

SUMMARY OF MINUTES¹

March 20, 2014

A meeting of the Florida Hurricane Catastrophe Fund (FHCF) Advisory Council was held on Thursday, March 20, 2014, at the Hermitage Centre in Tallahassee, Florida. The meeting began at approximately 1:35 p.m. and concluded at 3:10 p.m. ET.

FHCF Advisory Council Members participating:

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

FHCF Advisory Council Members absent:

William Huffcut

Item 1 – CALL MEETING TO ORDER

David Walker, 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 FEBRUARY 7, 2014 MEETING MINUTES

A motion was made by John Auer and seconded by Don Brown, and the February 7, 2014 minutes were approved by a vote of 5-1 with Campbell Cawood voting no.

Item 4 – PRESENTATION OF THE 2014 PREMIUM FORMULA

Andy Rapoport, independent actuarial consultant with Paragon Strategic Solutions Inc., presented the Council with an overview of the ratemaking process and what was new in the 2014 formula: 0% exposure trend for the fourth consecutive year; the statutory changes including the cash build-up factor remaining at 25%, the optional TICL coverage is no longer available; per company limit and retention adjustment factor lowered from -0.73% to -0.037%; maximum mitigation credit or debit uncapped from 30%; and an increase in the projected pre-event notes expense costs from \$31.4 million to \$35.5 million. The overall indications were provided as well as the premium, rates and coverages, modeled losses, loadings and factors, and the proposed 2014 rating territories.

The rates developed in the 2014 Ratemaking Formula Report assume an FHCF per event retention of \$7.075 billion (which drops to 1/3rd of this amount on the 3rd largest and subsequent events) and an FHCF limit level of \$17.0 billion.

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 – DISCUSSION OF RULE 19-8.028, PREMIUM FORMULA AND VOTE TO APPROVE THE 2014 PREMIUM FORMULA AND TO FILE RULE 19-8.028 FOR NOTICE AND ADOPTION IF NO HEARING IS REQUESTED

A motion to approve the 2014 premium formula and to file Rule 19-8.028 for notice and adoption was made by Mr. Brown, seconded by Mr. Auer, and passed by unanimous vote.

Items 7 & 8 – DISCUSSION OF ADVISORY COUNCIL MEMBER HANDBOOK UPDATES AND VOTE TO AMEND THE ADVISORY COUNCIL MEMBER HANDBOOK

Leonard Schulte, FHCF Director of Legal Analysis & Risk Evaluation, went over the changes made to the member handbook at the request of the Advisory Council. Mr. Cawood requested additional edits to the handbook. After discussion, a motion was made by Mr. Brown to approve the member handbook changes presented with the clear understanding that any subsequent need for changes would be taken up at a subsequent meeting. The motion was seconded by Mr. Auer and passed by unanimous vote. Any questions or comments for additional changes to the member handbook should be directed to Mr. Schulte and will be taken up at the next meeting.

Item 9 – FHCF CHIEF OPERATING OFFICER’S REPORT

Jack Nicholson informed the Advisory Council that the State Board of Administration would not pursue any risk transfer product at this time. Mr. Schulte reported on the 2014 Florida Legislative Session and the status of bills affecting the FHCF. Dr. Nicholson updated the Council on recent and upcoming staff activities.

Item 10 – SCHEDULE AND AGENDA FOR NEXT MEETING

Anne Bert, FHCF Director of Operations, informed the Council that the March 31, 2014 conference call meeting was tentatively scheduled if needed to vote on the 2014 premium formula and Rule 19-8.028, and based on the action taken during today’s meeting, the March 31, 2014 meeting will not be necessary. The next Advisory Council meeting will be on May 15, 2014 at 1:30 p.m. ET to review and approve the May 2014 estimated claims paying capacity report.

Item 11 – AUDIENCE COMMENTS/CLOSING REMARKS/ADJOURN

Mr. Brown provided additional comments on the cost and marketplace capacity for a risk transfer product. Dr. Nicholson expressed his concern in administering the FHCF in order to pay claims timely and sufficiently. There being no further business, the meeting was adjourned.