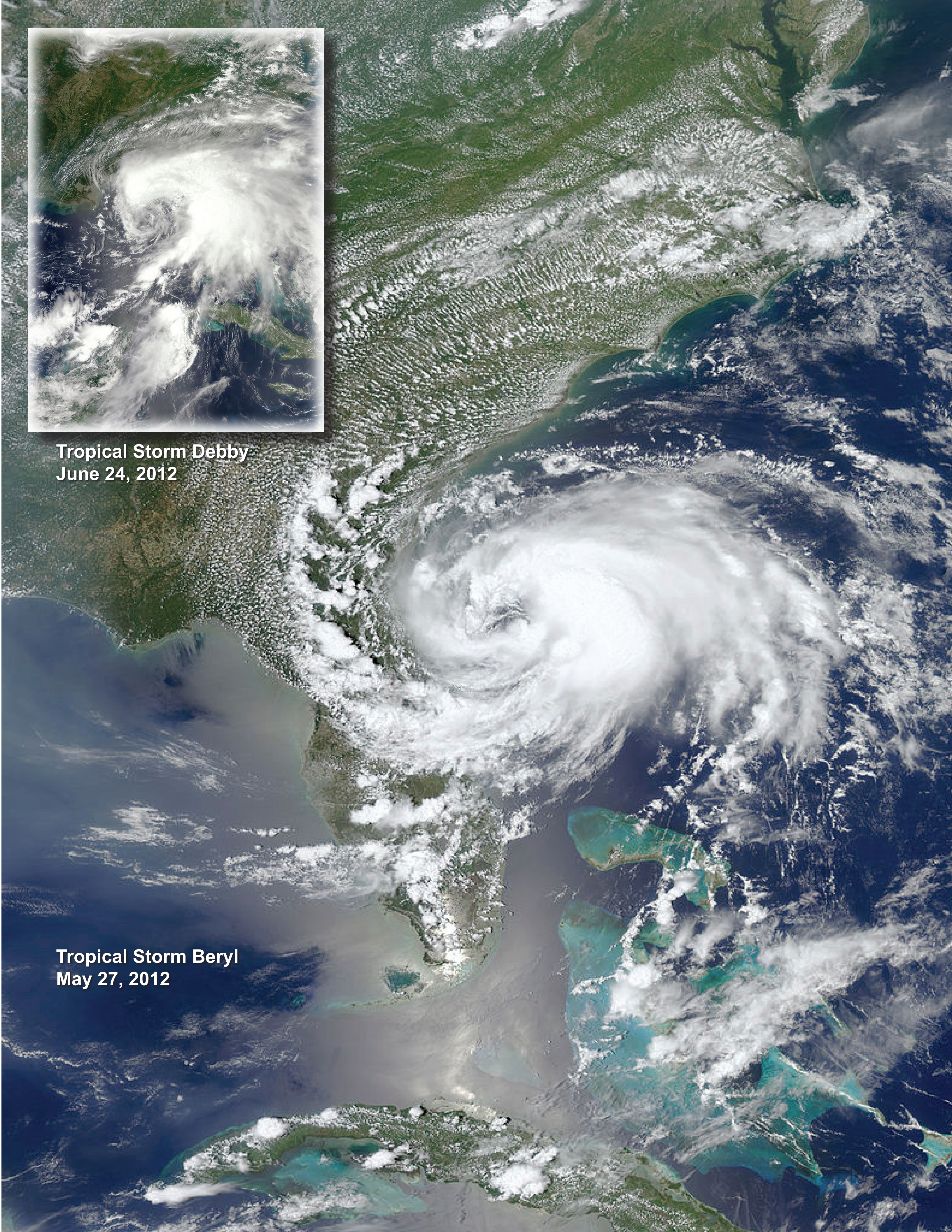
FLORIDA HURRICANE CATASTROPHE FUND

FISCAL YEAR 2011-2012 ANNUAL REPORT

State Board of Administration of Florida



Tropical Storm Debby
June 24, 2012

Tropical Storm Beryl
May 27, 2012

Executive Message

It is my privilege to present the Florida Hurricane Catastrophe Fund (FHCF) annual report for the fiscal year ended June 30, 2012. This report provides the financial status and operational activities of the FHCF during the past fiscal year.

Fortunately, for the seventh consecutive year, no hurricanes made landfall in Florida; consequently, no reimbursement payments for the 2012 Contract Year were required from the FHCF to our participating companies.

The FHCF has nearly completed the commutation process for losses from the 2004 and 2005 hurricane seasons. The emergency assessment on assessable lines of business of 1% previously levied to finance the revenue bonds issued in 2006, 2008, and 2010 was increased to 1.3% on all policies written or renewed after January 1, 2011, until approximately 2016 when the debt will be paid off.

We would like to thank the State Board of Administration (SBA) Trustees, the Florida Legislature, the FHCF Advisory Council, the SBA/FHCF staff, and our service providers for their support during this past year. We hope you will find this report informative and useful. We welcome any comments regarding the content of future issues.

For questions or additional information regarding the FHCF, please contact our office or visit our website at *www.sbafla.com/fhcf*. Current and regularly updated information is available on the FHCF's website, and we encourage those interested to visit the website to obtain the most current information.

Jack E. Nicholson
Chief Operating Officer
Florida Hurricane Catastrophe Fund
State Board of Administration of Florida

GREAT SEAL OF THE STATE OF FLORIDA
IN GOD WE TRUST

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

Overview

The Florida Hurricane Catastrophe Fund (FHCF) is a tax-exempt trust fund created by the Florida Legislature during a special session in November 1993. Following Hurricane Andrew in August of 1992, numerous problems developed in the residential property insurance market and the availability of reinsurance for hurricanes became scarce and extremely expensive. Many insurers were forced to re-evaluate their exposure in Florida. State action was deemed necessary to maintain a stable property insurance market.

Section 215.555, Florida Statutes, created the FHCF with the purpose of providing a stable and ongoing source of reimbursement to insurers for a portion of their catastrophic hurricane losses in order to provide additional insurance capacity for the state. The FHCF operates as a public-private partnership, supporting the private sector's role as the primary risk bearer.

The cost of FHCF coverage is significantly lower than the cost of private reinsurance due to the FHCF's tax-exempt, non-profit status, low administrative costs, and lack of a risk-load. As a result, the FHCF has helped keep residential property insurance rates down, has helped stabilize the market, has enabled more insurance to be written in the state, and has helped keep policies out of the residual market (Citizens Property Insurance Corporation).

The FHCF operates as a state administered insurer reimbursement program (similar to reinsurance) and is mandatory for residential property insurers writing covered policies in the state of Florida. Covered policies are defined as any insurance policy that covers residential property in the state of Florida, including, but not limited to, any homeowner's, mobile home owner's, farm owner's, condominium association, condominium unit owner's, tenant's, or apartment building policy, or any other policy covering a residential structure or its contents issued by any authorized insurer, including a commercial self-insurance fund holding a certificate of authority issued by the Office of Insurance Regulation under Section 624.462, Florida Statutes, the Citizens Property Insurance Corporation, and any joint underwriting association or similar entity created under law. Certain collateral protection policies covering personal residences are also considered covered policies if they meet the requirements of Section 215.555(2)(c), Florida Statutes. Business commercial property policies were exempted from the FHCF during the 1995 Legislative session.

The FHCF is under the direction and control of the State Board of Administration of Florida (SBA). The SBA is the constitutional entity of Florida state government that provides a variety of investment services to various governmental entities. The SBA is composed of a three-member Board of Trustees. As of June 30, 2012, the Trustees were Florida's Governor, Rick Scott, as Chair; Chief Financial Officer, Jeff Atwater; and Attorney General, Pam Bondi.

A nine member Advisory Council was established by the Legislature to provide the SBA with advice and information. The membership consists of three consumer representatives, a representative of insurers, a representative of insurance agents, a representative of reinsurers, and three technical experts - a meteorologist, an engineer, and an actuary. The management and day-to-day operations of the FHCF are the responsibility of its Chief Operating Officer, who reports directly to the Executive Director & Chief Investment Officer of the SBA.

Section 215.555, Florida Statutes, created the FHCF and:

- Requires certain insurers to participate in the FHCF as a condition of doing business in the State
- Grants rulemaking authority
- Establishes the procedures for developing rates and collecting reimbursement premiums
- Authorizes the FHCF to inspect, examine, and verify the records of each insurer as it relates to the accuracy of exposures and losses required to be reported
- Authorizes the investment and disbursement of moneys collected by the FHCF
- Authorizes the issuance of debt secured by assessments and premiums
- Authorizes the collection of emergency assessments to retire bonds
- Requires insurers to participate at certain coverage levels if bonds are outstanding
- Limits debt issuance and the amount of assessments
- Provides for debt security if the FHCF is terminated by law
- Establishes an Advisory Council
- Provides that a violation of Section 215.555, Florida Statutes, is a violation of the Insurance Code
- Provides explicit authority to the SBA for other legal action
- Provides for initial and subsequent season claims paying capacity by limiting claims paying capacity
- Establishes additional emergency assessment authority to help fund capacity for subsequent contract years
- Provides for temporary emergency programs, applicable to the 2007 through 2013 hurricane seasons, that offer participating insurers additional coverage options
- Sets the retention multiple which, when multiplied by an insurer's reimbursement premium, is used to determine each insurer's individual retention or the amount of losses below which the insurer is not entitled to reimbursement by the FHCF

Florida Hurricane Catastrophe Fund Mission Statement

The mission of the FHCF is to responsibly and ethically administer the FHCF by:

1) **Understanding the catastrophe financing needs of its beneficiaries and stakeholders**
2) **Striving to satisfy a portion of the hurricane catastrophe financing needs of insurers in order to create additional insurance capacity for the state**
3) **Protecting the public interest by maintaining insurance capacity in the state**
4) **Providing exceptional investment, financial, and administrative services**

2012 Hurricane Season[1]

The 2012 Atlantic hurricane season was notable for having a very large number of weak tropical cyclones. There were nineteen named storms, ten hurricanes, with only one major hurricane (category 3 strength and higher on the Saffir-Simpson Scale). Activity started early with the first tropical storm forming in May and most activity was unusually concentrated in the northeast subtropical Atlantic. The most prominent hurricane was Hurricane/Superstorm Sandy which caused massive devastation along parts of the mid-Atlantic and Northeast coast and is now predicted to become the second largest hurricane loss in U.S. history.

Tropical Storm Beryl became the strongest pre-season tropical cyclone on record to make U.S. landfall when it made landfall on May 28th near Jacksonville Beach, Florida. Florida experienced a second landfall on June 26th when Tropical Storm Debby made landfall near Steinhatchee, Florida.

FHCF coverage was not triggered as no hurricanes resulted in damage for Florida during the 2012 hurricane season and neither was there a Florida landfalling hurricane.

Saffir-Simpson Hurricane Scale

Category	Wind Speed (mph)	Central Pressure
1	74-95	> 980
2	96-110	965-979
3	111-129	945-964
4	130-156	920-944
5	> 157	< 920

Atlantic Hurricane Season:
Starts June 1 and ends November 30

[1] *"Summary of 2012 Atlantic Tropical Cyclone Activity and Verification of Author's Seasonal and Two-Week Forecasts," 29 November 2012, Philip J. Klotzbach and William M. Gray, Department of Atmospheric Science, Colorado State University*

Operational Activities

Major FHCF activities for the past fiscal year included:

- Five meetings of the FHCF Advisory Council
- Monitoring and responding to proposed legislation
- Development of the 2012 premium formula
- Publication of estimated loss reimbursement capacity in May and October
- Adoption of four rules and one emergency rule
- Continuation of loss reimbursements to participating insurers as a result of 2004 and 2005 losses
- Commutation of 2005 losses
- Administration of the SBA Insurance Capital Build-Up Incentive Program
- Invitation to Negotiate for Financial Advisor
- Invitation to Negotiate for Administrative Services and Actuarial Consulting Services
- Request for Quote for Master Trustee Services
- Request for Quote for Rating Adjustment Factors Analysis
- A Strategic Planning Summit
- A Participating Insurers Workshop
- Staff support to the Florida Commission on Hurricane Loss Projection Methodology (FCHLPM)
- Updating and maintaining the FHCF and FCHLPM websites
- 106 exams of company exposure data for the 2011 Contract Year and 12 company exposure analysis reviews conducted representing 99.34% of FHCF Premium

FHCF Participating Insurers Workshop

The FHCF hosted its twelfth annual Participating Insurers Workshop on May 15 & 16, 2012. The objective was to educate participating insurers on their responsibilities to meet the FHCF reporting requirements. The workshop annually highlights changes to the previous year's requirements and insurer responsibilities. It also provides an opportunity for the FHCF to receive comments from participating insurers and other interested parties regarding its rules and incorporated forms.

The workshop's featured guest speaker was Karen Clark, President and CEO of Karen Clark and Company. 2012 marked the 20th anniversary of Hurricane Andrew, and the workshop focused on the long term solvency and stability of the Florida residential property insurance industry as well as the role and evolution of the FHCF. Workshop topics included:

- Significant legislative changes affecting the FHCF and insurers
- Changes in the reinsurance market since Hurricane Andrew
- Changes in insurance regulation and the Florida insurance market since Hurricane Andrew
- Changes in the residual market since Hurricane Andrew
- Creation and role of the Hurricane Insurance Information Center following Hurricane Andrew
- Lessons learned from Hurricane Andrew on

the need for regulatory leadership following a catastrophic hurricane
- State of the economy and financial markets
- Future directions of Citizens Property Insurance Corporation
- A look at both sides of the claims process following catastrophic losses from the Insurance Consumer Advocate
- Current research efforts at the Florida Catastrophic Storm Risk Management Center
- Key FHCF statistics
- Changes to the upcoming Contract Year's Reimbursement Contract and Insurer Reporting Requirements (Data Call)
- FHCF premium formula, rates, retention multiples, and payout multiples
- Roundtable discussions on covered policies, exposure reporting, reimbursements, examinations, and other unique issues

Legislation

In 2012, no legislation was passed that directly impacted the FHCF.

Old and New Capitol Buildings
Tallahassee, Florida

History of Significant Legislative Changes

1995

- Tax-exempt status granted to the FHCF
- Retention and Payout Multiples created
- Three coverage options – 45%, 75%, and 90%
- Non-residential commercial property insurance excluded
- Exposure reporting date moved to September 1 for exposures existing as of June 30
- Loss reimbursement preferences provided to limited apportionment companies

1996

- FHCF Finance Corporation created
- Provisions established for issuance of tax-exempt debt
- "Property and Casualty" defined for purposes of emergency assessment

1998

- Advances provided to limited apportionment companies and residual market mechanisms

1999

- Subsequent Season Capacity created
- Initial Season Capacity limited to $11 billion
- Emergency assessments set at 4% for debt service on storms occurring in one contract year and a 6% aggregate limit applied for emergency assessments for all years
- Insurers' payout limited except for FRPCJUA and FWUA (now known as Citizens Property Insurance Corporation)
- Authority obtained to examine insurers' records related to covered policies and losses

2002

- Coverage for Additional Living Expense (ALE) added
- Coverage for certain collateral protection insurance policies added
- Provision established for optional inclusion of a rapid cash build-up factor

2004

- Capacity expanded by increasing emergency assessment authority sufficient to create $15 billion of capacity and capacity to grow with exposure growth
- A transitional option was available for those insurers who preferred to base their FHCF coverage on $11 billion overall capacity and an industry retention of $4.9 billion
- The increase in assessment authority additionally allowed subsequent season capacity to expand to $15 billion
- Insurance industry aggregate retention reset to $4.5 billion and designed to grow with exposure growth
- Emergency assessment authority increased to 6% for debt service on storms occurring in one contract year with a 10% aggregate limit for all years
- Emergency assessment base expanded to include surplus lines with provision for the insurer to collect the assessments from policyholders as premiums are paid
- Emergency assessments may be used for debt service coverage and may also be used to refinance debt
- Medical malpractice insurers excluded from emergency assessments for any covered event occurring prior to June 1, 2007
- Exemption exposure limit increased to $10 million
- Selection of reinsurers broadened
- Rulemaking authority added to allow for interest charges on late remittances
- Rulemaking authority added to allow for the exclusion of certain deductible buy-back and commercial residential excess policies
- Mitigation appropriations based on the most recent fiscal year-end audited financial statements
- Allocation of excess recoveries between Citizens Property Insurance Corporation accounts clarified
- Flexibility provided for ALE coverage
- Audit requirement language changed to reference "examination" in lieu of "audit"

2005

- Insurance industry aggregate retention reset to $4.5 billion and set to grow with exposure growth
- Full retention required for the insurer's two largest covered events and then only one-third of the full retention required for all other subsequent covered events

2006

- FHCF premiums to include a 25% rapid cash build-up factor
- Option to purchase, for the 2006 Contract Year only, additional FHCF coverage up to $10 million for limited apportionment companies with retention equal to 30% of the insurer's surplus at a premium of 50% of the coverage selected

2007

- Mandatory 25% rapid cash build-up factor for FHCF premiums repealed
- Option to purchase additional FHCF coverage up to $10 million for limited apportionment companies and certain other companies with retention equal to 30% of the insurer's surplus at a premium of 50% of the coverage selected extended for one year
- Option to purchase, for the 2007, 2008, and 2009 Contract Years only, additional FHCF coverage below the mandatory FHCF coverage layer; the Temporary Emergency Additional Coverage Options (TEACO) allows insurers to choose optional FHCF coverage based upon their share of an industry retention amount of $3 billion, $4 billion, or $5 billion
- Option to purchase, for the 2007, 2008, and 2009 Contract Years only, additional FHCF coverage above the mandatory FHCF coverage; each insurer may purchase its share of a $12 billion Temporary Increase in Coverage Limits (TICL) option
- SBA authorized with option to increase FHCF coverage limits by an additional $4 billion
- Definition of "covered policy" amended to include commercial self-insurance funds that include homeowners' associations, condominium associations, etc. and these entities will be considered insurers for purposes of FHCF emergency assessments
- Provision allowing Citizens Property Insurance Corporation to choose placement of policies transferred from a liquidated insurer under Citizens' Reimbursement Contract with the FHCF or to accept an assignment of the liquidated insurer's Reimbursement Contract with the FHCF indefinitely extended
- Medical malpractice insurers excluded from emergency assessments for any covered event occurring prior to June 1, 2010

2008

- Option to purchase additional FHCF coverage up to $10 million for limited apportionment companies and certain other companies with retention equal to 30% of the insurer's surplus at a premium of 50% of the coverage selected extended for one year

2009

- Option to purchase additional FHCF coverage up to $10 million for limited apportionment companies and certain other companies with retention equal to 30% of the insurer's surplus at a premium of 50% of the coverage selected extended for two and a half years to 2011
- 2010 Contract Year set to begin June 1 and end December 31; thereafter, Contract Years to begin January 1 and end December 31
- Temporary Increase in Coverage Limits (TICL) option reduced $2 billion per year with a phase out over six years, and the TICL premium increased by a factor each year respectively of 2, 3, 4, 5, and 6 by the 2013 Contract Year
- FHCF premiums to include a 5% cash build-up factor to increase by 5% per year until the 2013 Contract Year and 25% thereafter
- SBA authorization to increase FHCF's optional coverage limits by an additional $4 billion was repealed
- Provision that allows for situations where the total reimbursement of losses to insurers exceeds the estimated claims-paying capacity of the fund, factors or multiples will be reduced uniformly among all insurers to be reimbursed
- May and October publications of FHCF estimated borrowing capacity and fund balance to include "estimated claims-paying capacity"
- Authority obtained to require certain documents to be notarized

2010

- Contract year restored to begin June 1 and end May 31
- Option to purchase additional FHCF coverage up to $10 million for limited apportionment companies and certain other companies with retention equal to 30% of the insurer's surplus at a premium of 50% of the coverage selected was extended to expire on May 31, 2012
- Reimbursement Contract to be adopted by February 1 and executed by March 1 of each contract year
- FHCF capacity frozen at $17 billion unless there is sufficient capacity for the current contract year and an excess of $17 billion for the subsequent contract years
- Retention multiple reset to $4.5 billion adjusted from 2004 based upon reported exposure for the contract year occurring two years before, divided by the total estimated reimbursement premium for the contract year
- SBA must publish by January 1 the maximum capacity for mandatory coverage, the maximum capacity for any optional coverage, and the aggregate fund retention used to calculate the insurer's retention multiples
- Medical malpractice insurers excluded from emergency assessments for any covered event occurring prior to June 1, 2013

2011

- Definition of "losses" amended to include all incurred losses, including certain fees, and to provide more specificity as to what is excluded, (losses under liability coverages, losses caused by non-covered perils, losses resulting from a voluntary expansion of coverage, bad faith awards, punitive damages, amounts in excess of policy limits, and amounts paid as reimbursement for condominium association and similar loss assessments)

Rulemaking

Specific policies and provisions of the FHCF are outlined in the rules of the SBA. The rulemaking process includes workshops, hearings, approval by the FHCF Advisory Council, and a unanimous vote for adoption by the SBA Trustees. All of the meetings are open to the public, and input from participating insurers and all interested parties is encouraged.

The rules are annually updated in order to accommodate new procedures and forms necessary for the administration of the FHCF. This past fiscal year, the SBA adopted the following rules:

19-8.010, Florida Administrative Code (F.A.C.)
Reimbursement Contract – Adoption of the 2012-2013 Reimbursement Contract

19-8.028, F.A.C.
Reimbursement Premium Formula – Adoption of the 2012-2013 Contract Year Rates

19-8.029, F.A.C.
Insurer Reporting Requirements – Adoption of the 2012-2013 Data Reporting Requirements of Insurer Exposure (Data Call), Interim Loss Report, and Proof of Loss Report

19-8.030, F.A.C.
Insurer Responsibilities – Establishes certain deadlines and other requirements for insurers required to participate in the FHCF

Examination Programs

The FHCF routinely conducts examinations of exposure data submitted by participating companies. The examinations are limited in scope and are intended to verify that participating companies are properly reporting their exposure to the FHCF. In addition, the examinations are used to review a participating insurer's compliance with FHCF data reporting requirements.

Every participating company is required to report its exposure data annually and to generate an examination file that supports the reported data.

The FHCF provides notification to a company at least 60 days prior to commencement of an examination. The notification includes detailed instructions to the company on the required records needed for the examination. All information that supports a company's exposure is subject to examination.

Previously conducted exposure examinations have revealed several common errors, such as:

- Incorrectly reporting construction and mitigation characteristics
- Omitting coverages or endorsements to property coverage
- Reporting policies or coverages not eligible to be reported (e.g., builders risk, wind exclusion, business interruption)

The following table reflects the adjustments made to insurers' premium as a result of the examinations of exposure data and subsequent resubmissions to correct errors.

FHCF Exposure Examination Adjustments
As of 12-31-12

Contract Year	Total Number of Insurers	Additional Premium Due	Number of Insurers Paying Additional Premium	Refunds of Premium Made	Number of Insurers Receiving Refunds	Net Results
1994	379	$7,832,038	40	($10,572,916)	33	($2,740,878)
1995	290	$4,141,450	69	($4,975,537)	38	($834,087)
1996	292	$3,095,482	30	($2,389,171)	23	$706,311
1997	307	$3,457,428	47	($4,166,782)	45	($709,354)
1998	304	$9,763,879	58	($4,724,820)	30	$5,039,059
1999	288	$8,777,956	42	($2,286,887)	21	$6,491,069
2000	289	$592,574	23	($2,173,803)	46	($1,581,229)
2001	279	$1,586,752	29	($1,219,890)	45	$366,862
2002	262	$1,225,832	22	($1,542,389)	27	($316,557)
2003	240	$2,202,629	22	($4,776,332)	40	($2,573,703)
2004	236	$1,832,211	32	($1,885,217)	31	($53,006)
2005	214	$4,976,369	36	($19,495,395)	34	($14,519,026)
2006	213	$5,436,707	27	($7,408,582)	15	($1,971,875)
2007	212	$1,012,171	8	($28,516,498)	27	($27,504,327)
2008	200	$5,140,583	9	($8,777,723)	14	($3,637,140)
2009	188	$13,889,685	16	($6,852,452)	13	$7,037,233
2010	175	$6,315,468	10	($2,170,195)	12	$4,145,273
2011	171	$4,082,350	11	($10,064,696)	3	($5,982,346)

The FHCF also conducts loss reimbursement examinations when covered events occur that result in a participating company receiving reimbursements from the FHCF. The examinations are limited in scope and are intended to verify that participating companies' losses were not over-reported to the FHCF.

Participating companies are required to prepare and retain a Detailed Claims Listing to support each Proof of Loss Report submitted to the FHCF. This listing is required to be retained until the company is noticed for an examination.

The FHCF provides notification to a company at least 60 days prior to commencement of an examination. The notification includes detailed instructions to the company on the required records needed for the examination. All information that supports a company's losses is subject to examination.

The FHCF has completed loss reimbursement examinations for participating companies that received reimbursement from the FHCF for covered events occurring in 2004 and 2005. These loss reimbursement examinations have revealed several common errors which include, but are not limited to:

- Reporting losses for fair rental value or loss of rental income
- Reporting losses for risks not covered (e.g., loss to an automobile)
- Reporting losses that occurred as a result of another peril unrelated to the covered event
- Reporting losses under the wrong event
- Reporting losses paid on ex-wind policies
- Reporting non-covered expenses related to an individual claim
- Reporting claims paid in excess of policy limits
- Incorrectly applying the deductible code

Companies are required to retain detailed records of all reported exposures and losses until the FHCF has completed an examination and commutation for the Contract Year has been concluded. Retention of records is imperative since an exposure examination may result in a resubmission of exposure data and a loss examination may result in an update to loss reports, which could result in an adjustment to a company's recovery.

FHCF Loss Reimbursement

At December 31, 2012, the FHCF had reimbursed participating insurers over $9.4 billion for losses occurring in the 2004 and 2005 hurricane seasons. The total amount the FHCF expects to pay for both seasons is $9.76 billion which accounts for anticipated adverse loss development. The amount of "new" and "re-opened" claims has resulted in insurers increasing their amount of loss expected to be reimbursed by the FHCF. For companies submitting complete requests and having no outstanding FHCF issues, disbursements were made within 2 to 7 business days. Once bond proceeds started being used to pay claims, disbursements were made within 10 to 14 business days due to the extra time required to liquidate investments from the post-event bond proceeds.

Following is a recap of FHCF reimbursements to participating insurers:

As of 12-31-12 *(in millions)*	Number of Companies with FHCF Reimbursement	Total Reimbursement Paid (Excess of Retention)	Total Reimbursement Expected to be Paid
1995 (Erin, Opal)	9	$13	$13
2004 (Charley, Frances, Ivan, Jeanne)	136	$3,859	$3,870
2005 (Dennis, Katrina, Wilma)	114	$5,496	$5,890*

Note:
- Total of 136 insurers are expected to seek loss reimbursement from the FHCF for 2004
- Total of 114 insurers are expected to seek loss reimbursement from the FHCF for 2005

** including reserves*

Bonding Program

Revenue bonds are required to be issued if the FHCF cash balance is anticipated to be insufficient to reimburse losses. There are two ways in which revenue bonds can be issued. One is in conjunction with counties or municipalities and the other is through the FHCF Finance Corporation. The FHCF Finance Corporation was created in the statute to allow the FHCF greater flexibility in planning.

The FHCF Finance Corporation has a United States Internal Revenue Service private letter ruling regarding its ability to issue tax-exempt debt. The initial ruling was granted on March 27, 1998, for five years until June 30, 2003. On May 28, 2008, the Internal Revenue Service issued a private letter ruling holding that the prior exemption, which was to expire on June 30, 2008, could continue to be relied upon on a permanent basis.

Florida was hit by four hurricanes in 2004 and three hurricanes in 2005 that impacted the FHCF. As of December 31, 2012, the FHCF had paid over $9.4 billion in loss reimbursements to its participating insurers. The losses associated with the 2005 hurricanes produced payouts that exceeded the FHCF's available cash. To address this shortfall, the FHCF Finance Corporation issued $1,350,250,000 in tax-exempt, "post-event" Series 2006A Revenue Bonds with a maturity date of 2012. This was the first time that the FHCF had to issue bonds. In July 2008, the FHCF Finance Corporation issued an additional $625 million tax-exempt, "post-event" Series 2008A Revenue Bonds with a maturity date of 2014 due to an increase in reported losses. Due to continued adverse loss development, the FHCF Finance Corporation issued "post-event" Series 2010A Revenue Bonds in the amount of $675.92 million for a third tranche in May 2010. These proceeds and their investment earnings will facilitate the FHCF's ability to make payments to participating insurers for losses resulting from the 2005 hurricane season.

The funding source for the repayment of the Revenue Bonds issued is through a 1% emergency assessment that began on January 1, 2007, on all property and casualty lines of business in the state, including surplus lines, but excluding worker's compensation, federal flood, accident and health insurance, and medical malpractice. An Order was issued by the Florida Office of Insurance Regulation concurrently with the 2010A Bond issue to supersede the 1% emergency assessment with a 1.3% emergency assessment effective for all policies issued or renewed on or after January 1, 2011.

To provide a source of funds to reimburse participating insurers for losses relating to future covered events, the FHCF Finance Corporation also issued $3.5 billion in taxable, "pre-event" Series 2007A Floating Rate Notes in October 2007. The 2006A Revenue Bonds, 2007A Notes, 2008A Revenue Bonds, and 2010A Revenue Bonds were issued on a parity basis.

Interest on the Notes was paid from reimbursement premiums whereas the principal and interest on the Revenue Bonds will be financed by emergency assessments. The proceeds from the Notes were invested pending the need to pay claims. The 2006A Revenue Bonds matured on July 1, 2012, and the 2007A Notes matured on October 15, 2012.

At June 30, 2012, the FHCF Finance Corporation had long-term ratings of Aa3/AA-/AA from Moody's, Standard and Poor's, and Fitch, respectively.

*Estimated FHCF Claims Paying Capacity**

($ billions)

Year	Bonding Capacity		Projected Calendar Year End Fund Balance	Other Liquidity Resources	Initial Season Claims Paying Capacity	Subsequent Season Claims Paying Capacity
1994	$2.0		$0.3		$2.3	
1995	4.0		0.9		4.9	
	May	**October**				
1996	$5.0	$5.0	$1.4		$6.4	
1997	5.5	6.0	2.0		8.0	
1998	8.5	8.5	2.5		11.0	
	Initial/Subsequent Season	Initial/Subsequent Season				
1999	$8.7	$7.9/3.9	$3.1		$11.0	$4.4
2000	7.4/4.5	7.3/5.5	3.7		11.0	5.9
2001	6.65/7.08	6.69/7.45	4.3		11.0	7.9
2002	6.10/9.15	6.08/10.33	4.9		11.0	10.8
2003	5.51/10.51	5.54/10.52	5.5		11.0	11.0
2004	8.85/14.98	8.88/14.37	6.1		15.0	15.0
2005	12.07/14.34	11.95/14.20	3.1		15.0	15.0
2006	14.03/13.99	14.02/13.79	0.98		15.0	15.0
2007	26.02/26.14	25.75/25.21	2.1		27.8	26.4
2008	25.51/21.54	1.5 – 3.0/ ---	2.8	$7.5	11.786 – 13.286	---
2009	8.0/ ---	11.0/ ---	4.5	3.5	19.0	---
2010	15.941/---	9.363/---	5.914	3.5	18.777	---
2011	11.301/---	8.000/---	7.170	---	15.170	---
2012	7.000/---	7.000/---	8.503	---	15.503	---

- Bonding estimates are published twice a year.
- Claims Paying Capacity consists of bonding plus projected cash.
- 1998 reflects a private letter ruling granting tax-exempt status to bonds.
- The 1999 Legislative Session resulted in limiting the overall capacity of the FHCF to $11 billion and providing for subsequent season capacity.
- The 2004 Legislative Session expanded the overall capacity of the FHCF to $15 billion.
- The 2007 Special Legislative Session created optional coverages expanding the overall capacity of the FHCF. The 2009 Legislature reduced the capacity for the optional coverage to be phased in over the next six years.
- Prior to October 2008, the theoretical capacity is illustrated. Beginning in October 2008, the estimated capacity is based on the senior underwriters' estimate over 6 month and 12 month periods and the projected claims paying capacity is illustrated based on current financial market conditions. Because of uncertainty in current financial market conditions, Subsequent Season capacity cannot be adequately estimated and the estimated claims paying capacity may differ from the theoretical capacity.
- For more information and discussion, see the Florida Hurricane Catastrophe Fund Estimated Claims Paying Capacity report on the FHCF's website at www.sbafla.com/fhcf under Bonding Program then Bonding Capacity Analysis Reports.

**Refer to Vol. 38, No. 52 Florida Administrative Register and prior years' Florida Administrative Weekly volumes regarding the assumptions and reservations associated with these estimates.*

Litigation

As of June 30, 2012, the FHCF was not involved in any litigation.

Public Contributions

When the Internal Revenue Service (IRS) issued a private letter ruling granting tax-exempt status to the FHCF, it contained a requirement that a certain amount of FHCF funds be devoted to hurricane mitigation purposes. The purposes are specified in Section 215.555(7)(c), Florida Statutes:

Each fiscal year, the Legislature shall appropriate from the investment income of the Florida Hurricane Catastrophe Fund an amount no less than $10 million and no more than 35 percent of the investment income from the prior fiscal year for the purpose of providing funding for local governments, state agencies, public and private educational institutions, and nonprofit organizations to support programs intended to improve hurricane preparedness, reduce potential losses in the event of a hurricane, provide research into means to reduce such losses, assist the public in determining the appropriateness of particular upgrades to structures or in the financing of such upgrades, or to protect local infrastructure from potential damage from a hurricane. Moneys shall first be available for appropriation under this paragraph in fiscal year 1997-1998. Moneys in excess of the $10 million specified in this paragraph shall not be available for appropriation under this paragraph if the State Board of Administration finds that an appropriation of investment income from the fund would jeopardize the actuarial soundness of the fund.

Beginning in 1999, the Florida Legislature created Section 215.559, Florida Statutes, which annually appropriates $10 million from the FHCF to the Department of Community Affairs for the Hurricane Loss Mitigation Program.

2012 Legislative Session Mitigation Funding

Department of Community Affairs:

Hurricane Loss Mitigation Program:

• Retrofit public hurricane shelters	$3,000,000
• Hurricane loss mitigation programs	$7,000,000
Total Appropriation	$10,000,000

FHCF Hurricane Mitigation Funding

Year	Appropriations Carried Forward From Prior Years (a)	Current Year Appropriation (b)	Available for Appropriation (c) = (a) + (b)	Total Appropriated by FL Legislature	Vetoed by Governor	Total Funded by FHCF
1997	$0	$10,000,000	$10,000,000	$10,000,000	$2,822,400	$7,177,600
1998	$2,822,400	$10,000,000	$12,822,400	$12,500,000	$0	$12,500,000
1999	$322,400	$10,000,000	$10,322,400	$10,300,000	$2,200,000	$8,100,000
2000	$2,222,400	$10,000,000	$12,222,400	$12,200,000	$0	$12,200,000
2001	$22,400	$30,000,000	$30,022,400	$30,000,000	$0	$30,000,000
2002	$22,400	$19,075,309	$19,097,709	$19,075,309	$0	$19,075,309
2003	$22,400	$10,000,000	$10,022,400	$10,000,000	$0	$10,000,000
2004	$22,400	$10,000,000	$10,022,400	$10,000,000	$0	$10,000,000
2005	$22,400	$10,000,000	$10,022,400	$10,000,000	$0	$10,000,000
2006	$22,400	$10,000,000	$10,022,400	$10,000,000	$0	$10,000,000
2007	$22,400	$10,000,000	$10,022,400	$10,000,000	$0	$10,000,000
2008	$22,400	$10,000,000	$10,022,400	$10,000,000	$0	$10,000,000
2009	$22,400	$10,000,000	$10,022,400	$10,000,000	$0	$10,000,000
2010	$22,400	$10,000,000	$10,022,400	$10,000,000	$0	$10,000,000
2011	$22,400	$10,000,000	$10,022,400	$10,000,000	$0	$10,000,000
2012	$22,400	$10,000,000	$10,022,400	$10,000,000	$0	$10,000,000
Total Funds appropriated for mitigation from the FHCF						**$189,052,909**

Audited Financial Statements

The FHCF audited financial statements and other financial information for the fiscal year ended June 30, 2012 are available on the FHCF's website at *www.sbafla.com/fhcf*. KPMG LLP, our independent auditor, has not been engaged to perform and has not performed, since the date of its report, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this annual report.

Consumer Information

Following Hurricane Andrew, residential property insurers began to reevaluate their commitment to the Florida insurance market in light of the fact that they were experiencing major difficulties obtaining private reinsurance. The FHCF was created in a special legislative session in November 1993, in the aftermath of Hurricane Andrew in order to provide additional reinsurance capacity to enable insurers to continue to write business in the state. The FHCF has played an important role in helping insurers meet their responsibilities to Florida residential policyholders following the catastrophic hurricanes that have hit Florida.

The FHCF provides very economical coverage for insurers writing residential insurance in the state. It is estimated that coverage purchased through the FHCF costs insurers between one-fourth to one-third what it would cost in the private reinsurance market.

There are several reasons for these cost savings, which include the following:

1) The FHCF operating cost is less than 1% of the annual premium collected compared with the operating costs associated with private reinsurance, which can range between 10% to 15% of the premium collected.

2) The FHCF does not pay reinsurance brokerage commissions.

3) The FHCF has no underwriting costs since it is a mandatory state program requiring a certain level of participation by all insurers who write residential property insurance in the state.

4) Since the FHCF is a program that benefits the citizens of the state and is under the control of elected officials, the FHCF is a tax-exempt entity that does not pay federal income taxes or state taxes.

5) The FHCF has the ability to issue tax-exempt debt which will result in lower financing costs should it become necessary to finance losses with revenue bonds.

Another major cost saving factor is that the FHCF does not include a factor for profits nor does it include a "risk load." The hurricane "timing risk" is addressed through the issuance of revenue bonds. As such, there is no obligation to include a charge for accessing this source of capital. Although cost savings are realized in the short term, the cost of financing revenue bonds may impact a broad base of Florida policyholders who are subject to emergency assessments in the future.

The FHCF is financed by three sources: 1) reimbursement premiums charged to participating insurers, 2) investment earnings, and 3) emergency assessments on all Florida property and casualty lines of business (including surplus lines, but excluding medical malpractice until June 1, 2013, federal flood, accident and health, and workers' compensation insurance).

Due to losses associated with the 2004 and 2005 hurricane seasons, the FHCF's $6 billion in reserves, which it had accumulated since its inception in 1993, was insufficient to meet its obligations. For the first time in FHCF history, an emergency assessment of 1% was levied to retire the 2006 and 2008 post-event bonds issued to finance the 2005 hurricane season shortfall. Additional post-event bonds were issued in 2010, and the emergency assessment increased to 1.3% effective for all policies issued or renewed on or after January 1, 2011. For additional information, refer to the **Bonding Program** portion of this report.

For additional information regarding the FHCF, please review the information provided on the FHCF website at *www.sbafla.com/fhcf*. Most of the documents, including the FHCF's most recent annual report, are published on the website along with a current listing of FHCF participating insurers. If you have additional questions, please feel free to contact the FHCF staff.

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

FHCF At A Glance

Contract Year 2012-2013

as of 12-31-12

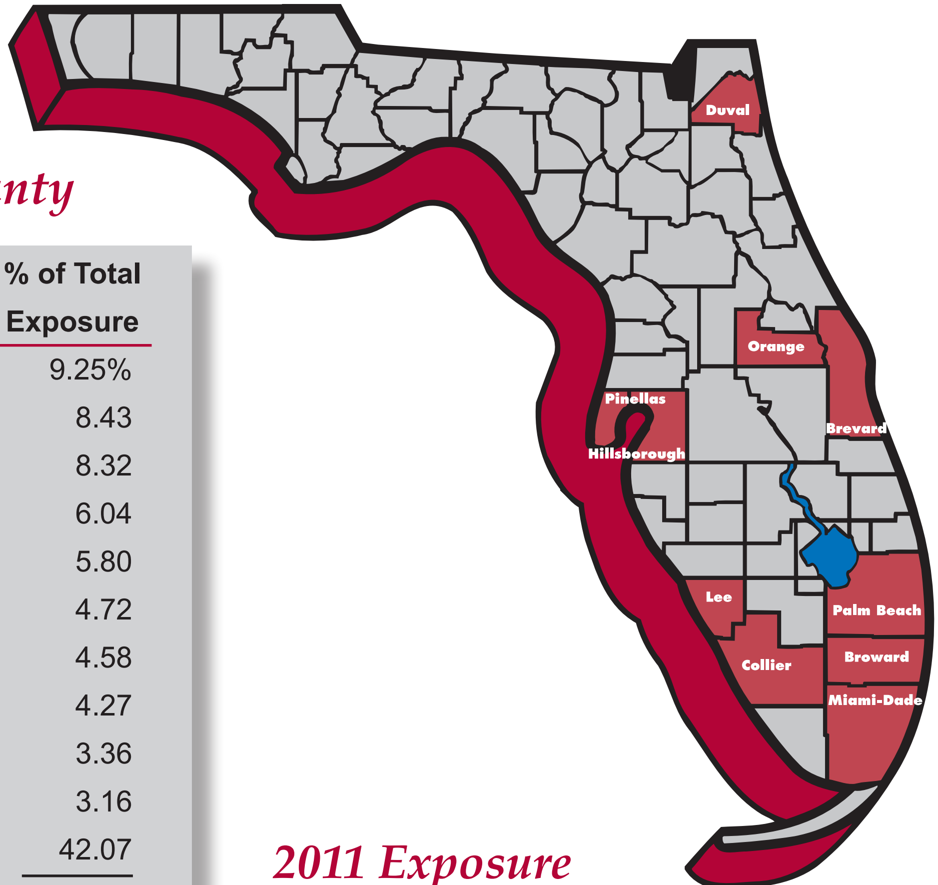
Created:	November 1993
No. of Participating Insurers:	162
Mandatory Premium:	$1,262.6 million
Total Premium: (includes mandatory and optional coverages)	$1,266.1 million
Exposure:	$2.076 trillion
Fund Balance: [2]	$8.453 billion
Mitigation Funding for 2012:	$10 million
Projected Claims Paying Capacity: [3]	$15.503 billion ($17.0 billion mandatory)
Assessment Base:	$34.6 billion includes surplus lines and all P&C lines except worker's compensation, federal flood, accident and health, and medical malpractice until June 1, 2013
Mandatory Coverage Retention Multiples:	
90%	5.6170
75%	6.7404
45%	11.2340
Moody's, Standard & Poor's, and Fitch Ratings:	Aa3/AA-/AA
Tax Status:	Tax-Exempt Trust Fund Tax-Exempt Bonds

[2] Updated based on 12/31/12 financial information.

[3] The projected claims paying capacity is based on the senior underwriters' estimate of borrowing capacity based on current financial market conditions at October 2012. For more information and discussion see the Florida Hurricane Catastrophe Fund Estimated Claims Paying Capacity report on the FHCF's website at www.sbafla.com/fhcf under Bonding Program then Bonding Capacity Analysis Reports.

Statistical Information

77% of FHCF exposure is located in Florida's thirty-five coastal counties, making Florida particularly vulnerable to hurricane risk.



2012 Exposure Concentration by County

($ billions)

County	Total Exposure*	% of Total Exposure
Palm Beach	$192.0	9.25%
Miami-Dade	175.0	8.43
Broward	172.8	8.32
Orange	125.5	6.04
Hillsborough	120.5	5.80
Pinellas	98.0	4.72
Lee	95.1	4.58
Duval	88.6	4.27
Collier	69.8	3.36
Brevard	65.6	3.16
Other	873.4	42.07
Total	**$2,076.3**	**100.00%**

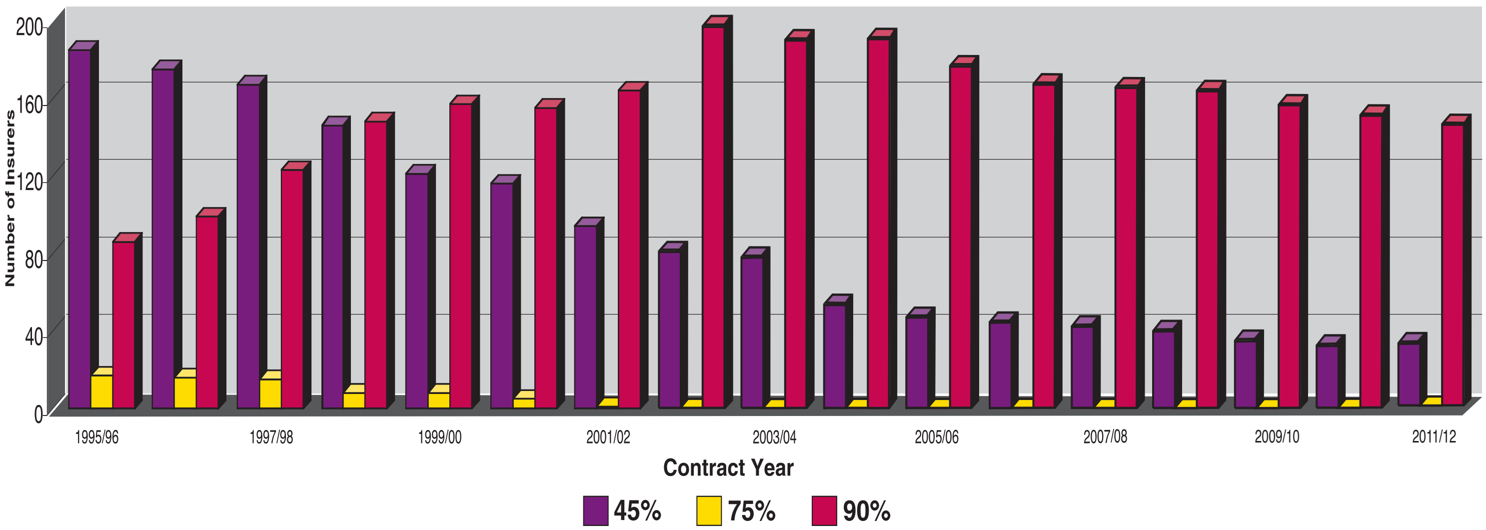
2011 Exposure Concentration by County

($ billions)

County	Total Exposure*	% of Total Exposure
Palm Beach	$195.6	9.24%
Miami-Dade	179.2	8.46
Broward	176.7	8.34
Orange	127.5	6.02
Hillsborough	122.6	5.79
Pinellas	100.6	4.75
Lee	96.8	4.57
Duval	90.3	4.26
Collier	70.7	3.34
Brevard	67.2	3.17
Other	890.3	42.04
Total	**$2,117.5**	**100.00%**

**Updated as of 12/31/12*

Participating Insurers by Mandatory Coverage Option Selection



FHCF Premium by Mandatory Coverage Option

	Total # of Insurers	45%			75%			90%		
		# of Insurers	% of Insurers	% of Premium	# of Insurers	% of Insurers	% of Premium	# of Insurers	% of Insurers	% of Premium
1995/96	290	187	64.4%	12.2%	17	5.9%	2.8%	86	29.7%	85.0%
1996/97	292	177	60.6%	9.9%	16	5.5%	2.2%	99	33.9%	87.9%
1997/98	307	170	55.4%	7.0%	15	4.9%	2.0%	122	39.7%	91.0%
1998/99	304	148	48.7%	6.2%	8	2.6%	1.3%	148	48.7%	92.5%
1999/00	288	122	42.4%	5.2%	8	2.8%	1.2%	158	54.8%	93.6%
2000/01	289	122	42.2%	4.06%	5	1.7%	0.025%	162	56.1%	95.91%
2001/02	279	99	35.5%	2.14%	2	0.7%	0.001%	178	63.8%	97.86%
2002/03	262	65	24.8%	1.30%	2	0.8%	0.001%	195	74.4%	98.70%
2003/04	240	57	23.8%	1.55%	1	0.4%	0.00%	182	75.8%	98.45%
2004/05	236	49	20.8%	0.98%	1	0.4%	0.00%	186	78.8%	99.02%
2005/06	214	36	16.8%	0.49%	0	0.0%	0.00%	178	83.2%	99.51%
2006/07	213	36	16.9%	0.45%	0	0.0%	0.00%	177	83.1%	99.55%
2007/08	212	34	16.0%	0.24%	1	0.5%	0.06%	177	83.5%	99.70%
2008/09	200	27	13.5%	0.12%	0	0.0%	0.00%	173	86.5%	99.88%
2009/10	188	22	11.7%	0.09%	0	0.0%	0.00%	166	88.3%	99.91%
2010/11	175	20	11.4%	0.09%	0	0.0%	0.00%	155	88.6%	99.91%
2011/12	172	20	11.6%	0.09%	0	0.0%	0.00%	152	88.4%	99.91%
2012/13	162	19	11.7%	0.10%	0	0.0%	0.00%	143	88.3%	99.90%

*FHCF Optional Coverage**
Temporary Increase in Coverage Limits (TICL) Payout Multiples

Contract Year 2013

Mandatory FHCF Limit	FHCF Mandatory Payout Multiple	
$17,000,000,000	13.4644	
TICL Limit	**TICL Payout Multiple**	**FHCF+TICL Payout Multiple**
$ 1,000,000,000	0.7920	14.2564
$ 2,000,000,000	1.5841	15.0485
$ 3,000,000,000	2.3761	15.8405
$ 4,000,000,000	3.1681	16.6325

For the 2012/2013 Contract Year, 10 companies selected this coverage option for a total premium of $3,482,143 and a combined increase in the FHCF coverage limit of $13,148,248.

**Optional coverage is defined in Section 215.555 (17), Florida Statutes, and is available for Contract Years 2007-2013.*

Statistical Summary as of 12/31/12 *($ billions)*

Contract Year	FHCF Premium (1)	Projected Payout Multiple (Mandatory Coverage)	Exposure	Number of Participants
95/96	$0.439	11.14	$747.3	290
96/97	0.423	15.21	754.4	292
97/98	0.465	17.15	760.4	307
98/99	0.446	24.72	770.5	304
99/00	0.435	25.31	798.8	288
00/01	0.439	25.07	881.3	289
01/02	0.478	23.02	922.1	279
02/03	0.499	22.06	1,100.1	262
03/04	0.490	22.45	1,192.5	240
04/05a	0.513	21.43	49.8	49
04/05b	0.619	24.24	1,270.8	187
05/06	0.739	20.39	1,526.9	214
06/07	1.063	14.04	1,791.7	213
07/08	1,304.3	16.66	2,022.8	212
08/09	1,292.3	16.60	2,115.5	200
09/10	1,460.0	16.06	2,166.2	188
10/11	1,319.0	15.30	2,164.5	175
11/12	1,327.9	14.85	2,118.0	172
12/13	1,266.5	13.46	2,076.3	162

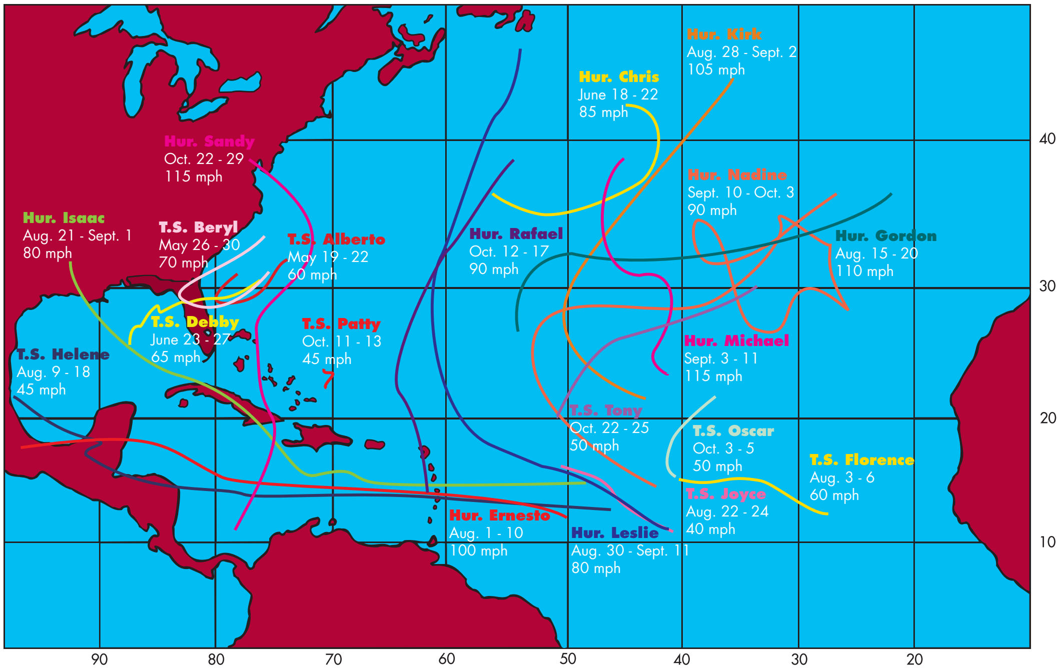
(1) - FHCF premium for Contract Years 95/96, 96/97, and 97/98 are as of 12/31/03.
- FHCF premium for Contract Years 98/99 and 99/00 is the premium received as of 12/31 of each year. By definition, these premium factors were used to calculate the Projected Payout Multiple for each contract year, and as such, have not been updated to reflect subsequent changes.
- FHCF premium for Contract Years 00/01 through 04/05 is the premium billed as of 12/31 of each year. By definition, similar to the above, this premium is locked.
- FHCF premium for Contract Year 04/05a is as if all companies chose the transitional option. FHCF premium for Contract Year 04/05b is as if all companies did not choose the transitional option. Actual FHCF premium billed for Contract Year 04/05 at 12/31/04 was $616.07 m.
- FHCF premium for Contract Year 07/08 consists of $928 m mandatory coverage, $237 m TICL coverage, and $139 m for coverage up to $10 m.
- FHCF premium for Contract Year 08/09 consists of $992 m mandatory coverage, $220 m TICL coverage, and $81 m for coverage up to $10 m.
- FHCF premium for Contract Year 09/10 consists of $1,075 m mandatory coverage, $274 m TICL coverage, and $110 m for coverage up to $10 m.
- FHCF premium for Contract Year 10/11 consists of $1,115 m mandatory coverage, $101 m TICL coverage, and $103 m for coverage up to $10 m.
- FHCF premium for Contract Year 11/12 consists of $1,139 m mandatory coverage, $90.3 m TICL coverage, and $98.6 m for coverage up to $10 m.
- FHCF premium for Contract Year 12/13 consists of $1,263 m mandatory coverage and $3.5 m TICL coverage.

FHCF Mandatory Coverage Retention Multiples

Contract Year	45%	75%	90%
95/96	12.44387	7.46632	6.22194
96/97	12.39750	7.43850	6.19875
97/98	12.40000	7.44000	6.20000
98/99	12.40000	7.44000	6.20000
99/00	13.26862	7.96117	6.63431
00/01	14.29810	8.57886	7.14905
01/02	13.90554	8.34333	6.95277
02/03	16.06212	9.63727	8.03106
03/04	17.89329	10.73597	8.94665
04/05 $11B xs $4.9B	18.92832	11.35700	9.46416
04/05 $15B xs $4.5B	14.52133	8.71280	7.26067
05/06	12.57530	7.54520	6.28760
06/07	10.54449	6.32669	5.27224
07/08	12.36240	7.41740	6.18120
08/09	12.84250	7.70550	6.42130
09/10	13.35640	8.01380	6.67820
10/11	12.37590	7.42550	6.18790
11/12	12.46650	7.47990	6.23320
12/13	11.23400	6.74040	5.61700

2012 Tropical Cyclones in the Atlantic Basin

TS Alberto
TS Beryl
H Chris
TS Debby
H Ernesto
TS Florence
H Gordon
TS Helene
H Isaac
TS Joyce
H Kirk
H Leslie
H Michael
H Nadine
TS Oscar
TS Patty
H Rafael
H Sandy
TS Tony



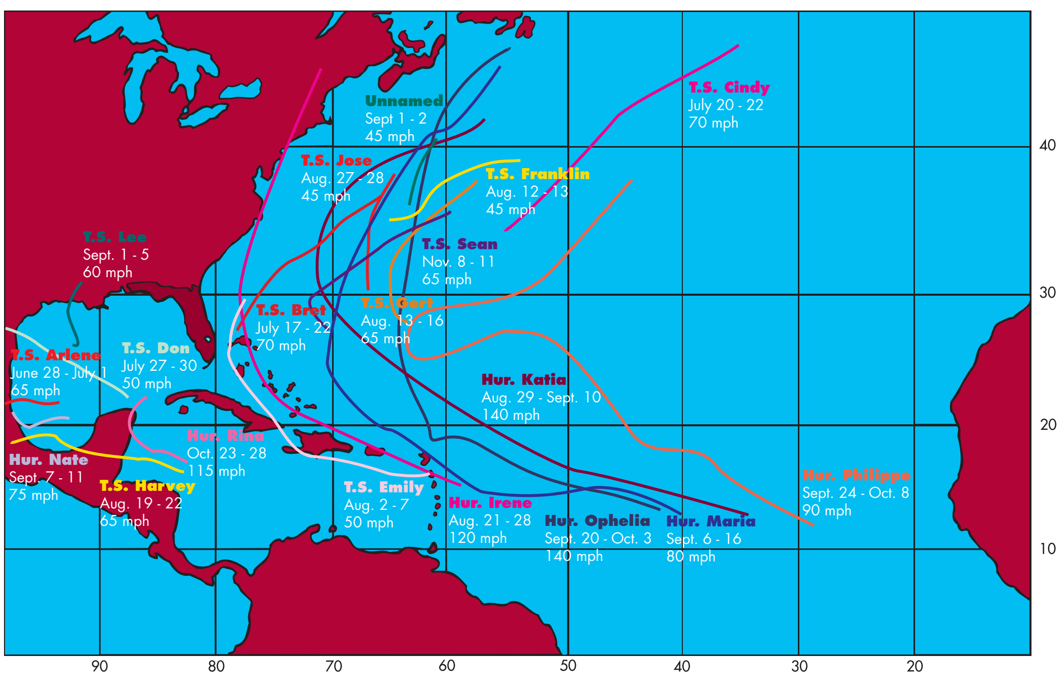
TS Tropical Storm
H Hurricane

Storms making landfall in Florida

The FHCF was not required to pay losses for the 2012 hurricane season.

2011 Tropical Cyclones in the Atlantic Basin

TS Arlene
TS Bret
TS Cindy
TS Don
TS Emily
TS Franklin
TS Gert
TS Harvey
H Irene
TS Jose
H Katia
TS Lee
H Maria
H Nate
H Ophelia
H Philippe
H Rina
TS Sean
TS Un-named



(Post season analysis classified a tropical depression as a tropical storm.)

TS Tropical Storm H Hurricane

The FHCF was not required to pay losses for the 2011 hurricane season.

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Locke Burt, Chairman and President, Security First Insurance

W. Lockwood (Locke) Burt began his insurance career in 1974. Since 1980, he has served as President of Ormond Re Group. A licensed insurance and reinsurance broker, he served on the Board of the Florida Association of Domestic Insurance Companies, and as President of the Independent Reinsurance Underwriters and Brokers Association. He is a licensed attorney and former member of the Florida Senate.

Security First Insurance℠

Insuring Florida Homes

Proposed Legislation to Improve the FHCF

Senate Committee on Banking and Insurance

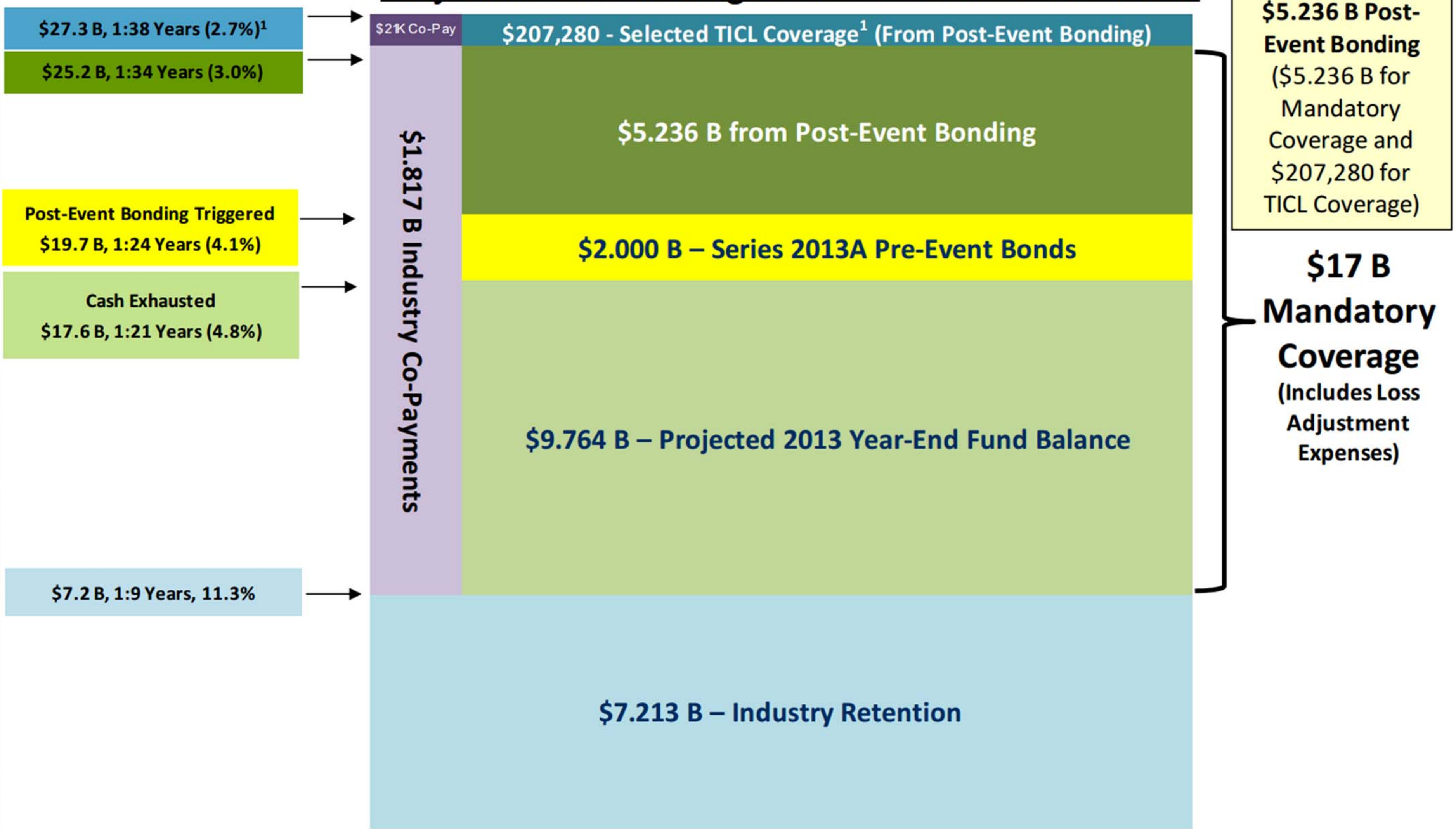
December 10, 2013

Why is legislation necessary?

1. Maximum limit of FHCF needs clarification
2. Risks covered by FHCF need clarification
3. Legislative intent regarding FHCF contract exclusions and limitations needs clarification
4. FHCF rate-making process needs to be made more transparent

1. What is the maximum limit of coverage provided by the FHCF?

Projected FHCF Coverage for 2013-2014 Contract Year



1. What is the maximum limit of coverage provided by the FHCF?

Florida Statute 215.555(4)(c):

"The obligation of the board with respect to all contracts covering a particular contract year shall not exceed the actual claims paying capacity of the fund up to a limit of $17 billion for the contract year"

Florida Statute 215.555(3)(m):

"'Actual claims paying capacity' means the sum of the projected year end balance of the fund as of December 31 of a contract year, plus any reinsurance purchased by the fund, plus the board's estimate of the board's borrowing capacity"

1. What is the maximum limit of coverage provided by the FHCF?

The reference to "claims paying capacity" in Statute should be eliminated because:

- It's not clear which of the two required bonding estimates, May or October, establish the maximum limit of the FHCF
- It's difficult for insurance companies to protect themselves in the event that *anticipated* bond sales don't materialize because:
  a) Florida law prohibits including the cost of duplicate coverage in a company's rate filings and
  b) FHCF reimbursement contract prohibits the assignment of potential FHCF recoveries to a third party to obtain financing for the quick payment of claims prior to receiving reimbursement from the FHCF

1. What is the maximum limit of coverage provided by the FHCF?

The reference to "claims paying capacity" in statute should be eliminated because:

- The definition of "claims paying capacity" ignores the simple fact that, ultimately, the FHCF can levy emergency assessments on Floridians which provides the organization with an assessment base of $36.185 billion. The FHCF could levy annual assessments as much as $2.171 billion for hurricanes occurring in one contract year and $3.619 billion for hurricanes occurring over multiple years.

1. What is the maximum limit of coverage provided by the FHCF?

Why the estimate of "claims paying capacity" shouldn't matter

- Florida statutes do not put any time limit on the SBA's authority (or obligation) to issue revenue bonds or levy emergency assessments to pay claims from a covered event
- Dr. Nicholson and Leonard Schulte (who wrote 215.555) told representatives of Security First that, in their opinion, the FHCF must make a good faith effort for as long as it takes to fully reimburse companies for covered claims

How fast will the FHCF need the money?

The FHCF October 2013 Bonding Estimate assumed that in the event of a 100-year event the FHCF could exhaust its resources in 3-6 months. Actual reimbursements for losses from the storms of 2004 and 2005 occurred over a much longer time period.

2004 Hurricanes	10/17/05 Approx. 14 Mos.	10/13/06 Approx. 26 mos.	10/5/07 Approx. 38 Mos.	10/2/08 Approx. 50 Mos.
Paid Losses (in billions)	$3.249	$3.658	$3.745	$3.745
Total Losses Including Reserves (in billions)	$3.750	$3.950	$3.950	$3.950
Percent Paid	86.6%	92.6%	94.8%	94.8%
Percent Paid to Final Total	84.1%	94.7%	97.0%	97.0%

2005 Hurricanes	10/13/06 Approx. 14 Mos.	10/05/07 Approx. 26 mos.	10/2/08 Approx. 38 Mos.	10/9/09 Approx. 50 Mos.
Paid Losses (in billions)	$3.416	$4.175	$4.589	$4.904
Total Losses Including Reserves (in billions)	$4.500	$4.500	$5.200	$5.450
Percent Paid	75.9%	92.8%	88.3%	90.0%
Percent Paid to Final Total	58.5%	71.5%	78.6%	84.0%
	At 14 Months	At 26 Months	At 38 Months	At 50 Months
Average	71.3%	83.1%	87.8%	90.5%

Financial Impact of "Shortfall"

If the FHCF was unable to pay all of its claims in a timely fashion, the impact on individual companies could vary significantly depending on their relative exposure to loss from a particular event.

Year	Hurricane	Total Residential Loss	FHCF Limit	Companies with Full Coverage from FHCF (90% Option)	Number of Companies Receiving Reimbursement from the FHCF	Number of Companies Receiving No Reimbursement from the FHCF	Number of Companies Paid the Full Limit of FHCF Coverage	Total FHCF Loss	% of Companies Claiming No Reimbursement from FHCF
1995	Erin, Opal	$1.0B	$4.9B	86	9	77	0	$13M	89.5%
2004	Charley, Frances, Ivan, Jeanne	$16.7B	$15.0B	186	136	50	60	$3.9B	26.9%
2005	Dennis, Katrina, Wilma	$12.3B	$15.0B	178	113	65	19	$5.8B	36.5%

This significant difference in exposure to the FHCF can be seen in the FHCF's past loss experience. In 2004 and 2005, a significant number of companies did not experience a loss large enough to trigger a request for reimbursement from the FHCF and only a small number of companies utilized the full limit of their coverage from the FHCF.

1. What is the maximum limit of coverage provided by the FHCF?

Solution: Clarify the statute to make the maximum liability of the fund a fixed dollar amount

Using a fixed dollar amount will:

- Remove any uncertainty regarding the limit

- Convert the potential problems created by an inability to sell bonds from a problem of insurance company solvency to a problem of insurance company liquidity which is much easier to manage

2. What types of risks are covered by the FHCF?

Florida Statute 215.555(2)(c) provides:

"'Covered policy' means any insurance policy covering residential property in this state, including, but not limited to, any homeowner's, mobile homeowner's, farm owner's, condominium association, condominium unit owner's, tenant's, or apartment building policy, or any other policy covering a residential structure or its contents issued by an authorized insurer"

2. What types of risks are covered by the FHCF?

The FHCF reimbursement contract for 2014/2015 excludes coverage for many types of risks that could be considered “residential”. The FHCF has determined that the Legislature did not intend for certain types of risks to be covered because they were not truly “residential” risks.

2. What types of risks are covered by the FHCF?

Examples of risks that were covered in 1997 which are no longer covered include:

- Any exposure for hotels, motels, timeshares, shelters, camps, retreats, and any other property used solely for commercial purposes
- Any exposure for homes and condominium structures or units that are non-owner occupied and rented for six(6) or more rental periods by different parties during the course of a twelve(12) month period
- Nursing homes unless an integral part of a retirement community
- Any exposure for barns or barns with apartments

2. What types of risks are covered by the FHCF?

It's likely that the difference between the statute and the FHCF contract is going to result in coverage disputes after a hurricane unless legislative intent is clarified.

For example:

- What is the annual period that is going to be used to determine the definition of rental properties? How are insurance companies going to monitor the number of times a condominium unit is rented?
- What's the difference between a "barn" with an apartment and a "garage" with an apartment?
- Is a HO4 policy sold to a full time resident of a hotel or motel covered?

Solution: Amend the statute to make it clear that any property covered by an HO3, HO4, HO6, HO8, or Dwelling Fire policy approved by the Office of Insurance Regulation, is a covered policy.

3. What are the limitations and exclusions of the FHCF contract?

There are significant differences between the coverage provided by the FHCF and private reinsurers.

For example:

- Private reinsurers cover actual loss adjustment expense. FHCF coverage is limited to 5%.
- Coverage provided by private reinsurers includes losses that fall under the loss assessment coverage that private insurance companies are required to provide policyholders. FHCF excludes coverage for those same losses.

3. What are the limitations and exclusions of the FHCF contract?

These differences in coverage increase the cost of purchasing the private reinsurance necessary to cover the FHCF co-pay of 10% because the private reinsurers have a difficult time quantifying how those differences will impact the amount of loss to the co-pay layer.

Solution: Eliminate the coverage differences between private reinsurance and the FHCF.

3. What are the limitations and exclusions of the FHCF contract?

There are also coverage issues related to water losses caused by a hurricane. Coverage exclusions noted in the FHCF contract:

- “Property losses that are proximately caused by any peril other than a Covered Event, including but not limited to, fire, theft, flood or rising water” are excluded
- “the FHCF does not provide coverage for water damage which is generally excluded under property insurance contracts and has been defined to mean flood, surface water waves, tidal water, overflow of a body of water, storm surge, or spray from any of these, whether or not driven by wind”

3. What are the limitations and exclusions of the FHCF contract?

The standard homeowners policy covers damage from wind-driven water and fire, lightning, and theft losses that can occur during a hurricane. In addition, some companies are adding flood coverage to their existing homeowners policies. These differences could create disputes regarding the allocation of losses between the FHCF and private reinsurers after a hurricane.

Solution: The legislature should determine the extent of coverage provided by the FHCF for water, flood, and other types of claims that occur during a hurricane.

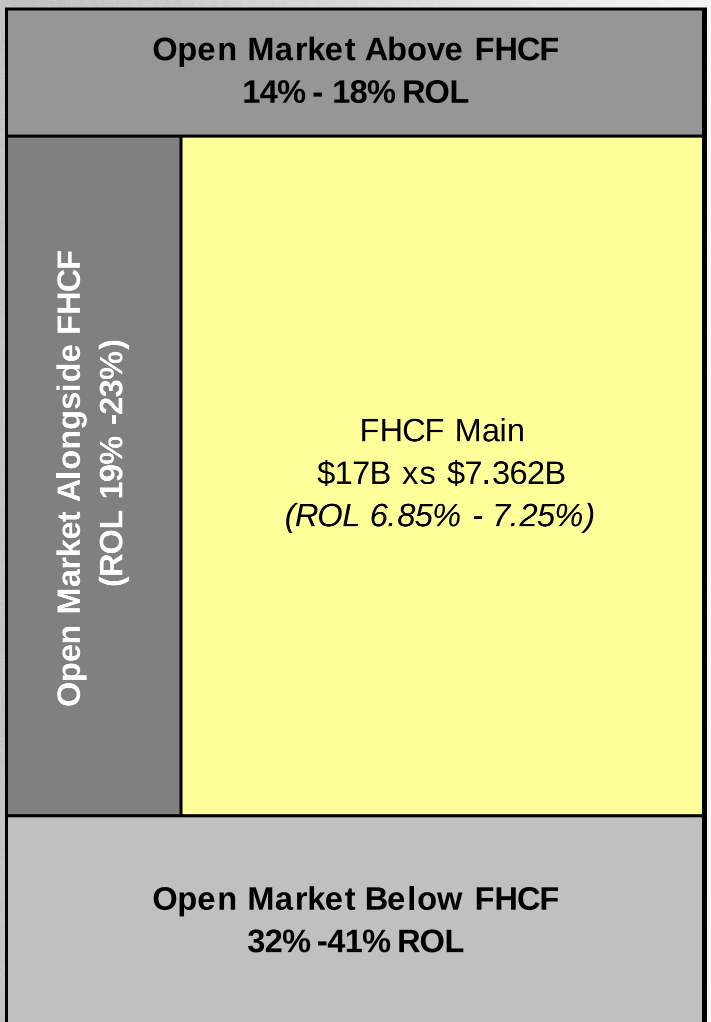
4. What is the rate-making process used by the FHCF?

The FHCF rate-making formula adopted annually by the SBA cannot be peer reviewed because:

- The weighting of the hurricane models used to determine the FHCF rates is not made public and changes from time to time
- The FHCF handles wind mitigation credits differently than private insurance companies, but the study relied upon by the FHCF to make these determinations has not been made public
- The adequacy of the risk load factor used by the FHCF cannot be evaluated

Solution: The Legislature should require transparency in the FHCF rate-making process

How will changes to the FHCF affect Floridians?



The limit, attachment point, rapid cash build up factor, and insurer co-pay set by the Legislature determine the reimbursement premium charged by the FHCF and the amount of private reinsurance required by Florida insurance companies.

How will changes to the FHCF affect Floridians?

If the co-pay remains at 10%, the rapid cash and build-up is reduced from 25% to 0%, the approximate decreases in the rates charged by Security First Insurance from changes in the FHCF limit and attachment point would be as follows:

	Security First Insurance Rate Changes by FHCF Main Coverage Limit and Attachment Point			
Attachment Point	**$17 Billion**	**$16 Billion**	**$15 Billion**	**$14 Billion**
$7.2 Billion	**- 4.6%**	**- 4.0%**	**- 3.2%**	**- 2.3%**
$6.2 Billion	**- 5.1%**	**- 4.3%**	**- 3.4%**	**- 2.4%**
$5.2 Billion	**- 6.3%**	**- 5.4%**	**- 4.4%**	**- 3.3%**

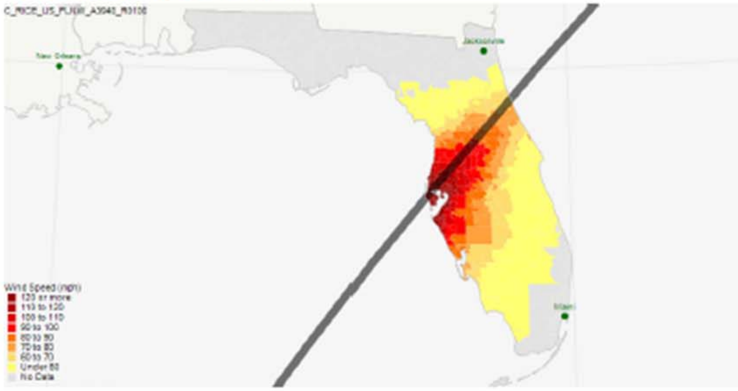
These rate decreases also assume a 5% decrease in reinsurance prices at June 1, 2014.

Additional Thoughts

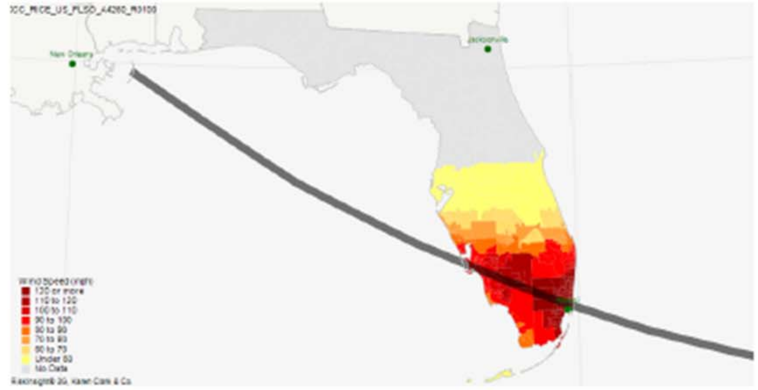
- Citizens Property Insurance Corporation represents about 35% of the exposure ceded to the FHCF. Should that coverage be continued?

Citizens Potential Hurricane Losses Total Portfolio (RiskInsight)

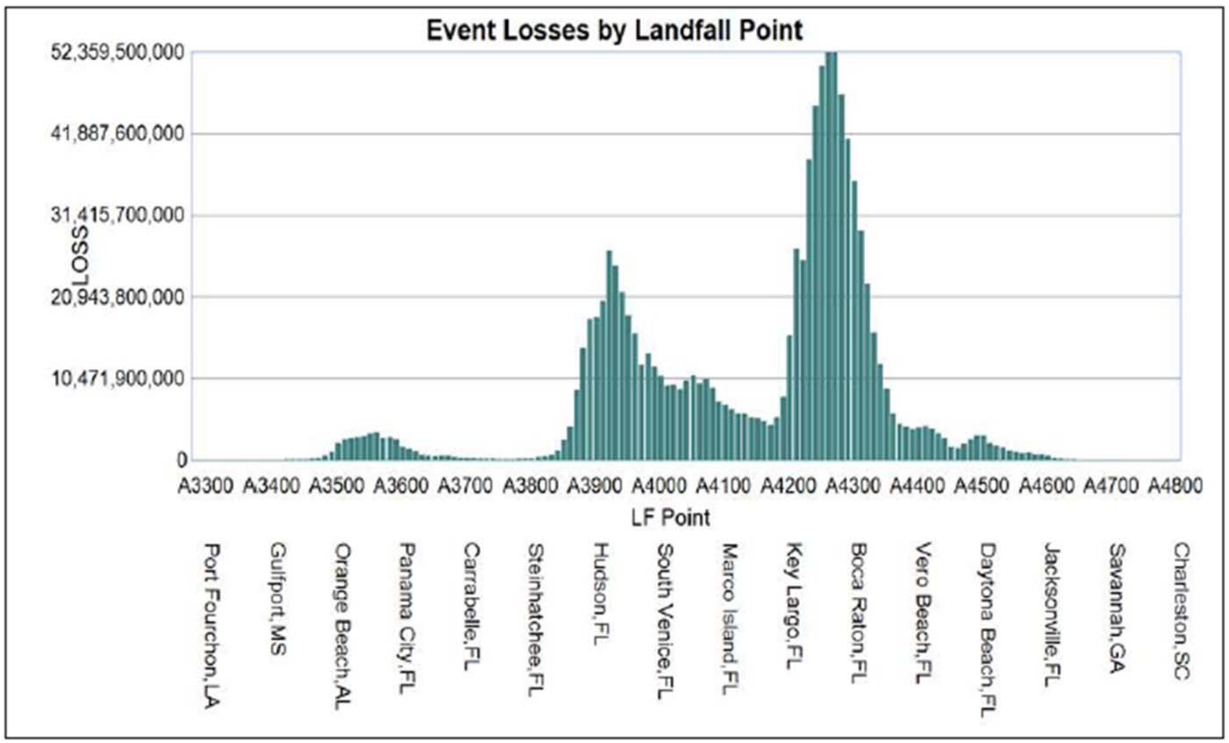
100-Yr Characteristic Event
Tampa landfall
Total Loss: $27 Billion



100-Yr Characteristic Event
Miami landfall
Total Loss: $52 Billion

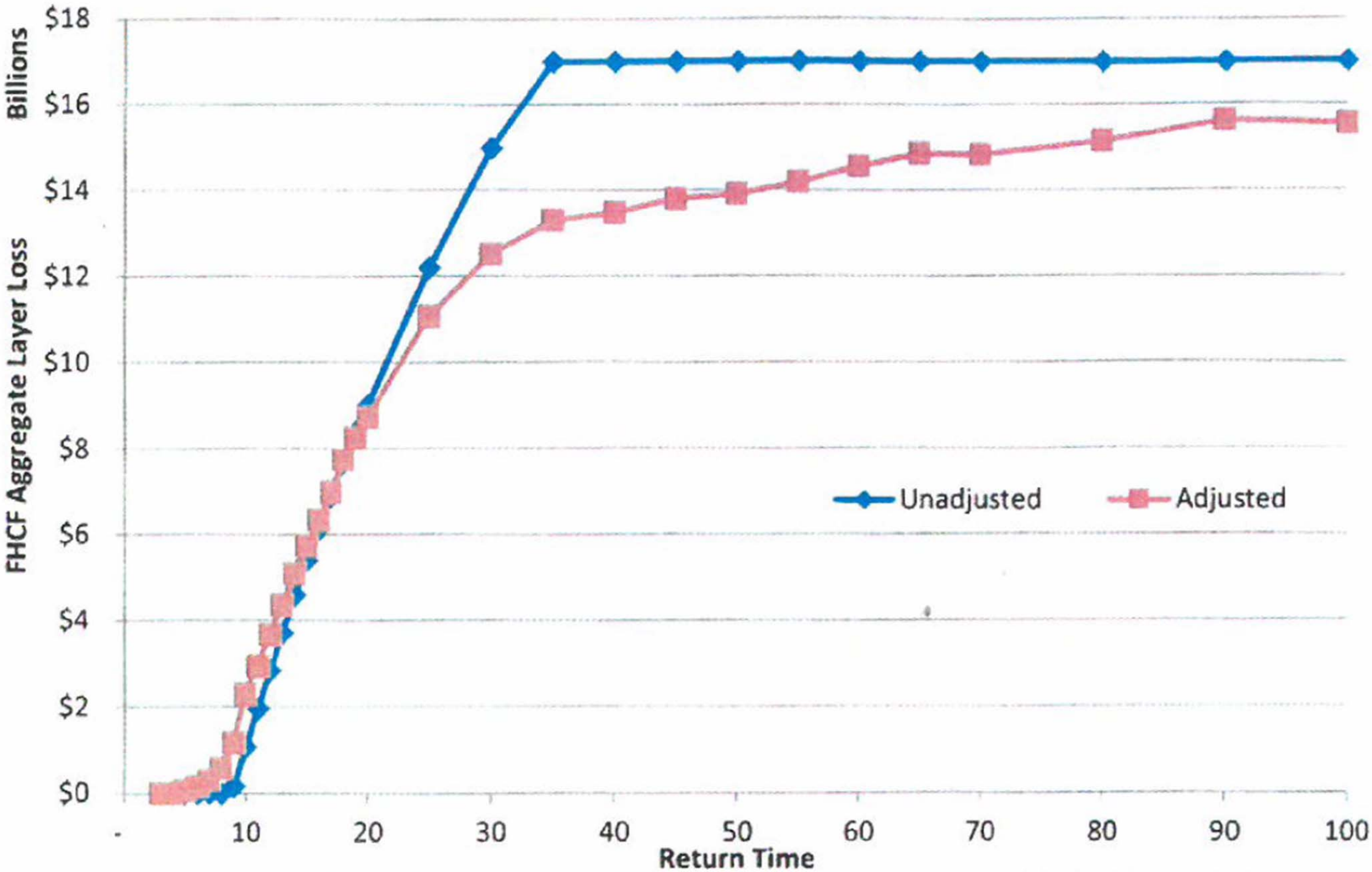


Total Portfolio Multi-Peril 100-Year Characteristic Event Loss Estimates (June 2012)



Additional Thoughts

- The impact of a large hurricane on the FHCF is misunderstood by most people. It is extremely unlikely that a 100-year event would exhaust the $17 billion limit.
- The FHCF limit will not be exhausted until every company with an FHCF reimbursement contract suffers losses which exhaust 100% of their individual FHCF limit.



Source: Florida Hurricane Catastrophe Fund 2013 Ratemaking Formula Report Presented to the State Board of Administration of Florida March 21, 2013

Additional Thoughts

- The data obtained by the FHCF should be improved and used to stress test the FHCF, Citizens, private insurance companies, and FIGA

Estimated Loss of Florida's Ten Largest Hurricanes

Storm	Total Overall Loss	Total Florida Loss	Residential Florida Loss	SFIC - AIR	SFIC - RMS
1926 - Great Miami	$125 B	$125 B	$70 B	$168.2 M	$257.0 M
1928 - Lake Okeechobee	$65 B	$65 B	$36 B	$167.5 M	$381.8 M
1992 - Andrew	$50 B	$50 B	$30 B	$80.6 M	$175.0 M
1947 - Fort Lauderdale	$50 B	$50 B	$24 B	$84.7 M	$81.7 M
1960 - Donna	$25 B	$15 B	$8 B	$153.8 M	$87.0 M
1921 - Tampa Bay	$15 B	$15 B	$8 B		
2005 - Wilma	$15 B	$15 B	$8 B	$33.0 M	$27.4 M
1949 - Unnamed 02	$15 B	$15 B	$7 B		
2004 - Charley	$10 B	$10 B	$7 B	$96.1 M	$145.1 M
1945 - Homestead	$15 B	$15 B	$6 B	$87.1 M	$91.4 M

Note: Estimates are based on insured values in 2012.

Total Florida Loss includes losses (buildings, contents and time) to residential, commercial and industrial structures due to wind (does not include storm surge or flooding, and does not include auto losses).

Residential Florida Loss combines insured losses from single- and multi-family homes, apartments and condominium buildings. Because some apartment and condominium losses might have been covered under a commercial policy, the residential loss numbers could be slightly overstated.

Additional Thoughts

- The “right size” of the FHCF should be determined by the Legislature rather than the financial markets

Thank You

Locke Burt

Chairman and President

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Security First Insurance℠

Insuring Florida Homes

BRADLEY L. KADING, CPCU, ARe
President and Executive Director
Association of Bermuda Insurers and Reinsurers

Bradley L. Kading is President and Executive Director of the Association of Bermuda Insurers and Reinsurers (ABIR). ABIR is an association of Bermuda's market leading Class 4 insurers and reinsurers. In 2012the international insurance groups in ABIR's membership collectively wrote $66 billion in premium on a capital base of $95 billion. Kading directs ABIR's public policy activities around the world, including working with members of the United States Congress, the European Parliament, the European Commission, and the Executive branches of government in Bermuda and the United States. He has made numerous presentations in various jurisdictions to educate regulators, policymakers, and stakeholders about the regulation applied to Bermuda's major international insurers and reinsurers and the important role they play in the global economy. He regularly engages in dialogue with insurance regulators and policymakers around the world and is frequently quoted in insurance industry trade magazines. He's the author of articles published in the Journal of Insurance Regulation and in the Geneva Association Papers on Risk and Insurance.

Kading has spoken frequently at policy-maker and industry forums including: the International Association of Insurance Supervisors (IAIS), the National Association of Insurance Commissioners, the Geneva Association, the Risk and Insurance Management Society, the National Conference of Insurance Legislators, the National Conference of State Legislatures, the Property Casualty Insurers Association of America, the Reinsurance Association of America (RAA), the American Legislative Exchange Council, the National Association of Mutual Insurance Companies, the Chartered Property and Casualty Underwriters Society, the European Insurance Forum in Dublin, the World Insurance Forum, the Reactions' and CEBRI Brazil Reinsurance Conferences, the International Insurance Society and other conferences on insurance securitizations, regulation, hazard mitigation and catastrophe insurance. In the United States, he has served on state hurricane commissions in Alabama and Louisiana and has been the chair of the NCOIL Insurance Education Council and the Coordinator of the NAIC's Industry Liaison Group. He is currently a Director of the International Insurance Society.

Prior to joining ABIR in December 2005, Kading served for 14 years as Senior Vice President and Director of State Relations for the RAA. His responsibilities included the management of all RAA programs directed at state legislation and regulation affecting reinsurers. He also helped develop the RAA's work with the IAIS. In addition, he served as Chief Operating Officer of the RAA's ReSources division which was devoted to creating non-dues revenues for the association.

Prior to joining RAA in October 1991, Kading was Vice President and Director of Government Affairs for the Alliance of American Insurers in Chicago. He was at Alliance for 10 years, advancing through a variety of government affairs positions.

In addition to his 32 years of insurance regulatory experience, Kading previously worked as administrative assistant to the Speaker of the Iowa House of Representatives and as a newspaper reporter for the Waterloo Daily Courier in Waterloo, Iowa.

Kading earned a Masters in Business Administration from the Kellogg School of Graduate Management at Northwestern University in Evanston, Illinois and a B.A. in Journalism from Drake University in Des Moines, Iowa. He subsequently received CPCU and ARe designations. To learn more about ABIR visit www.ABIR.bm.

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Florida Senate Banking and Insurance Committee Testimony (12/10/13)

Abundant Reinsurance Capacity, Falling Prices; Opportunity to "Right Size" the Florida Hurricane Catastrophe Fund and Reduce the Policy Count of Citizens

Association of Bermuda Insurers and Reinsurers (ABIR)
Bradley L. Kading, President

1. Reinsurers support Florida domestic insurers with record amounts -- and growing reinsurance capacity, in a stable to declining pricing environment that benefits Florida's insurers, taxpayers and policyholders;
    a. Bermuda's reinsurers are committed to Florida and represent 60% of that supply
    b. Bermuda is the global center for property catastrophe reinsurance
    c. ABIR's 21 (re)insurer members at yearend 2012 wrote $66 billion in global gross premium on a $90 billion capital base

2. Reinsurers are financially strong, very well capitalized and rated highly by the rating agencies; and provide cheaper alternative capital to insurers to help them grow their businesses

3. Use of private reinsurance spreads risk beyond Florida; it is valuable to Florida because it means not all the cost of hurricane risk has to be financed within the state by citizens and taxpayers:

    a. economic research shows that reinsurance payments for catastrophe claims from external sources (global markets) leads to faster economic recovery post event

4. Reinsurance capacity is abundant, with additional providers of capital eager to take on hurricane insurance risk

5. Reinsurance prices are expected to fall in 2014 for the second year in a row, based on published press articles:[i]
    a. reinsurance prices have been steady to declining in Florida since 2009

6. During the last legislative session reinsurance prices in 2013 were reported to be declining, based on broker and trade press reports. There was a skeptical audience for this message in Tallahassee in 2013, but:
    a. the June 1 results proved an average 15% price decrease for reinsurance; amounts will vary by insurer

    b. The CFO's consumer advocate was correct in her testimony that Cat Fund changes proposed in 2013 would have not increased consumer prices

7. Alternative capital providers (pension funds, private investors, sovereign wealth funds, hedge funds) are providing additional capital to take on catastrophe reinsurance risk; they now provide an estimated 15% of catastrophe reinsurance capacity, an amount that is estimated to grow to 50% in the next decade;
    a. this is the one of two primary drivers leading to lower rates – an abundance of capacity;
    b. the second is the record 8 year dry spell of Florida land-falling hurricanes

8. Alternative capital is in this business for the long haul, having tested this market now for 20 years; this is good news for Florida policymakers – it's a new opportunity -- and allows for a re-think of the need for Citizens and the Cat Fund as currently structured:
    a. both can be subject to "rightsizing" by statutory change;
    b. both can use reinsurance to reduce their own risk and reduce the risk of policyholder assessments -- "hurricane taxes"-- on businesses and consumers with cars; no legislative changes are needed to pursue this goal
    c. these are not mutually exclusive options; they work in tandem to accomplish your goals; use both for quicker and better outcomes

9. Citizens' has reduced its policy count by more than 30% and that is an example of the interest investor capital has in Florida hurricane risk. Further reductions can be expected with the Clearinghouse which you wisely enacted

10. With the Cat Fund, further efforts can be undertaken to reduce the size of the Cat Fund, to provide second season stability, and to reduce the risk of further policyholder assessments for the bond debt that will have to be issued to pay Cat Fund claims

11. Reduction of the Cat Fund will not have a negative effect on the supply of reinsurance available for private insurers;
    a. again abundant amounts of reinsurance are available, additional capacity has been parked on the sidelines waiting to be used if needed
    b. According to AM Best reinsurers have earmarked for return to shareholders this year $25 billion in excess capital via share buybacks

12. Sen. Hays' bill is a good approach to "right sizing" of the Cat Fund;
    a. Floridians have paid $5.4 billion in assessments (Citizens, FHCF, FIGA) from the 2004 and 2005 hurricanes, with more likely to come
    b. Trade press reports and rating agency analyses confirm abundant capacity and that further reinsurance price decreases are expected for Florida at June 1; thus the statement of the CFO's consumer advocate earlier this year that Sen. Hay's bill will not impact consumer insurance rates will again hold true

c. By contrast, proposals to reduce the Cat Fund trigger are counterproductive:
    i. lead to increased risk of policyholder and taxpayer assessments
    ii. reduce Cat Fund capacity available for the second or subsequent storm or season
    iii. discourage private capital in global markets from devoting resources to Florida
    iv. lead to increased costs for consumers due to “concentration” and “ring fencing” of risk within Florida
    v. create greater government involvement -- not less -- in the private markets
    vi. reduce incentives for “storm proofing” or mitigation
    vii. bottom line: risk is shifted from private financial markets to Florida’s families and businesses via “hurricane taxes”.

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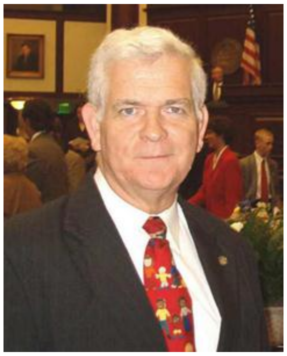
[i] In compliance with anti-trust law, ABIR as a trade association does not collect price or coverage information from its members; market information is from published, public information



Don Brown is an insurance agent from DeFuniak Springs, Florida. He has served on the Walton County Commission, as Republican State Committeeman, Chairman of the Walton County Republican Executive Committee and as a State Representative in the Florida House of Representatives.

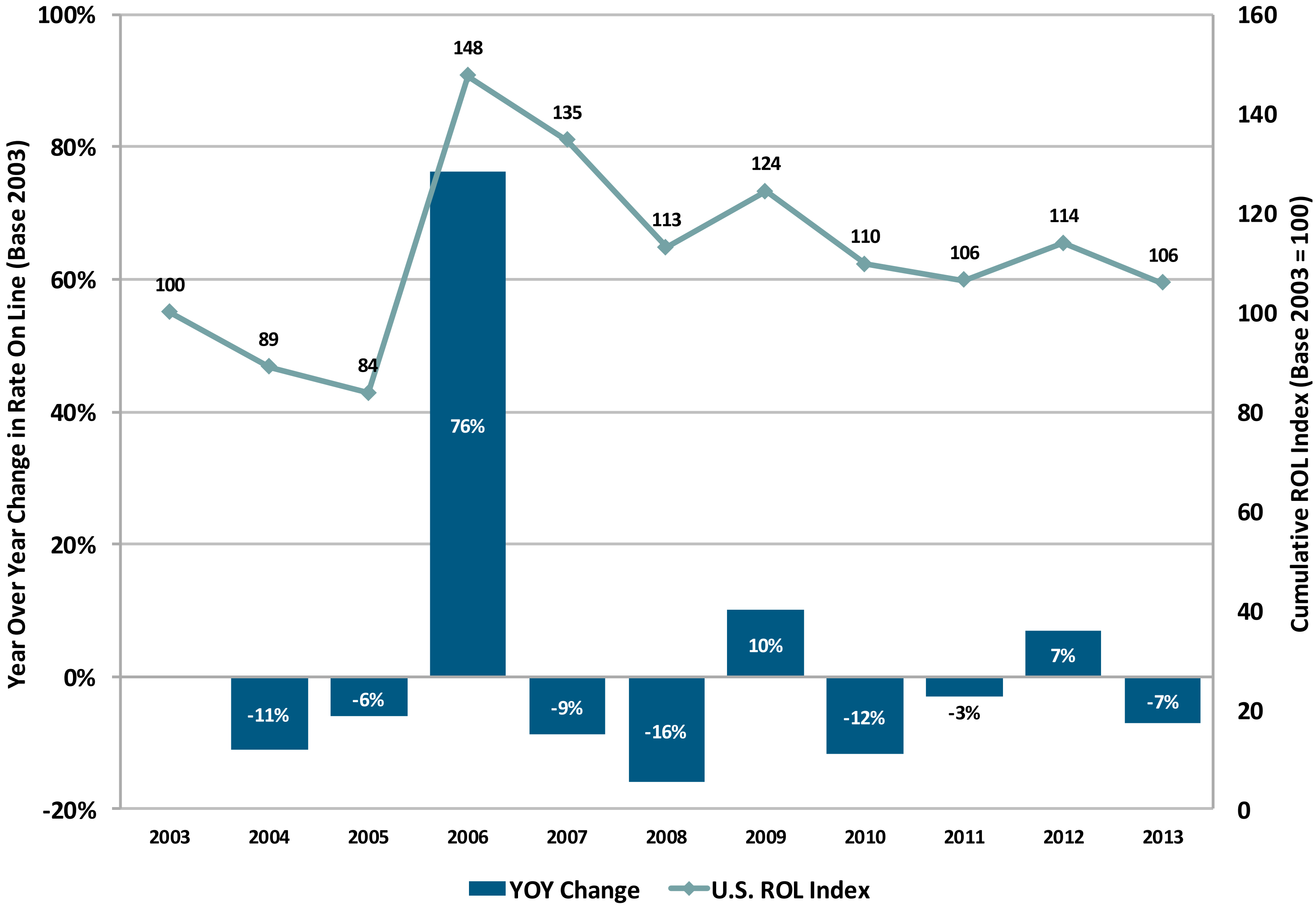
Don is a veteran of numerous campaigns and served as a County Chairman for Governor Jeb Bush and President George Bush.

Don Brown is best known for his work on insurance issues. In the back-to-back years of 2002 and 2003 he was recognized by both the Florida Association of Insurance Agents and the Florida Association of Insurance and Financial Advisors for his significant contribution to insurance reform. Most notably, in 2007 Don was one of only two legislators to vote “No” on HB1A which significantly expanded the role of government into private markets. Since 2007, many of his objections to HB1A have proven to be correct.

Don Brown was known for being well prepared and for standing his ground during his tenure in the Florida House of Representatives. He was most vocal when advocating for smaller government, less taxes, the Free Enterprise System and Market Based Solutions. He was widely regarded as one of the top orators in the House.

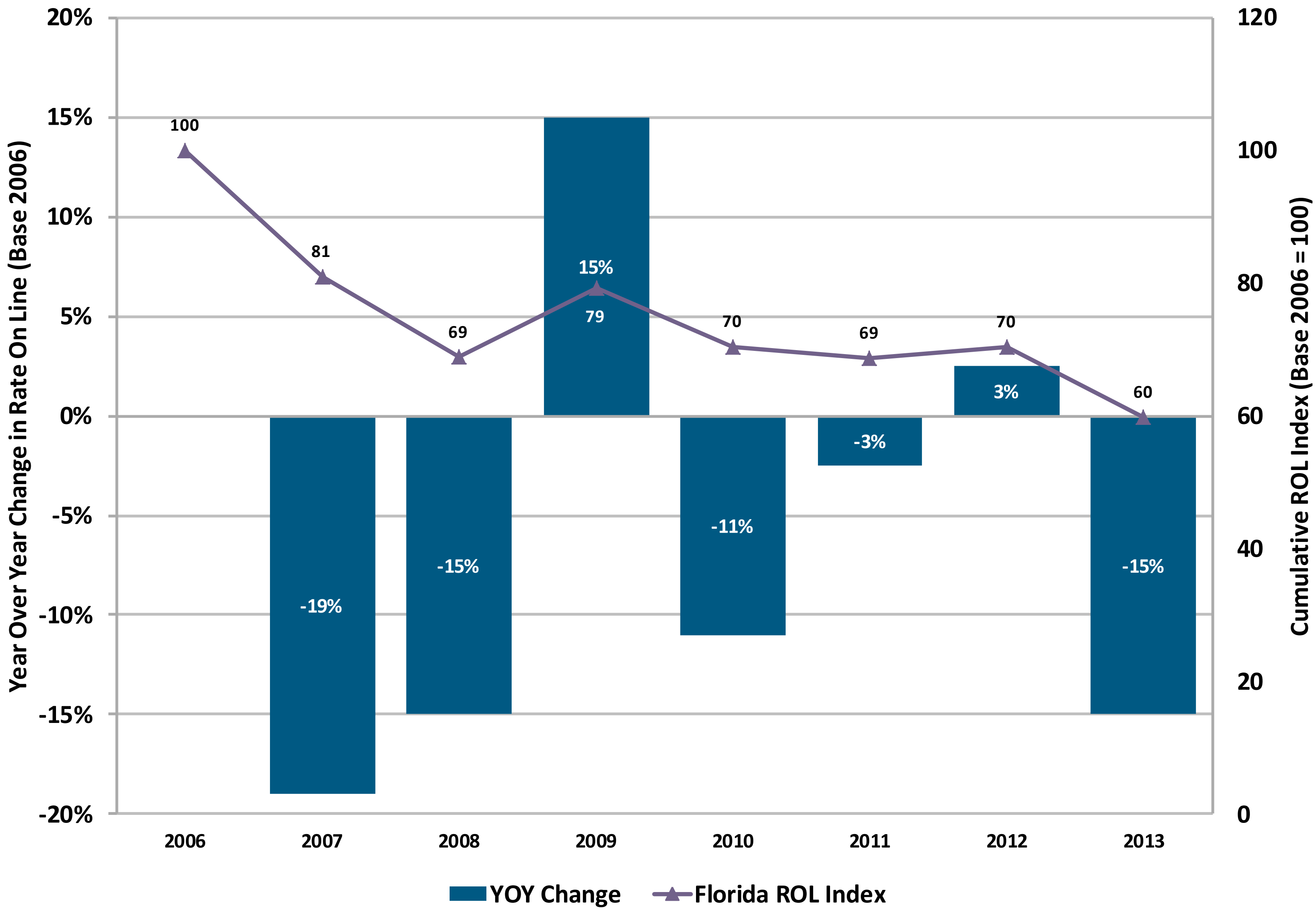
While serving in the Florida House of Representatives Don was also known for his tireless work on such important issues as Medical Malpractice Reform, Elections Reform, Workers’ Compensation Reform and Tort Reform. In 2004 he was recognized by the Emerald Coast Association of Realtors for his work on real estate issues. He was also recognized in 2004 by the Florida Pharmacy Association as their Most Outstanding Legislator. In 2005 the Florida Retail Federation named him the “House Legislator of the Year” and in 2006 the Florida Chamber of Commerce named him “Most Valuable Legislator” after the passage of his HB73 which repealed the doctrine of Joint and Several Liability.

U.S. Property Cat Reinsurance Pricing Since 2003



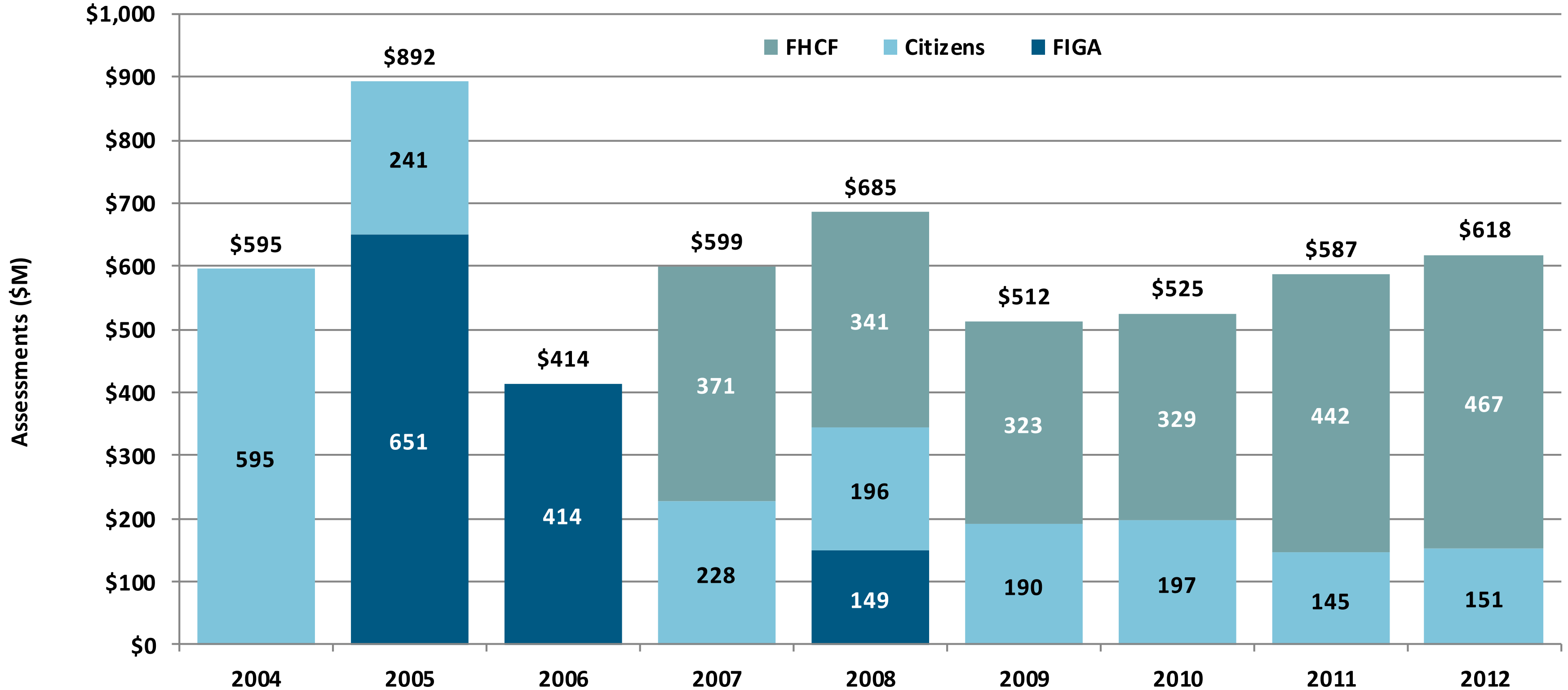
Note: Guy Carpenter U.S. ROL % Index.

Florida Property Cat Reinsurance Pricing Since 2006



Note: Guy Carpenter Florida Renewal reports.

Florida Assessments From 2004 & 2005 Hurricanes



Aggregate Assessments	**$595**	**$1,487**	**$1,901**	**$2,500**	**$3,185**	**$3,698**	**$4,223**	**$4,810**	**$5,429**

Note: Based on assessment % dictated by FIGA, Citizens and Florida Hurricane Catastrophe fund applied to estimate of assessable premium base based on specific lines of business able to be assessed.
Note: Grand total excludes $715M appropriation from Florida legislature to Citizens for the purposes of funding the PLA, CLA and a portion of the HRA deficit.

JAY NEAL, Executive Director, FAIR

Jay Neal, JD, MBA, is Executive Director of the Florida Association for Insurance Reform (FAIR), a non-profit, non-partisan membership organization of insurance stakeholders dedicated to developing long-term balanced public policy solutions. Neal has over 25 years private sector experience in finance, insurance, and reinsurance.

Proposed 2014 Statutory Changes to the Florida Hurricane Catastrophe Fund

1. **Make the FHCF rate-making process transparent and require the FHCF to have it peer reviewed.**
2. **Align FHCF coverage with the reinsurance coverage provided by the private reinsurance market to help reduce the costs of private reinsurance.** This would be done by:
   a. Eliminating the 5% limitation on loss adjustment expense;
   b. Eliminating the prohibition on payments for bad faith or ECO claims;
   c. Eliminating the prohibition on payments of claims for loss assessments by condominium or homeowners associations; and
   d. Eliminating the prohibition on covering residential condominiums that have some units rented out.
3. **Repeal part of 627.062(5), which prohibits companies from including the cost of reinsurance which duplicates all or part of the coverage provided by the main layer of the FHCF in their rate filings.**
4. **Clarify existing law regarding the FHCF's obligation to pay 100% of its statutory limit.**
5. **Require one bonding estimate in January of each year rather than the two estimates required under current law. Require that bonding estimate to include an estimate for one year, two years, and three years bonding capacity.**
6. **Require FHCF board to obtain a LOC to reimburse insurers in the event payments exceed available assets and bonding receipts.**
7. **Delete obsolete provisions regarding TICL.**
8. **Significantly reduce the state's exposure to loss while reducing the cost of reinsurance.**
   - Set industry retention at $5.2B;
   - Reduce the limit of the main layer from $17B to $15B. The limit could be raised to $17B upon finding that such an increase is needed to stabilize the property insurance market; and
   - Remove the rapid cash buildup factor.

FAIR®
FLORIDA ASSOCIATION FOR INSURANCE REFORM

Prepared: September 18, 2013

Mark Delegal

Mark Delegal is a partner in Holland & Knight's Tallahassee office where he practices in the area of government affairs and public policy with an emphasis on the insurance and healthcare industries. With more than two decades of experience, Mr. Delegal provides a wealth of legislative, regulatory and administrative law services. He has a substantial background in serving as counsel to insurance companies, hospitals, physician groups and other providers as well as advising local governments, Florida-domiciled businesses and business associations throughout the state.

Mr. Delegal represents some of the largest insurance companies in the nation as well as top Florida hospitals, physicians and other healthcare entities before both the Florida Legislature and Cabinet. As a lobbyist for major property and casualty insurance companies for more than 20 years, Mr. Delegal has advocated on behalf of clients to position their significant property, casualty and life insurance reform initiatives before policymakers. In addition, he is heavily involved in the Medicaid appropriations process for safety net hospitals and other healthcare entities statewide. In his representation of healthcare organizations and hospitals, Mr. Delegal has secured critical funding for the populations served by those entities, particularly as it relates to the state's hospital disproportionate share program, low-income pool program and intergovernmental transfers.

David Hart

David Hart serves as executive vice president of Florida's largest and most influential business advocacy organization. Hart manages the Chamber's extensive legislative and political operations.

David spent five years in Washington, D.C. serving first as a Legislative Officer at the United States Department of Transportation and later as the Deputy Director of Legislative Affairs at the United States Peace Corps.

In 1993, David returned to Florida and earned a Master's Degree in International Affairs at Florida State University. Upon graduation, he accepted a position as the Director of Governmental and Public Affairs with Summit Consulting, Inc. in Polk County. From 1996 to 1997 David served in the legislative office of then-Commissioner of Education, Frank Brogan. He left that post to become the Political Director for Jeb Bush's successful 1998 campaign for Governor. David served on Governor Bush's Transition Team and as the Director of Legislative Affairs at the Florida Department of Veterans' Affairs.

After spending six years as the Vice President of Government Relations at WCI Communities, David accepted the role of Vice President of Legislative and Governmental Affairs for the Florida Home Builders Association in 2007. As of July 1, 2010, David has joined the Florida Chamber of Commerce in the newly created position of Executive Vice President to manage the Chamber's extensive legislative and political operations.

THE FLORIDA SENATE

APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

12/10/2013
Meeting Date

Topic CAT FUND

Bill Number ______ *(if applicable)*

Name DON BROWN

Amendment Barcode ______ *(if applicable)*

Job Title CONSULTANT

Address POB 866
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City *State* *Zip*

Phone 850-865-9280

E-mail DON@DONBROWNFLORIDA.COM

Speaking: [x] For [ ] Against [ ] Information

Representing AIF; FIC

Appearing at request of Chair: [ ] Yes [x] No

Lobbyist registered with Legislature: [x] Yes [ ] No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

This form is part of the public record for this meeting.

S-001 (10/20/11)

THE FLORIDA SENATE

APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

✓

____
Meeting Date

Topic: Cat Fund

Bill Number: ______________ *(if applicable)*

Name: Bradley L. Kading

Amendment Barcode: ______________ *(if applicable)*

Job Title: President ABIR

Address: O'Hara House
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Hamilton, Bermuda
City *State* *Zip*

Phone: 202-294-0414

E-mail: Bradley.Kading@ABIR.bm

Speaking: ☐ For ☐ Against ☒ Information

Representing: Association of Bermuda Insurers & Reinsurers

Appearing at request of Chair: ☒ Yes ☐ No

Lobbyist registered with Legislature: ☐ Yes ☒ No

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S-001 (10/20/11)

THE FLORIDA SENATE

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12/10/13
Meeting Date

Topic FHCF

Bill Number ______ (if applicable)

Name LOCKE BURT

Amendment Barcode ______ (if applicable)

Job Title CHAIRMAN

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ORMOND BEACH FLA 32176
City State Zip

Phone 386-523-2200

E-mail BURT@ORMANDRE.COM

Speaking: ☐ For ☐ Against ☒ Information

Representing SECURITY FIRST INSURANCE CO

Appearing at request of Chair: ☒ Yes ☐ No

Lobbyist registered with Legislature: ☐ Yes ☐ No

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S-001 (10/20/11)

THE FLORIDA SENATE

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12/10/2013
Meeting Date

Topic Florida Hurricane Catastrophe Fund

Bill Number ____________ *(if applicable)*

Name Leonard E. Schulte

Amendment Barcode ____________ *(if applicable)*

Job Title Director of Legal Analysis & Risk Evaluation, FHCF

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E-mail leonard.schulte@sbafla.com

Speaking: ☐ For ☐ Against ☑ Information

Representing Florida Hurricane Catastrophe Fund

Appearing at request of Chair: ☑ Yes ☐ No

Lobbyist registered with Legislature: ☑ Yes ☐ No

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S-001 (10/20/11)

THE FLORIDA SENATE

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12/10/2013
Meeting Date

Topic ~~[illegible]~~ FHCF

Bill Number — *(if applicable)*

Name Mark Delegal

Amendment Barcode — *(if applicable)*

Job Title Retained Counsel

Address 315 S. Calhoun Street #600
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City *State* *Zip*

Phone

E-mail

Speaking: ☐ For ☐ Against ☑ Information

Representing State Farm

Appearing at request of Chair: ☑ Yes ☐ No

Lobbyist registered with Legislature: ☑ Yes ☐ No

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S-001 (10/20/11)

THE FLORIDA SENATE

APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

12 · 10 · 13
Meeting Date

Topic CAT FUND

Bill Number ______ *(if applicable)*

Name DAVID HART

Amendment Barcode ______ *(if applicable)*

Job Title EXEC. VP

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City *State* *Zip*

Phone 850 . 521 . 1200

E-mail dhart@flchamber.com

Speaking: ☐ For ☐ Against ☑ Information

Representing FLORIDA CHAMBER

Appearing at request of Chair: ☒ Yes ☐ No

Lobbyist registered with Legislature: ☒ Yes ☐ No

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S-001 (10/20/11)

John W. Rollins, FCAS, MAAA

John W. Rollins is Chief Risk Officer at Citizens Property Insurance Corporation, Florida's state-run property insurer. Mr. Rollins joined Citizens Property Insurance in October 2013 and is responsible for Actuarial, Product Development, Corporate Analytics and Enterprise Risk Management business units.

Mr. Rollins previously owned and operated Rollins Analytics, Inc., a firm he founded at the end of 2009. The firm delivered credible and actionable professional actuarial analysis and strategic consulting to institutions concerned with insurance risk in the private and public sector.

Mr. Rollins is a former vice president at AIR Worldwide, a global provider of risk modeling software and consulting services. He has 23 years of experience as a U.S. property and casualty actuary in many environments, including personal and commercial lines insurers, global and regional consulting firms, a top-tier accounting firm, and an insurance advisory organization. He has worked as chief actuary at both Citizens and Florida Farm Bureau Insurance Companies. He served on the Board of Governors of Citizens, appointed by Florida Governor Rick Scott, from 2011-2013.

Mr. Rollins has wide-ranging technical expertise, including personal and commercial lines ratemaking, catastrophe modeling, reinsurance optimization, and loss and expense reserving for insurers and self-insurers. He has authored several prize-winning papers in the journals of the Casualty Actuarial Society, and has spoken and testified on catastrophe management and property lines ratemaking topics to the U.S. Congress, several state legislatures, regulators, rating agencies, insurance leaders, academics and the media.

In addition to qualification as a Fellow of the Casualty Actuarial Society (FCAS) and Member of the American Academy of Actuaries (MAAA), Mr. Rollins holds a B.A. in mathematics from Duke University and M.A. in economics from the University of Florida. A fourth-generation Floridian, he resides in the Gainesville area with his wife and children.

Security First Insurance[SM]

Insuring Florida Homes

Overview and Recommendations to Reduce Citizens' Exposure

Senate Committee on

Banking and Insurance

December 10, 2013

Recommendations:

1. Citizens to stop writing new wind-only policies on July 1, 2014.
2. Citizens to non-renew all existing wind-only policies beginning Jan 1, 2015.

Citizens to Stop Writing New and Renewal Wind-Only Policies

Citizens Policies Wind Only vs. Multi-Peril Coverage (Personal Residential)			
Date	**Coastal (Wind Only)**	**Coastal (Multi-Peril)**	**Total Count**
Nov. 2013	219,466	166,244	385,710
Dec. 2012	239,499	168,070	407,569
Dec. 2011	245, 506	173,798	419,304
Dec. 2010	248,328	154,663	402,991
Dec. 2009	251,287	114,561	365,848
Dec. 2008	328,775	67,672	396,447
Dec. 2007	421,505	24,676	446,181
Dec. 2006	403,509	0	403,509

Advantages for Citizens:

- Less work – no rate fillings for wind only policies
- More revenue – they get the profits on the x-wind accounts that they are missing
- Increased opportunities for depopulation when those policies becomes rate adequate

Advantages for Florida residents:

- One policy instead of two
- Still maintain access to Citizens at subsidized rates

History of Depopulation in Citizens' Coastal Account (Multi-Peril)

Year	# of Policies
2007	0
2008	21,519
2009	16,842
2010	2,231
2011	7,750
2012	24,034
2013	32,388
Total	**104,764**

Thank You

Locke Burt

Chairman and President

Security First Insurance

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Insuring Florida Homes

Citizens Coastal Personal Residential Wind-Only by County as of 10/31/13

	DW2		HW2		HW4		HW6		MD1		MW2			
COUNTY	**POLICY COUNT**	**TOTAL PREMIUM**	**POLICY COUNT**	**TOTAL PREMIUM**	**POLICY COUNT**	**TOTAL PREMIUM**	**POLICY COUNT**	**TOTAL PREMIUM**	**POLICY COUNT**	**TOTAL PREMIUM**	**POLICY COUNT**	**TOTAL PREMIUM**	**TOTAL POLICY COUNT**	**TOTAL PREMIUM**
BAY	846	1,111,357	1,457	2,270,577	10	1,015	2,089	840,602	22	10,580	77	47,637	4,501	4,281,768
BREVARD	198	288,822	1,091	2,146,613	11	2,123	607	364,237			6	5,418	1,913	2,807,213
BROWARD	2,794	5,329,926	22,224	57,991,891	277	80,471	6,159	4,421,146	11	14,571	24	24,973	31,489	67,862,978
CHARLOTTE	195	412,086	509	1,198,732			348	322,878	2	948	6	1,932	1,060	1,936,576
COLLIER	525	1,245,841	3,825	10,853,009	24	10,009	3,686	3,752,209	9	8,640	41	39,005	8,110	15,908,713
DUVAL	320	207,768	690	666,486	12	1,375	171	69,272					1,193	944,901
ESCAMBIA	901	1,061,434	5,116	7,882,994	61	15,050	1,322	695,626	1	563	7	5,902	7,408	9,661,569
FLAGLER	242	130,665	1,004	808,060	3	444	147	64,731	9	3,799	142	81,269	1,547	1,088,968
FRANKLIN	705	1,636,050	745	1,719,161	3	482	6	6,925	3	1,264	17	11,472	1,479	3,375,354
GULF	414	693,043	426	812,506	1	87	23	12,128	8	4,568	39	28,063	911	1,550,395
HERNANDO	12	10,689	130	148,513	1	158	1	214			12	6,810	156	166,384
INDIAN RIVER	56	193,791	1,017	3,549,522	12	5,058	440	571,089					1,525	4,319,460
LEE	1,378	3,104,911	6,392	15,497,291	53	10,572	3,012	2,093,254	33	16,969	635	508,583	11,503	21,231,580
LEVY	53	40,000	249	218,509	2	634	66	22,141	2	418	6	2,711	378	284,413
MANATEE	426	762,088	670	1,602,490	2	395	623	490,511	4	770	5	1,498	1,730	2,857,752
MIAMI-DADE	1,781	3,895,853	24,811	83,811,581	344	183,224	7,923	9,742,483	4	4,642	106	141,283	34,969	97,779,066
MONROE	4,034	11,279,140	12,342	39,547,398	72	36,811	2,339	2,135,478	266	337,707	1,234	2,342,819	20,287	55,679,353
NASSAU	148	91,086	327	290,840	1	399	112	80,424					588	462,749
OKALOOSA	310	778,329	286	839,052	7	1,060	1,800	947,470					2,403	2,565,911
PALM BEACH	1,917	3,558,894	20,359	55,104,035	212	89,419	6,351	7,463,083	9	8,277	111	134,046	28,959	66,357,754
PASCO	46	65,065	713	1,103,326	4	394	114	36,116	37	11,542	348	152,371	1,262	1,368,814
PINELLAS	612	803,705	4,776	9,519,759	47	10,870	2,219	1,237,709					7,654	11,572,043
SAINT JOHNS	212	151,317	626	583,844	4	1,137	341	182,773	18	4,101	21	8,077	1,222	931,249
SAINT LUCIE	12	25,257	254	414,733	3	3,077	256	155,300	18	18,460	208	262,347	751	879,174
SANTA ROSA	226	295,212	998	1,931,187	13	3,739	335	193,203					1,572	2,423,341
SARASOTA	2,336	2,227,415	16,888	22,165,996	160	33,175	4,789	3,425,306	81	32,199	2,298	1,477,624	26,552	29,361,715
VOLUSIA	1,881	1,358,520	6,076	5,907,960	44	5,179	1,664	647,691	6	1,778	220	76,641	9,891	7,997,769
WAKULLA	38	32,962	250	251,133	1	241	6	2,354	3	1,496	30	20,328	328	308,514
WALTON	2,145	4,235,024	1,789	4,235,963	17	7,249	2,127	1,219,098	24	14,509	87	75,335	6,189	9,787,178
Grand Total	**24,763**	**45,026,250**	**136,040**	**333,073,161**	**1,401**	**503,847**	**49,076**	**41,195,451**	**570**	**497,801**	**5,680**	**5,456,144**	**217,530**	**425,752,654**

Security First Insurance[SM]

Insuring Florida Homes

Citizens Coastal Personal Residential Wind-Only by Total Policy Count as of 10/31/13

	DW2		HW2		HW4		HW6		MD1		MW2			
COUNTY	**POLICY COUNT**	**TOTAL PREMIUM**	**POLICY COUNT**	**TOTAL PREMIUM**	**POLICY COUNT**	**TOTAL PREMIUM**	**POLICY COUNT**	**TOTAL PREMIUM**	**POLICY COUNT**	**TOTAL PREMIUM**	**POLICY COUNT**	**TOTAL PREMIUM**	**TOTAL POLICY COUNT**	**TOTAL PREMIUM**
MIAMI-DADE	1,781	3,895,853	24,811	83,811,581	344	183,224	7,923	9,742,483	4	4,642	106	141,283	34,969	97,779,066
BROWARD	2,794	5,329,926	22,224	57,991,891	277	80,471	6,159	4,421,146	11	14,571	24	24,973	31,489	67,862,978
PALM BEACH	1,917	3,558,894	20,359	55,104,035	212	89,419	6,351	7,463,083	9	8,277	111	134,046	28,959	66,357,754
MONROE	4,034	11,279,140	12,342	39,547,398	72	36,811	2,339	2,135,478	266	337,707	1,234	2,342,819	20,287	55,679,353
SARASOTA	2,336	2,227,415	16,888	22,165,996	160	33,175	4,789	3,425,306	81	32,199	2,298	1,477,624	26,552	29,361,715
LEE	1,378	3,104,911	6,392	15,497,291	53	10,572	3,012	2,093,254	33	16,969	635	508,583	11,503	21,231,580
COLLIER	525	1,245,841	3,825	10,853,009	24	10,009	3,686	3,752,209	9	8,640	41	39,005	8,110	15,908,713
PINELLAS	612	803,705	4,776	9,519,759	47	10,870	2,219	1,237,709					7,654	11,572,043
WALTON	2,145	4,235,024	1,789	4,235,963	17	7,249	2,127	1,219,098	24	14,509	87	75,335	6,189	9,787,178
ESCAMBIA	901	1,061,434	5,116	7,882,994	61	15,050	1,322	695,626	1	563	7	5,902	7,408	9,661,569
VOLUSIA	1,881	1,358,520	6,076	5,907,960	44	5,179	1,664	647,691	6	1,778	220	76,641	9,891	7,997,769
INDIAN RIVER	56	193,791	1,017	3,549,522	12	5,058	440	571,089					1,525	4,319,460
BAY	846	1,111,357	1,457	2,270,577	10	1,015	2,089	840,602	22	10,580	77	47,637	4,501	4,281,768
FRANKLIN	705	1,636,050	745	1,719,161	3	482	6	6,925	3	1,264	17	11,472	1,479	3,375,354
MANATEE	426	762,088	670	1,602,490	2	395	623	490,511	4	770	5	1,498	1,730	2,857,752
BREVARD	198	288,822	1,091	2,146,613	11	2,123	607	364,237			6	5,418	1,913	2,807,213
OKALOOSA	310	778,329	286	839,052	7	1,060	1,800	947,470					2,403	2,565,911
SANTA ROSA	226	295,212	998	1,931,187	13	3,739	335	193,203					1,572	2,423,341
CHARLOTTE	195	412,086	509	1,198,732			348	322,878	2	948	6	1,932	1,060	1,936,576
GULF	414	693,043	426	812,506	1	87	23	12,128	8	4,568	39	28,063	911	1,550,395
PASCO	46	65,065	713	1,103,326	4	394	114	36,116	37	11,542	348	152,371	1,262	1,368,814
FLAGLER	242	130,665	1,004	808,060	3	444	147	64,731	9	3,799	142	81,269	1,547	1,088,968
DUVAL	320	207,768	690	666,486	12	1,375	171	69,272					1,193	944,901
SAINT JOHNS	212	151,317	626	583,844	4	1,137	341	182,773	18	4,101	21	8,077	1,222	931,249
SAINT LUCIE	12	25,257	254	414,733	3	3,077	256	155,300	18	18,460	208	262,347	751	879,174
NASSAU	148	91,086	327	290,840	1	399	112	80,424					588	462,749
WAKULLA	38	32,962	250	251,133	1	241	6	2,354	3	1,496	30	20,328	328	308,514
LEVY	53	40,000	249	218,509	2	634	66	22,141	2	418	6	2,711	378	284,413
HERNANDO	12	10,689	130	148,513	1	158	1	214			12	6,810	156	166,384
Grand Total	**24,763**	**45,026,250**	**136,040**	**333,073,161**	**1,401**	**503,847**	**49,076**	**41,195,451**	**570**	**497,801**	**5,680**	**5,456,144**	**217,530**	**425,752,654**

Security First Insurance
Insuring Florida Homes

Citizens Coastal Personal Residential Wind-Only Policyholder Mailing Address Analysis as of 10/31/13

All Counties

Usage Group	Policyholder Mailing Address Type	DW2	HW2	HW4	HW6	MD1	MW2	Grand Total
All Other	FL	439			648	22		1,109
	FOREIGN	75			309	3		387
	MILITARY				1			1
	US (Excl FL)	876			2,348	32		3,256
All Other Total		**1,390**			**3,306**	**57**		**4,753**
Primary	FL	175	119,807	1,323	16,974		3,136	141,415
	FOREIGN	1	154	2	226		7	390
	MILITARY		4		4			8
	US (Excl FL)	15	5,747	34	3,979		270	10,045
Primary Total		**191**	**125,712**	**1,359**	**21,183**		**3,413**	**151,858**
Rental	FL	13,826			4,570	347		18,743
	FOREIGN	412			523	7		942
	MILITARY	31			7			38
	US (Excl FL)	8,873			7,426	159		16,458
Rental Total		**23,142**			**12,526**	**513**		**36,181**
Seasonal/Secondary	FL	9	3,173	19	2,794		721	6,716
	FOREIGN	2	462	1	1,434		87	1,986
	MILITARY		3		6			9
	US (Excl FL)	29	6,690	22	7,827		1,459	16,027
Seasonal/Secondary Total		**40**	**10,328**	**42**	**12,061**		**2,267**	**24,738**
Grand Total		**24,763**	**136,040**	**1,401**	**49,076**	**570**	**5,680**	**217,530**

Security First Insurance
Insuring Florida Homes

Citizens Coastal Personal Residential Wind-Only Policyholder Mailing Address Analysis as of 10/31/13

Broward County

Usage Group	Policyholder Mailing Address Type	DW2	HW2	HW4	HW6	MD1	MW2	Grand Total
All Other	FL	5			22			27
	FOREIGN	3			42			45
	US (Excl FL)	13			26			39
All Other Total		**21**			**90**			**111**
Primary	FL	52	21,489	266	2,919		14	24,740
	FOREIGN		21		45			66
	MILITARY		1					1
	US (Excl FL)		392	5	439		1	837
Primary Total		**52**	**21,903**	**271**	**3,403**		**15**	**25,644**
Rental	FL	2,183			537	11		2,731
	FOREIGN	42			97			139
	MILITARY	2			1			3
	US (Excl FL)	494			329			823
Rental Total		**2,721**			**964**	**11**		**3,696**
Seasonal/Secondary	FL		91		297		6	394
	FOREIGN		42	1	518		2	563
	MILITARY				1			1
	US (Excl FL)		188	5	886		1	1,080
Seasonal/Secondary Total			**321**	**6**	**1,702**		**9**	**2,038**
Broward Total		**2,794**	**22,224**	**277**	**6,159**	**11**	**24**	**31,489**

Citizens Coastal Personal Residential Wind-Only Policyholder Mailing Address Analysis as of 10/31/13

Miami-Dade County

Usage Group	Policyholder Mailing Address Type	DW2	HW2	HW4	HW6	MD1	MW2	Grand Total
All Other	FL	5			31			36
	FOREIGN				14			14
	US (Excl FL)	1			23			24
All Other Total		**6**			**68**			**74**
Primary	FL	12	24,577	334	4,637		104	29,664
	FOREIGN		9		71			80
	MILITARY				1			1
	US (Excl FL)		115	6	512			633
Primary Total		**12**	**24,701**	**340**	**5,221**		**104**	**30,378**
Rental	FL	1,497			947	3		2,447
	FOREIGN	19			67			86
	MILITARY	4			2			6
	US (Excl FL)	243			432	1		676
Rental Total		**1,763**			**1,448**	**4**		**3,215**
Seasonal/Secondary	FL		53	3	475		1	532
	FOREIGN		15		168			183
	MILITARY				3			3
	US (Excl FL)		42	1	540		1	584
Seasonal/Secondary Total			**110**	**4**	**1,186**		**2**	**1,302**
Miami-Dade Total		**1,781**	**24,811**	**344**	**7,923**	**4**	**106**	**34,969**

Security First Insurance
Insuring Florida Homes

Citizens Coastal Personal Residential Wind-Only Policyholder Mailing Address Analysis as of 10/31/13

Palm Beach County

Usage Group	Policyholder Mailing Address Type	DW2	HW2	HW4	HW6	MD1	MW2	Grand Total
All Other	FL	6			26			32
	FOREIGN	2			75			77
	US (Excl FL)	11			69	2		82
All Other Total		**19**			**170**	**2**		**191**
Primary	FL	15	19,014	192	2,629		48	21,898
	FOREIGN		12		36			48
	MILITARY				1			1
	US (Excl FL)		592	9	512		4	1,117
Primary Total		**15**	**19,618**	**201**	**3,178**		**52**	**23,064**
Rental	FL	1,418			418	4		1,840
	FOREIGN	9			85	1		95
	US (Excl FL)	454			298	2		754
Rental Total		**1,881**			**801**	**7**		**2,689**
Seasonal/Secondary	FL		185	4	394		16	599
	FOREIGN		31		397		4	432
	US (Excl FL)	2	525	7	1,411		39	1,984
Seasonal/Secondary Total		**2**	**741**	**11**	**2,202**		**59**	**3,015**
Palm Beach Total		**1,917**	**20,359**	**212**	**6,351**	**9**	**111**	**28,959**

Richard C. Koon
Deputy Commissioner for Property & Casualty

As Deputy Commissioner for Property and Casualty, Richard Koon has oversight responsibility for the Product Review and Financial Oversight units for property and casualty insurance. Mr. Koon has over 20 years of insurance regulatory and management experience.

Prior to being appointed Deputy Commissioner, Mr. Koon served as Director of Property & Casualty Product Review. As Director, he managed the review of property and casualty insurance policy forms and rates through the supervision of contract and actuarial staff. Mr. Koon's service as Director was during a period of unprecedented change in the property insurance markets and subsequent regulations governing those products. Under his leadership, the business unit reviewed a historic volume of insurance products as required by changes to statutes.

Mr. Koon held the position of Policy Forms Manager of Property & Casualty Product Review for five years prior to his role as Director. He spent over ten years in various insurance analyst positions, becoming an expert in several lines of property and casualty insurance. He has taught courses in homeowners' and private passenger automobile insurance for employees of the Office of Insurance Regulation, the Department of Financial Services, and the Collins Center for Public Policy.

Mr. Koon received his Bachelor of Science Degree in Risk Management and Insurance from Florida State University's College of Business.

Federal Legislative Update Regarding the National Flood Insurance Program and Related Topics

Senate Banking and Insurance Committee
December 10, 2013

Richard Koon,
Deputy Commissioner of Property & Casualty

Federal Legislative Update

- Over a dozen bills have been introduced in the House and Senate specifically addressing Biggert-Waters (BW-12) implementation and rate increases.
- The majority of bills have not seen any action.
- On November 19, 2013, the Housing and Insurance Subcommittee of the House Committee on Financial Services held a hearing on the implementation of BW-12.

Selected Bills With Provisions to Delay BW-12 Rate Increases

- Department of Homeland Security Appropriations Act 2014 (H.R. 2217)
  - Prohibits appropriations for carrying out Section 100207 of BW-12. Delays implementation of 100207 for one year.
- Homeowners Flood Insurance Relief Act of 2013 (H.R. 3312)
  - Requires BW-12 rate increases be phased in over 10 years at 10% annually. Premiums collected in excess of this rating shall be refunded.

Selected Bills With Provisions to Delay BW-12 Rate Increases (cont.)

- H.R. 3380
  - Prohibits rate increases (in effect as of September 30, 2013) until FEMA updates all flood maps pursuant to Section 100216 of BW-12.
- Keeping Flood Insurance Affordable Act of 2013 (H.R. 3511)
  - Prohibits rate increases for certain non-primary residences and certain business properties until FEMA addresses flood mapping and affordability concerns.

Selected Bills With Provisions to Delay BW-12 Rate Increases (cont.)

- Homeowner Flood Insurance Affordability Act of 2013 (H.R. 3370) and (S. 1610)
  - Prohibits rate increases for certain properties pursuant to provisions of Sections 100205 and 100207 of BW-12, while restoring pre-FIRM subsidies for applicable properties.

Flood Insurance Related Topics

- Informational Memorandum OIR-13-03M
  - Florida Office of Insurance Regulation issued the memorandum on October 28, 2013 to property insurers.
- Homeowners Choice Property & Casualty Insurance Company, Inc.
  - Admitted property insurer approved to offer flood insurance coverage in Florida.
- Underwriters at Lloyds
  - Flood program currently being offered in Florida.

Informational Memorandum OIR-13-03M

- Issued to property insurers exploring the feasibility of writing primary flood insurance coverage in Florida.
- Provides suggestions for insurers considering entering the flood insurance business and serves as a means to facilitate the filing process.
- Reflects the Office's initial review of Federal and State legal requirements that may apply to the issuance of private flood coverage.

Informational Memorandum OIR-13-03M (cont.)

- Recognition of financial capacity.
- Options for developing rates for primary flood coverage.
- Options for developing forms for primary flood coverage.

Homeowners Choice Property & Casualty Insurance Company

- Homeowners Choice has filings approved to begin offering flood insurance coverage as an endorsement to its homeowners insurance policy. The effective date of the program is January 1, 2014.
- Rates are based on the National Flood Insurance Program (NFIP) rates in effect prior to October 1, 2013.
- Forms are based on NFIP policy with revisions to incorporate requirements in Florida law.

Underwriters at Lloyd's, London

- Insurer began writing flood insurance policies in November 2013.
- Coverage is identical to the NFIP policy.
- Simplified rate structure with rates 20-25% less than NFIP rate.

Questions?

Contact Information:

Richard Koon
(850) 413-3140
Richard.Koon@floir.com

THE FLORIDA SENATE

APPEARANCE RECORD

12/10/13
Meeting Date

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

Topic Flood Insurance

Bill Number ______ *(if applicable)*

Name Richard Koon

Amendment Barcode ______ *(if applicable)*

Job Title Deputy Of Property + Casualty Product Review

Address 200 E Gaines Street
Street

Phone 850-413-5310

Tallahassee, FL 32399
City *State* *Zip*

E-mail richard.koon@floir.com

Speaking: ☐ For ☐ Against ☐ Information

Representing Office of Insurance Regulation

Appearing at request of Chair: ☑ Yes ☐ No

Lobbyist registered with Legislature: ☑ Yes ☐ No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

This form is part of the public record for this meeting.

S-001 (10/20/11)

CourtSmart Tag Report

Room: EL 110 **Case:** **Type:**
Caption: Senate Banking and Insurance Committee **Judge:**

Started: 12/10/2013 11:02:57 AM
Ends: 12/10/2013 1:05:45 PM Length: 02:02:49

11:02:59 AM Meeting called to order.
11:03:17 AM Roll call.
11:03:46 AM Chairman Simmons introduced James Knudson as Staff Director.
11:04:55 AM Chaiman Simmons recognized Barry Gilway, CIO/CFO, Citrizens, to speak to Citizens Clearinghouse.
11:05:21 AM Barry Gilway udpates committee on implementation of Citizens clearinghouse.
11:07:50 AM Mr. Gilway speaks to challenges of clearinghouse.
11:08:51 AM Senator Detert recognized.
11:09:03 AM What assurances do we have with pulic that take our companies have long term viability? Have they been vetted?
11:09:23 AM Mr. Gilway responds to Senator Detert.
11:10:37 AM Senator Detert comments.
11:10:49 AM Mr. Gilway responds to Senator Detert.
11:11:26 AM Senator Margolis recognized.
11:11:56 AM Mr. Gilway responds.
11:12:08 AM Senator Clemens recognized.
11:12:15 AM Senator Clemens asked about transparency of policies, what's being offered and what consumers have.
11:12:37 AM Mr. Gilway responds to Senator Clemens' question.
11:13:38 AM Senator Clemens comments.
11:13:49 AM Mr. Gilway responds.
11:14:26 AM Senator Hays recognized.
11:14:40 AM Mr. Gilway responds.
11:15:53 AM Senator Hays asks Mr. Gilway to have his staff to follow up with him regarding broader selection base for consumer.
11:16:18 AM Mr. Gilway responds to Senator Hays comment.
11:16:54 AM Chairman Simmons makes comments to Mr. Gilway regarding his presentation.
11:17:47 AM Senator Latvala recognized to present SB 86 (Dentists).
11:18:19 AM Senator Latvala presents SB 86.
11:19:16 AM Chris Hansen, Gray Robinson, FL Society of Oral and Maxillofacial Surgeons, waives in support.
11:19:31 AM Ron Watson, Florida Dental Assoc., waives in support.
11:19:47 AM Joy Ryan, AHIP, Delta Dental, recognized.
11:20:46 AM Senator Latvala recognized to close.
11:21:58 AM SB 86 passes favorably.
11:22:45 AM Vice Chair Clemens recognizes Chair Simmons to present SPB 7004.
11:23:44 AM Chair Simmons presents SPB 7004.
11:24:03 AM Senator Lee moves to submit as a committee bill.
11:24:47 AM SPB 7004 passes.
11:25:13 AM Chair Simmons introduces Florida Hurrican Catastrophe Fund presentation.
11:27:07 AM Leonard Schulte, Director of Legal Analysis & Risk Evaluation, FHCF, recognized.
11:28:10 AM Mr. Schulte begins his presentation.
11:28:52 AM Florida is the riskiest (insured) place in the country.
11:32:23 AM The fund uses all five models approved.
11:35:22 AM Mr. Schulte speaks to annual revision and feedback cycle.
11:38:50 AM Mr. Schulte speaks regarding claims paying capacity estimates.
11:39:35 AM Estimates tend to be violatile - due to bond rating issues.
11:42:26 AM Mr. Schulte talks about 8 hurricanes of 2004-2005 seasons.
11:45:25 AM Senator Margolis recognized. Senator Margolis asked Mr. Schulte to clarify an issue.
11:46:06 AM Mr. Schulte responds to Senator Margolis' question.
11:47:26 AM Senator Margolis follows up regarding bonds.
11:47:44 AM Mr. Schulte answers Senator Margolis' question.
11:48:07 AM Senator Margolis comments that public is responsible whether who's responsible.
11:48:25 AM Mr. Schulte responds.
11:49:18 AM Senator Margolis responds.

11:49:25 AM Mr. Schulte advises Senator Margolis he will get with her office to address her questions.
11:49:49 AM Chairman Simmons points Senator Margolis to slide 12.
11:50:09 AM Mr. Schulte responds.
11:50:57 AM Chairman Simmons asks Mr. Schulte about amounts.
11:51:18 AM Mr. Schulte responds.
11:51:34 AM Chairman Simmons recognizes Senator Ring.
11:52:39 AM Mr. Schulte responds to Senator Ring's questions.
11:53:39 AM Senator Ring responds that a large fund needs strong governance.
11:54:28 AM Mr. Schulte responds.
11:54:38 AM Mr. Schulte responds governance is same as state pension fund and it is not a passive role
11:55:48 AM Sound business practices dictate management vs. supervisory body and fund is actively supervised.
11:56:06 AM Senator Ring expresses his concern about unilateral decisions made in the CAT fund.
11:56:54 AM Senator Hays recognized and asked for clarification regarding bonds.
11:57:12 AM Mr. Schulte wraps up his presentation.
11:59:28 AM Senator Ring recognized.
11:59:37 AM Does the CAT fund support tranferring risk or are they traditional?
11:59:52 AM Mr. Schulte responds.
12:02:20 PM Chairman Simmons recognizes Locke Burt, Chairman, Security First Insurance Co.
12:03:27 PM Mr. Burt begins his presentation.
12:05:44 PM Chairman Simmons asks Mr. Burt to explain why his thinks the CAT fund should be abolished.
12:06:22 PM Mr. Burt responds.
12:08:11 PM Chairman Simmons asks Mr. Burt what he would suggest.
12:08:23 PM Mr. Burt responds.
12:10:10 PM Mr. Burt says reference to claims paying capacity in statute should be eliminated.
12:11:46 PM Mr. Burt presents on financial impact of shortfall.
12:13:51 PM Mr. Burt addresses types of risk covered by CAT Fund.
12:16:24 PM Mr. Burt ask committee to consider what do you want CAT fund to do when it comes to floods, and other covered events.
12:17:23 PM Needs clarification in contract, because it causes gaps in coverage.
12:17:49 PM Mr. Burt addresses the rate making process used by the FHCF? Indicates it should be peer reviewed.
12:21:00 PM Mr. Burt speaks to Citizens exposure (potential hurricane losses).
12:26:41 PM Data in CAT fund could be used and modeled to show results for companies in Florida for regulatory purposes.
12:28:27 PM Chairman Simmons thanks Mr. Burt for his presenatation.
12:28:41 PM Chairman Simmons recognizes Bradley Kading, President of Assoc. of Bermuda Insurers and Reinsurers.
12:29:07 PM Mr. Kading begins his presentation.
12:29:55 PM Bermuda is a market for re-insurance.
12:32:13 PM Mr. Kading speaks to alternative capital.
12:36:39 PM Chairman Simmons asked Mr. Kading to provide a detailed suggestion.
12:37:01 PM Mr. Kading replied to keep trigger steady (Hays bill).
12:37:28 PM Senator Ring recognized.
12:37:57 PM Mr. Kading responds to Senator Ring.
12:38:29 PM Senator Ring responded.
12:38:40 PM Mr. Kading - unique opportunity available.
12:39:10 PM Don Brown, representing AIF/FIC, recognized to address the committee.
12:41:54 PM Don Brown addresses slides in his presentation.
12:43:14 PM Mr. Brown poses question: At what point will assessments be triggered?
12:45:09 PM Mr. Brown wraps up his presentation.
12:45:56 PM Chairman Simmons recognizes Jay Neal, Executive Director, Florida Assoc. of Insurance Reform.
12:46:30 PM Mr. Neal address the committee.
12:46:58 PM Mr. Neal would like to see a combination of Senator Hays and Senator Ring's bills.
12:47:18 PM Chairman Simmons recognizes Mark Delegal, representing State Farm.
12:47:59 PM Mr. Delegal addresses committee.
12:48:13 PM Important CAT fund be solvent and be able to pay claims.
12:48:21 PM Important CAT funds be able to step in second year.
12:49:49 PM Chairman Simmons addresses David Hart, Executive Vice President, Florida Chamber of Commerce.
12:50:21 PM Mr. Hart addreses four guiding principles.
12:53:27 PM Chairman Simmons addresses committee.
12:54:15 PM Chairman Simmons recognizes Rich Koon, Deputy Commissioner for Property and Casualty, Office of Insurance Regulation
12:55:45 PM Rich Koon addresses committee regarding federal front.
12:56:55 PM Senator Brandes recognized.

12:59:04 PM Senator Lee recognized.
1:00:27 PM Meeting adjourned.