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Florida Hurricane Catastrophe Fund Advisory Council Meets

TALLHASSEE - Financial advisors to the Florida Hurricane Catastrophe Fund (FHCF), Raymond James & Associates, Inc. presented funding capacity estimates to the Advisory Council of the Florida Hurricane Catastrophe Fund at the regularly scheduled advisory council meeting today.

The total reimbursement capacity was estimated at \$13.286 billion for a 12 month period and \$11.786 billion if bonding were limited to a six-month period. These estimates reflect a shortfall from the FHCF's theoretical capacity of the fund of \$10 billion to \$15 billion. The shortfall in the FHCF's capacity estimate is the result of several factors: 1) current condition in the financial markets due to the liquidity crisis, 2) increases in interest rates, 3) a slight reduction in the FHCF's assessment base, 4) expenses paid out of the fund for the put option agreement with Berkshire Hathaway, and 5) investment losses.

Although the maximum amount of capacity offered by the FHCF has been reduced, the FHCF has a strong liquidity position with \$2.8 billion in year-end cash for the payment of claims, and another \$3.5 billion in five-year floating rate notes totaling \$6.3 billion. As additional preparation for a large hurricane event, the FHCF purchased a bond put option agreement with Berkshire Hathaway this summer that will provide the FHCF with an additional \$4 billion of funds.

The FHCF's Chief Operating Officer, Jack Nicholson said, "Just like many businesses all over the world, the FHCF is impacted by the current financial market turmoil. If a large event occurs, the fund would not have to pay claims all at once. It likely would take six to nine months to receive and pay about 90% of our claims and three to five years to receive and pay the rest. Our current cash resources can take us a long way. The fund currently has adequate resources, funding, and liquidity to meet any existing bonding obligations."

The FHCF Advisory Council also discussed the problems with the reporting of new and re-opened claims following Hurricane Wilma. The FHCF experienced an increase in losses reported to the FHCF by insurers of \$1.5 billion since March 2006. The Advisory Council discussed this problem with a panel of experts.

The purpose of the Florida Hurricane Catastrophe Fund is to help maintain a viable and orderly private sector market for property insurance in the state by providing reimbursements to insurers for a portion of their catastrophic hurricane losses.