

SUMMARY OF MINUTES¹

October 15, 2013

A meeting of the Florida Hurricane Catastrophe Fund (FHCF) Advisory Council was held on Tuesday, October 15, 2013, at the Hermitage Centre in Tallahassee, Florida. The meeting began at approximately 1:40 p.m. and concluded at 3:10 p.m. ET.

FHCF Advisory Council Members participating:

John Auer (by phone)
Don Brown
M. Campbell Cawood
Kurt Gurley (by phone)
William Huffcut
Floyd Yager, Chair (by phone)

FHCF Advisory Council Members absent:

Jeff Evans
Dave Walker

Item 1 – CALL MEETING TO ORDER

Floyd Yager, Chair, called the meeting to order.

Item 2 – ROLL CALL

Anne Bert, FHCF Director of Operations, called roll and noted that a quorum was present.

Item 3 – APPROVAL OF THE SEPTEMBER 26, 2013 MEETING MINUTES

A motion was made by Don Brown, seconded by John Auer, and the September 26, 2013 minutes were unanimously approved.

Item 4 – FINANCIAL MARKET UPDATE

Kapil Bhatia of Raymond James & Associates, the FHCF Financial Advisor, provided an update on the financial markets. Mr. Bhatia reported the marketplace has not really changed since the last update in May 2013 from the economics perspective. The equity markets are exactly the same as in May, and the unemployment rate and gross domestic product have not changed substantially. There has been a volume of very large bond transactions completed this year and interest rates are continuing to remain low although they have risen slightly.

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 may not have been taken from the official transcript and should not be relied upon for any official purpose. The official transcript is available upon request from the FHCF.

Items 5 & 6 – PRESENTATION OF THE DRAFT OCTOBER 2013 ESTIMATED CLAIMS PAYING CAPACITY AND VOTE TO APPROVE THE OCTOBER 2013 ESTIMATED CLAIMS PAYING CAPACITY

Mr. Bhatia and Rick Patterson presented the draft October 2013 Estimated Claims Paying Capacity along with the methodology used. Total mandatory coverage for the 2013 hurricane season is \$17 billion with TICL coverage at \$207,000. Only one firm selected the optional TICL coverage. Cash resources are at an all-time high with approximately \$9.76 billion in cash with total liquidity available of \$11.764 billion due to the issuance of \$2 billion of pre-event notes in April 2013, leaving a potential post-event bonding need of around \$5.236 billion. The average estimated bonding capacity, as determined by the FHCF's senior managers, is \$6.1 billion for the first 12 months with an additional \$5.7 billion from 12-24 months. Total estimate of potential claims paying capacity with cash is \$17.864 billion for the 12 month period, but the claims paying capacity is limited to \$17 billion for mandatory coverage plus the \$207,000 purchased by one insurer for the TICL coverage. The Council discussed the assessment potential the FHCF could levy, subsequent season capacity, the uncertainty, and the conservative nature used by the senior managers in developing their estimates. A motion to approve the October 2013 Estimated Claims Paying Capacity was made by Campbell Cawood, seconded by Mr. Brown, and passed unanimously.

Item 7 - FHCF CHIEF OPERATING OFFICER'S REPORT

Dr. Nicholson reported on the change to the reimbursement contract after discussion with the SBA Trustee offices where the limit on collectible type personal property written on a scheduled or blanket basis was dropped from \$5 million to \$500,000. He reported that the 2013-2014 Contract Year exposure and assumption examinations had begun, and the goal is to examine roughly 99% of FHCF premium. Dr. Nicholson reported that an RFQ had been issued to the modelers for a special rating factor study to look at incidental triggers below the retention and at the top FHCF layer. He informed the Advisory Council of the Florida Catastrophic Storm Risk Management Center's research project looking at alternative ways of structuring the FHCF that is due to the Florida Legislature by December 1.

Item 8 – SCHEDULE AND AGENDA FOR NEXT MEETING

Dr. Nicholson advised the Council that the next meeting would be a conference call meeting tentatively scheduled for November 4, 2013, and would only be held if a Notice of Change was requested for Rule 19-8.010, Reimbursement Contract.

Item 9 – CONCLUDING REMARKS

There being no further business, the meeting was adjourned.