

SUMMARY OF MINUTES¹

October 20, 2009

A meeting of the Florida Hurricane Catastrophe Fund (FHCF) Advisory Council was held on Tuesday, October 20, 2009, in the Hermitage Centre Conference Room in Tallahassee, Florida. The meeting began at approximately 9:05 a.m. and concluded at 11:02 p.m. ET.

FHCF Advisory Council Members participating:

John Auer
Campbell Cawood
Judith Curry
Jim Henderson (Chairman) (via phone)
William Huffcut
Robert Peduto
Joseph Varon (via phone)
David Walker (Vice-Chair)
Floyd Yager

Item 1 – CALL MEETING TO ORDER

David Walker, Vice-Chair, called the meeting to order.

Item 2 – ROLL CALL

Mr. Walker called roll and noted that a quorum was present.

Item 3 – APPROVAL OF THE MAY 12, 2009 MEETING MINUTES

A motion for the approval of the May 12, 2009 minutes was made by John Auer and seconded by William Huffcut. The motion passed unanimously.

Item 4 – VOTE TO AMEND THE ADVISORY COUNCIL MEMBER HANDBOOK

Anne Bert informed the Council the only change made to the handbook was the addition of the new members, Judith Curry and Floyd Yager. A motion to approve the amended Advisory Council Member Handbook was made by Mr. Auer and seconded by Mr. Huffcut. The motion passed unanimously.

Item 5 – FINANCIAL MARKET UPDATE

John Forney of Raymond James and Associates, financial advisor to the FHCF, presented a financial market update to the Council. Mr. Forney reported that the stock market was up over 50% since a year ago indicating the economy is regaining strength. He also reported the bond markets were up with interest rates down, bond issuance up, and narrowed credit spreads. Mr. Forney informed the Council that a formal policy had been put into place to track secondary market trading in the FHCF bonds, as well as an outreach program to the existing investor base. Mr. Forney stated that although the stock and bond markets are up, there is still a lot of concern for what might happen in a big event for the FHCF and the insurance industry.

¹ This document is a summary of the official minutes for the FHCF Advisory Council. The official minutes consist of the complete recorded transcript. The content of this summary of minutes document has not been taken from the official transcript and should not be relied upon for any official purpose.

Item 6 – FHCF PORTFOLIO UPDATE AND INVESTMENT RESULTS

Richard Smith, SBA Fixed Income, reported that the FHCF has grown about half a billion dollars since the last meeting seven months ago and that if Florida does not have any major events, the FHCF should be back up to peak in about two and a half years. Debbie McCoy with SBA Fixed Income discussed the importance of the market to market reports for understanding where the portfolio's value stands.

Item 7 – PRESENTATION OF THE OCTOBER 2009 BONDING ESTIMATES

Mr. Forney presented the October 2009 Bonding Estimates including the estimated borrowing capacity, the estimated claims-paying capacity, and the projected balance as of December 31st. Mr. Forney stated due to the events and dramatic changes in the last year and a half in the financial market, it is no longer a valid assumption that the FHCF could just access the market to get the money needed. Therefore, the approach for the FHCF claims-paying and bonding capacity is presented in two ways: 1) the statutory restrictions on claims paying and assessments is assumed without regard to any potential market constraints on borrowing, and 2) market constraints on borrowing is factored in after receiving feedback on estimated interest rates from Citi, Goldman Sachs, and J. P. Morgan.

Item 8 – VOTE TO APPROVE THE OCTOBER 2009 BONDING ESTIMATES

A motion for the approval of the October 2009 bonding estimates was made by Jim Henderson and seconded by Campbell Cawood. The motion passed unanimously.

Item 9 – FHCF CHIEF OPERATING OFFICER'S REPORT

Jack Nicholson discussed legislative changes affecting the FHCF including the change in the contract year cycle to June 1 through December 31 and the 25% rapid cash build-up factor which will help to build up the FHCF cash resources. Dr. Nicholson updated the Council on the 2004 and 2005 losses and informed the Council that action will need to be taken during January-February 2010 to have funds available to reimburse insurers.

Item 10 – TIMELINE FOR 2010 RULE DEVELOPMENT

Tracy Allen provided the timeline for rule development in 2010. Ms. Allen stated that it takes between 90 and 120 days to promulgate rules, and a rule development workshop will be scheduled in January.

Item 11 – SCHEDULE AND AGENDA FOR NEXT MEETING

Ms. Bert informed the Council that the next meeting will be held in mid-January to present the rules, data call, and reimbursement contract suggested changes as well as an update on the 2010 premium formula and development. There will also be a discussion on legislative issues and an update on the 2004 and 2005 losses.

Item 12 – CONCLUDING REMARKS

There being no further business, the meeting was adjourned.