

**REPORT PREPARED FOR THE
FLORIDA HURRICANE CATASTROPHE FUND**



CLAIMS-PAYING CAPACITY ESTIMATES

MAY 15, 2014

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.

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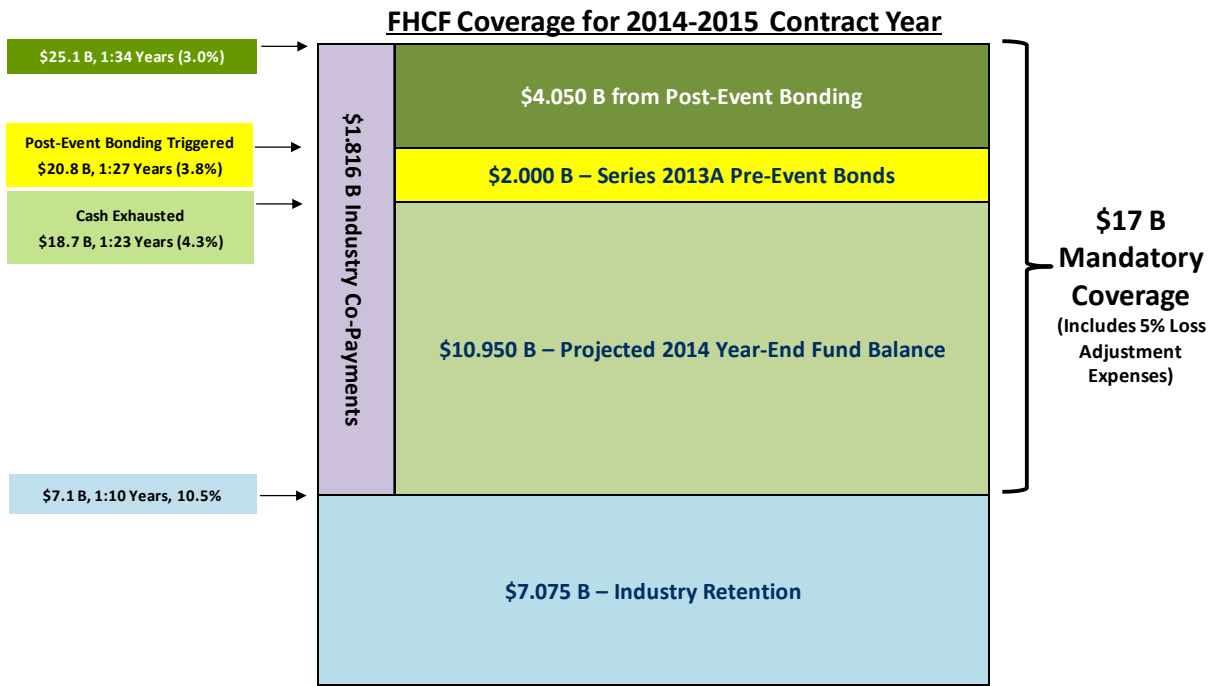
I. Introduction

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 three 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 the following available 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 Section 215.555(6)), Florida Statutes, secured by emergency assessments*
- (5) *Emergency assessments (which may be levied pursuant to Section 215.555(6)(b), Florida Statutes, 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, 2014 – May 31, 2015, the maximum total obligation of the FHCF is \$17 billion. However, the FHCF obligation is limited to its actual claims-paying capacity which depends 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 2014-2015 contract year.



Not drawn to scale

In this chart the relevant data are aggregated for all of the approximately 160 FHCF participating insurers. The references to probabilities, probable maximum losses, and cash exhaustion are shown for illustrative purposes only. The probabilities in this chart are presented as if all of the participating insurers had uniform exposures and loss experiences. In actual practice, each participating insurer has its own retention and coverage limits based upon its actual exposures, and therefore each participating insurer has its own unique probabilities of triggering its FHCF coverage and reaching its FHCF coverage limit. See the discussion on page 10 for further information.

Pursuant to Section 215.555(4)(c)(2), Florida Statutes, “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 2014 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 effective January, while many other insurers operate solely in Florida and purchase their private reinsurance effective June of each year.

II. *The Process*

As in prior years, in order to estimate the FHCF’s borrowing capacity for the 2014 and 2015 seasons, we took the following three steps:

- (1) *Evaluated market conditions for the FHCF using its internal resources.* Raymond James & Associates, Inc. (“Raymond James”), a full service broker-dealer with approximately \$7.0 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 the five newly selected senior managing underwriters of the FHCF’s financial services team.* These firms – Bank of America / Merrill Lynch, Citi, JP Morgan, Morgan Stanley and Wells Fargo¹ – are among the largest financial services firms in the world, and each one has extensive experience and expertise with FHCF securities and similar instruments for other issuers. 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.*

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

¹ The financial services team was selected through a competitive solicitation process in April 2014.

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, and accident and health functions similarly to a statewide sales tax on an essential product with an underlying premium base of approximately \$38 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 (\$37.933 billion²) mean the FHCF could levy annual assessments of as much as \$2.276 billion for hurricanes occurring in one contract year and \$3.793 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 four years and the FHCF's Series 2013A taxable 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 \$4.050 billion after a hurricane event that causes losses up to the potential FHCF obligations during the 2014 - 2015 contract year. The table below shows the calculations for potential bonding.

FHCF Obligations and Cash Resources – 2014-2015 Contract Year	Amount (\$ in billions)
Total Potential FHCF Obligations (Mandatory Coverage)	\$17.000
Projected 2014 Year-End Fund Balance	\$10.950
Series 2013A Pre-Event Bonds Balance	\$2.000
Net Amount Potentially Needed from Bonding	\$4.050

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 chart below and on the following page show that only three issues were completed above this amount in the taxable or tax-exempt municipal market since 2009: \$6.855 billion (taxable) and \$6.543 billion (tax-exempt), both issued by the State of California, and \$4.118 billion (tax-exempt) issued by the Puerto Rico Sales Tax Finance Corporation³.

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 Transport Corp	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	Regents of the Univ of California	CA	2013	General Revenue Bonds	\$2,459
10	California	CA	2011	General Obligation Bonds	\$2,391
11	New Jersey Economic Dev Auth	NJ	2013	School Facilities Con Ref Bonds	\$2,253
12	Utility Debt Securitization Auth	NY	2013	Restructuring Bonds	\$2,022
13	Port Authority of NY & NJ	NY	2012	Consolidated Bonds	\$2,000
13	Florida Hurricane Catastrophe Finance Corp.	FL	2013	Revenue Bonds	\$2,000
14	California	CA	2011	Various Purpose GO Bonds	\$1,980
15	New Jersey Turnpike Authority	NJ	2010	Turnpike Revenue Bonds	\$1,850
16	Los Angeles USD	CA	2010	General Obligation Bonds	\$1,808
17	New Jersey Turnpike Authority	NJ	2009	Turnpike Revenue Bonds	\$1,750
18	Los Angeles USD	CA	2009	General Obligation Bonds	\$1,656
19	Regents of the Univ of California	CA	2013	General Revenue Bonds	\$1,594
20	JobsOhio Beverage System	OH	2013	Stwide Sr Ln Liquor Profits Bonds	\$1,511
21	Bay Area Toll Authority (BATA)	CA	2010	Subordinate Toll Bridge Rev Bonds	\$1,500
21	Texas Transportation Commission	TX	2010	State Highway Fund Revenue Bonds	\$1,500
22	Empire State Development Corp	NY	2009	State Personal Inc Tax Rev Bonds	\$1,472
23	NYC Transitional Finance Auth	NY	2012	Future Tax Secured Sub Bonds	\$1,400
24	American Municipal Power Inc	OH	2010	Revenue Bonds	\$1,379
25	SC Pub Svc Au (Santee Cooper)	SC	2013	Revenue Obligations	\$1,341

Source: Thomson Financial for long-term taxable issuances from January 1, 2009 to April 30, 2014.

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 in 2008 or prior to the crisis have little analytical value for the FHCF in 2014-2015.

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 Fin Corp	PR	2009	Sales Tax Revenue Bonds	\$4,118
3	Puerto Rico	PR	2014	General Obligation Bonds	\$3,500
4	California	CA	2009	Economic Recovery Ref Bonds	\$3,436
5	Michigan Finance Authority	MI	2011	Unemployment Oblig Assess Bonds	\$3,323
6	California Dept of Wtr Resources	CA	2010	Power Supply Revenue Bonds	\$2,993
7	Grand Parkway Transport Corp	TX	2013	Toll Rev Bonds	\$2,920
8	Michigan Finance Authority	MI	2012	Unemploy Oblig Assess Rev Bonds	\$2,917
9	Pennsylvania Econ Dev Fin Auth	PA	2012	Unemploy Compensation Rev Bond	\$2,827
10	California	CA	2013	GO Various Purpose Bonds	\$2,630
11	New York Liberty Dev Corp	NY	2009	Revenue Bonds	\$2,594
12	California	CA	2010	Various Purpose GO Bonds	\$2,500
13	California	CA	2013	Various Purpose GO Bonds	\$2,472
14	Regents of the Univ of California	CA	2013	General Revenue Bonds	\$2,459
15	Florida Citizens Prop Ins Corp	FL	2010	High-Risk Acct Senior Bonds	\$2,400
16	California	CA	2011	Various Purpose GO & Ref Bonds	\$2,391
17	Puerto Rico	PR	2012	GO Public Improvement Ref Bonds	\$2,318
18	Foothill/Eastern Transp Corridor Agy	CA	2013	Toll Road Refunding Revenue Bond	\$2,275
19	New Jersey Economic Dev Auth	NJ	2013	School Facs Con Ref Bonds	\$2,253
20	California	CA	2013	General Obligation Bonds	\$2,097
21	Utility Debt Securitization Auth	NY	2013	Restructuring Bonds	\$2,022
22	California	CA	2011	Various Purpose GO Bonds	\$1,980
23	California	CA	2012	Various Purpose GO Ref Bonds	\$1,905
24	California Statewide Comm Dev Auth	CA	2009	Revenue Bonds	\$1,895
25	Puerto Rico Sales Tax Fin Corp	PR	2010	Sales Tax Revenue Bonds	\$1,824

Source: Thomson Financial for long-term tax-exempt issuances from January 1, 2009 to April 30, 2014.

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 on the following page 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). The largest amount issued in 2011 and 2012 was by the New York State Dormitory Authority in the amount of \$4.0 billion and \$7.0 billion, respectively, and the largest amount issued in 2013 was by the State of California in the amount of \$8.5 billion. The largest amount issued year-to-date in 2014 is \$3.5 billion by Puerto Rico, which was downgraded earlier this year by all three ratings agencies to non-investment grade (Ba2/BB/BB) due to its budget imbalance and dire economic condition, among other issues.

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 Authority	\$3,149
4	New York City-New York	\$2,516
5	NYC Municipal Water Finance Authority	\$2,505
6	California	\$2,391
7	New Jersey Econ Dev Authority	\$2,216
8	Indiana Finance Authority	\$2,031
9	Houston City-Texas	\$1,927
10	Regents of the University of California	\$1,600
11	Los Angeles City-California	\$1,581
12	Massachusetts	\$1,557
13	Massachusetts Dev Finance Agency	\$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	\$8,450
2	New York City-New York	\$5,574
3	Regents of the Univ of California	\$4,702
4	Illinois	\$3,354
5	Empire State Development Corp	\$3,283
6	Massachusetts	\$3,226
7	NYC Transitional Finance Auth	\$3,207
8	NYS Dorm Authority	\$3,031
9	New Jersey Economic Dev Auth	\$3,018
10	Washington	\$2,936
11	Grand Parkway Transport Corp	\$2,920
12	Metropolitan Transport Auth (MTA)	\$2,763
13	Connecticut	\$2,730
14	NYC Municipal Water Finance Auth	\$2,392
15	Foothill/Eastern Transp Corridor Agy	\$2,275
16	New Jersey Turnpike Authority	\$2,137
17	Dallas & Fort Worth Cities-Texas	\$2,067
18	Utility Debt Securitization Auth	\$2,022
19	Florida Hurricane Catastrophe Finance Corp.	\$2,000
20	California St Public Works Board	\$1,912
21	Port Authority of NY & NJ	\$1,850
22	SC Pub Svc Au (Santee Cooper)	\$1,848
23	NYS Thruway Authority	\$1,831
24	Jefferson Co-Alabama	\$1,786
25	NYC Housing Dev Corp	\$1,773

Largest 25 Issuers By Issued Par Amount In 2014		
Rank	Issuer Name	Par (\$MM)
1	Puerto Rico	\$3,500
2	California	\$2,558
3	Illinois	\$2,427
4	NYC Transitional Finance Auth	\$1,981
5	Texas Transportation Commission	\$1,458
6	Houston City-Texas	\$1,298
7	New Jersey Economic Dev Auth	\$1,229
8	California St Public Works Board	\$1,202
9	New York City-New York	\$1,046
10	Port Authority of NY & NJ	\$1,000
11	Regents of the Univ of California	\$970
12	NYS Dorm Authority	\$906
13	Metropolitan Transport Auth (MTA)	\$900
14	NYC Municipal Water Finance Auth	\$899
15	Chicago City-Illinois	\$888
16	Atlanta City-Georgia	\$868
17	Massachusetts Dev Finance Agcy	\$851
18	Wisconsin	\$846
19	Pennsylvania	\$835
20	Louisiana	\$816
21	Maryland	\$737
22	Grand Parkway Transport Corp	\$734
23	Univ of Texas Sys Bd of Regents	\$721
24	Washington	\$720
25	New Jersey Educational Facs Au	\$719

Source: Thomson Financial for long-term issuances from January 1, 2009 to April 30, 2014.

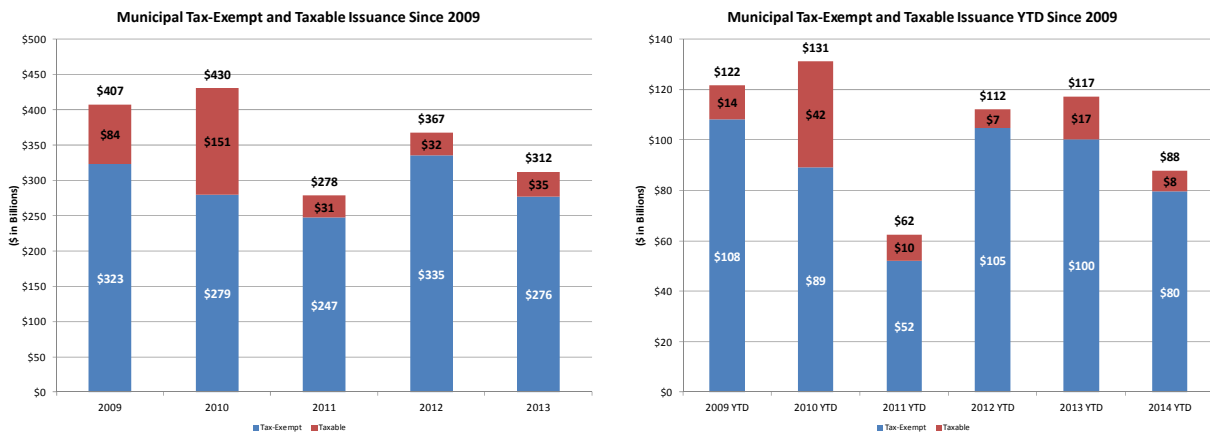
In reviewing this history of large municipal issuers, it is important to note that the FHCF has been a relatively infrequent issuer of debt. Since 2006, the FHCF has completed only six bond issues totaling \$10.9 billion (three tax-exempt issues totaling \$2.6 billion and three taxable issues totaling \$8.3 billion), with \$3.0 billion in debt currently outstanding. By comparison, for example, during this same timeframe the State of California has completed 86 bond issues totaling \$139.5 billion, with \$80.4 billion currently outstanding. The FHCF's debt has also been issued with relatively short maturities ranging from 1-7 years (although it has the authority to issue debt with maturities of up to 30 years). California's issues, by comparison, have had maturities ranging from 1-34 years. As a less frequent issuer with relatively less

debt outstanding and primarily at the shorter end of the yield curve, the FHCF may not be as well covered by investor credit analysts in the primary or secondary markets, even though it has strong credit ratings. This relative lack of exposure and investor familiarity could serve as a limiting factor in determining the FHCF’s potential market access in the short run.

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 increased to \$1.41 trillion in 2013, surpassing the record in 2012 of \$1.39 trillion, as investors sought higher-yielding alternatives to government securities and companies took advantage of relative all-time low interest rates. So far in 2014 (through April 30th), corporate bond issuance is \$514 billion, which is approximately equal to the \$513 billion issued in 2013 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.

After declining significantly in 2011, municipal issuance rebounded strongly in 2012 with a 32% increase. In 2013, the municipal bond market was down 15% compared to 2012, with \$312 billion in issuance. Year-to-date 2014 issuance is 25% lower than 2013, with \$88 billion issued through April 30, 2014 compared to \$117 billion over the same time period in 2013.



Source: Thomson Financial for municipal long-term issuances from January 1, 2009 to April 30, 2014.

The reduction in issuance is encouraging for the FHCF, as it may be an indication of significant pent up demand in the tax-exempt markets; 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 helped to re-establish the FHCF in the taxable market and also reflected 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 benchmark 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 additional note of caution is that financial markets can be highly volatile and uncertain. Such uncertainty 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

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:

The preliminary estimated bonding capacity of the FHCF for the current contract year is \$8.3 billion

*“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.”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 for the initial season.

In general, it would take a hurricane event producing reimbursable losses exceeding \$11.6 billion to trigger post-event bonding or \$18.0 billion in reimbursable losses 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 potentially 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 while 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 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 rates⁵. 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-

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 (\$4.050 billion) for the current contract year and refinancing the Series 2013A pre-event bonds would require an annual assessment of only 1.56%, well below the 6% statutory cap.

event bonds and post-event bonds for subsequent season losses would be at 8%, several hundred basis 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						
	Bank of America / Merrill Lynch	Citi	JP Morgan	Morgan Stanley	Wells Fargo	Average ¹
Bonding Estimates						
Tax-Exempt:						
0-12 Months	\$2-\$3B	\$2.5B	\$5-\$6B	\$3-\$4B	\$7-\$10B	\$4.5B
12-24 Months	\$2-\$3B	\$2.5B	\$3-\$4B	\$3-\$4B	\$3-\$5B	\$3.2B
<i>Total tax-exempt</i>	<i>\$4-\$6B</i>	<i>\$5B</i>	<i>\$8-\$10B</i>	<i>\$6-\$8B</i>	<i>\$10-\$15B</i>	<i>\$7.7B</i>
Taxable:						
0-12 Months	\$3.5-\$4.5B	\$4B	\$3-\$4B	\$3.5-\$4B	\$3-\$4B	\$3.8B
12-24 Months	\$2.5-\$3.5B	\$4B	\$3-\$4B	\$4-\$5B	\$1-\$2B	\$3.3B
<i>Total taxable</i>	<i>\$6-\$8B</i>	<i>\$8B</i>	<i>\$6-\$8B</i>	<i>\$7.5-\$9B</i>	<i>\$4-\$6B</i>	<i>\$7.1B</i>
0-12 Months Total	\$5.5-\$7.5B	\$6.5B	\$8-\$10B	\$6.5-\$8B	\$10-\$14B	\$8.3B
12-24 Months Total	\$4.5-\$6.5B	\$6.5B	\$6-\$8B	\$7-\$9B	\$4-\$7B	\$6.5B
0-24 Months Total	\$10-\$14B	\$13B	\$14-\$18B	\$13.5-\$17B	\$14-\$21B	\$14.8B

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 for the initial season. Using this methodology yields an estimated bonding capacity of approximately \$8.3 billion and this capacity is significantly above what is needed to meet the FHCF’s potential obligations for the initial season, 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 event⁶. This additional capacity, along with the subsequent season reimbursement premiums, could be used to fund over 70% 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	8.300
Projected 2014 Year-End Fund Balance	10.950
Series 2013A Pre-Event Bonds	<u>2.000</u>
Estimated Claims Paying Capacity 0-12 months	<u>21.250</u>
Initial Season Statutory Limit	17.000
Potential Excess Capacity Available After Initial Season (0-12 months)	4.250
Subsequent Season	
Potential Additional Bonding Capacity - 12-24 months	<u>6.500</u>
Potential Additional Bonding Capacity - 0-24 months	10.750
Projected Subsequent Season Reimbursement Premiums	<u>1.223</u>
Potential Subsequent Season Claims Paying Capacity	<u>11.973</u>
Subsequent Season Statutory Limit	17.000
Amount Less than the Maximum Statutory Limit	(5.027)

Estimated Claims-Paying Capacity

Claims-paying capacity of the FHCF is equal to the sum of the projected year-end fund balance plus the available Series 2013A 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 2014-2015 season will be approximately \$10.950 billion as calculated by its administrator, Paragon.

Using this projection and the \$2 billion of Series 2013A pre-event bonds, plus a bonding capacity estimate of \$8.3 billion, the FHCF's estimated claims-paying capacity for the initial season is \$21.250 billion, which is \$4.250 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 \$6.5 billion in bonding capacity for the following 12-24 months and the reimbursement premiums accumulated during the subsequent season to estimate its claims-paying capacity in the 2015-2016 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)	\$10.950B	\$2.000B	\$4.050B	\$17.000B	1.31%**
Subsequent Season (12-24 Months)	\$1.223B		\$10.750B	\$11.973B	2.49%

* Post-Event Estimated Borrowing Capacity for Initial Season is \$8.3 billion but only \$4.050 billion is required to meet FHCF's initial season potential obligation. The remaining \$4.250 billion is included in the subsequent season capacity.

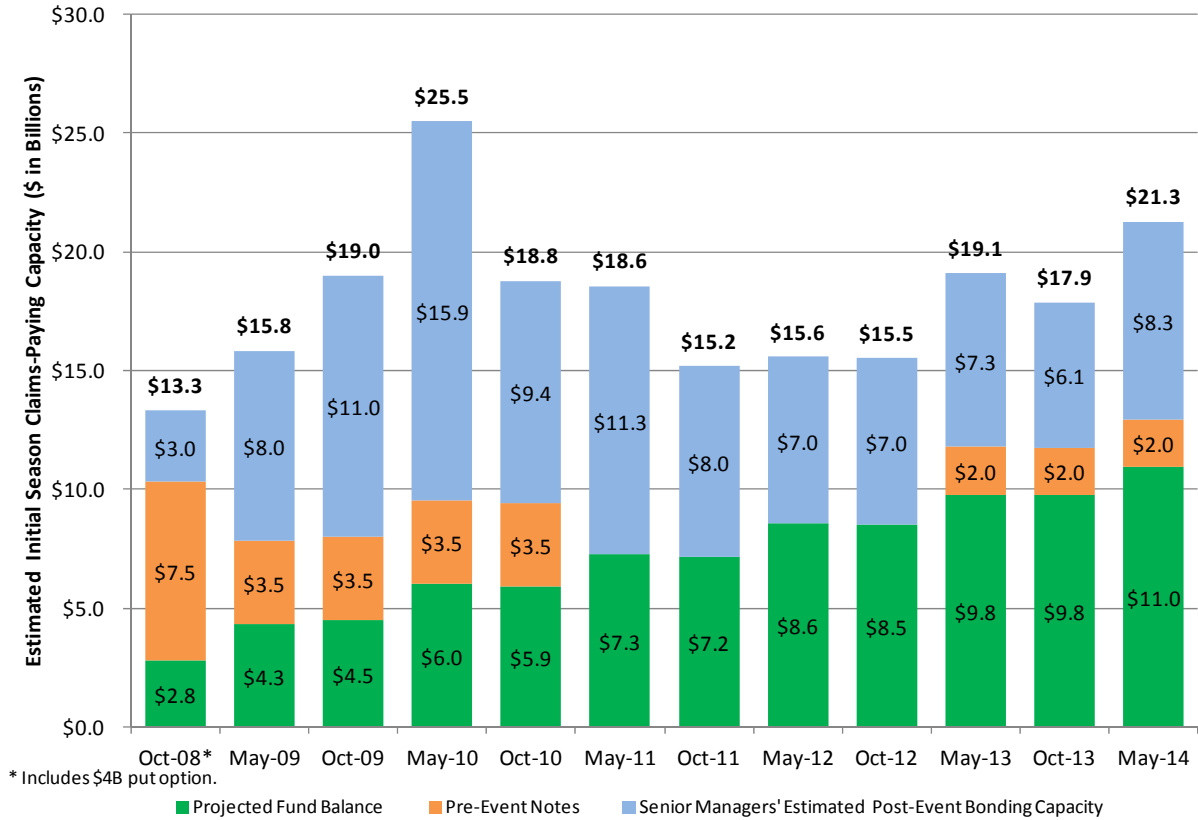
** Assumes current market interest rates. However, a financing at an "above market" 8% interest rate sized to produce the maximum potential FHCF obligation (\$4.050 billion) for the current contract year and refinancing the Series 2013A pre-event bonds would require an annual assessment of only 1.56%, 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 due to eight years without a hurricane that triggered the FHCF, 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 \$8.3 billion is approximately \$2.2 billion higher than it was in October 2013.

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

Initial Season Estimated Claims-Paying Capacity



Numbers may not add due to rounding.

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 team of senior managers with regard to the FHCF’s bonding capacity. The table below shows the 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	May-14	Oct 2013-May 2014 Change
Overall Range	\$12-\$26	\$10-\$26	\$4-\$23	\$5-\$11	\$1.5-\$11	\$2-\$10	\$3.5-\$9.8	\$4.5-\$7.5	\$5.5-\$14	↑

The wide range of estimates shown in the table reflects the fundamental underlying 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 success of the Series 2013A pre-event financing and improved market conditions, the estimated ranges have significantly improved. 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 event of a major storm event, the FHCF, Citizens Property Insurance Corporation ("Citizens"), and the Florida Insurance Guaranty Association ("FIGA") may have to issue post-event bonds. Because Citizens' capital position has also significantly improved and their risk transfer program has increased, its probability and amount of post-event bonding has significantly decreased in recent years. FIGA's potential bonding needs are unknown and cannot be estimated. Currently, FIGA can levy a 2% regular assessment and potentially generate up to \$340 million in 30 days to pay claims in an expedited manner and issue post-event bonds with an additional 2% emergency assessment, if needed. However, based on the capital structure of the FHCF, Citizens, and FIGA, the FHCF will be required to and will have access to the capital market before Citizens and FIGA.

In the case of any bonding shortfall, the FHCF could levy assessments (up to a total of over \$2.2 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.

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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.

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**Appendix A – Bonding Capacity Solicitation & Senior Manager
Responses**

Memorandum



To: Florida Hurricane Catastrophe Fund
From: Bank of America Merrill Lynch
Date: May 1, 2014
Subject: Florida Hurricane Catastrophe Fund – May 2014 Bonding Capacity Analysis

Bank of America Merrill Lynch (“BofAML”) is pleased to provide the FHCF with our firm’s estimates and views of the FHCF’s post-event bonding capacity and current market borrowing costs. Despite the Federal Reserve winding down its quantitative easing program, the municipal market has, in recent months, remained relatively strong. The market expected that the drawdown to the quantitative easing program would cause the municipal market to sell off, and immediately after the drawdown began that was largely the case. The recent turmoil in Ukraine, poor growth in the US economy and slow growth in employment contributed to a flight to quality to Treasuries with municipal bonds benefitting from the fund flows. Low supply in the municipal markets and positive municipal bond fund inflows have additionally contributed to a rally in the municipal markets. While the current market is very favorable for municipal issuers, a transaction or series of transactions by the FHCF after a hurricane event has been generally untested and may change current market dynamics for the specific transaction.

In the pages that follow, we provide BofAML’s estimate of its current borrowing costs as well as our view on the FHCF’s unconstrained capacity in the current market. If you have any questions, please contact the BofAML team.

1. Please provide a 30-year tax-exempt scale for the FHCF using the MMD at the close of business tomorrow (Tuesday, April 29th). 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 (7/1/15 - 7/1/44) 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).

Below, we have provided a 30-year tax-exempt scale reflecting our view of the FHCF’s estimated current market borrowing costs based on an uninsured financing, Aa3/AA-/AA- ratings from Moody’s, S&P and Fitch, respectively, and no capacity constraints.

Florida Hurricane Catastrophe Fund Tax-Exempt Scale				
Maturity (July 1)	Coupon	MMD (4/29/14)	Spread (bps)	Yield
2015	5.00%	0.15%	45	0.60%
2016	5.00%	0.35%	80	1.15%
2017	5.00%	0.62%	90	1.52%
2018	5.00%	0.96%	95	1.91%
2019	5.00%	1.23%	100	2.23%
2020	5.00%	1.51%	105	2.56%
2021	5.00%	1.78%	115	2.93%
2022	5.00%	1.99%	120	3.19%
2023	5.00%	2.17%	125	3.42%
2024	5.00%	2.30%	130	3.60%
2025	5.00%	2.42%	135	3.77%
2026	5.00%	2.54%	135	3.89%
2027	5.00%	2.65%	135	4.00%
2028	5.00%	2.76%	135	4.11%
2029	5.00%	2.85%	135	4.20%
2030	5.00%	2.93%	135	4.28%
2031	5.00%	3.01%	135	4.36%
2032	5.00%	3.09%	135	4.44%
2033	5.00%	3.17%	135	4.52%
2034	5.00%	3.23%	135	4.58%
2035	5.00%	3.29%	-	-
2036	5.00%	3.34%	-	-
2037	5.00%	3.38%	-	-
2038	5.00%	3.41%	-	-
2039	5.00%	3.44%	130	4.74%
2040	5.00%	3.46%	-	-
2041	5.00%	3.48%	-	-
2042	5.00%	3.49%	-	-
2043	5.00%	3.50%	-	-
2044	5.00%	3.50%	130	4.80%

2. Please provide a 30-year taxable scale using the Treasury curve at the close of business tomorrow (Tuesday, April 29th). 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 (7/1/15 - 7/1/44) with par-ish coupons throughout when writing the scale. Base the scale on an uninsured financing given again the FHCF’s current underlying ratings of Aa3/AA-/AA (Moody’s / S&P / Fitch).

Below, we have provided a 30-year taxable scale reflecting our view of the FHCF’s estimated current market borrowing costs based on an uninsured financing, Aa3/AA-/AA- ratings from Moody’s, S&P and Fitch, respectively, and no capacity constraints.

Florida Hurricane Catastrophe Fund Taxable Scale					
Maturity (July 1)	Coupon	UST Term	UST (4/29/14)	Spread (bps)	Yield
2015	0.71%	1Y	0.11%	60	0.71%
2016	1.19%	2Y	0.44%	75	1.19%
2017	2.05%	3Y	0.90%	115	2.05%
2018	2.74%	5Y	1.74%	100	2.74%
2019	3.24%	5Y	1.74%	150	3.24%
2020	3.54%	7Y	2.29%	125	3.54%
2021	4.04%	7Y	2.29%	175	4.04%
2022	4.29%	10Y	2.69%	160	4.29%
2023	4.49%	10Y	2.69%	180	4.49%
2024	4.69%	10Y	2.69%	200	4.69%
2025	0.00%	-	-	-	-
2026	0.00%	-	-	-	-
2027	0.00%	-	-	-	-
2028	0.00%	-	-	-	-
2029	5.29%	10Y	2.69%	260	5.29%
2030	0.00%	-	-	-	-
2031	0.00%	-	-	-	-
2032	0.00%	-	-	-	-
2033	0.00%	-	-	-	-
2034	5.79%	30Y	3.49%	230	5.79%
2035	0.00%	-	-	-	-
2036	0.00%	-	-	-	-
2037	0.00%	-	-	-	-
2038	0.00%	-	-	-	-
2039	0.00%	-	-	-	-
2040	0.00%	-	-	-	-
2041	0.00%	-	-	-	-
2042	0.00%	-	-	-	-
2043	0.00%	-	-	-	-
2044	5.99%	30Y	3.49%	250	5.99%

-
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. In addition, please include and describe briefly in your response if there is any overlap in tax-exempt / taxable capacity.
-

In the table below, we have provided our current tax-exempt and taxable “unconstrained” FHCF capacity estimates. We believe that sufficient demand exists at these capacity levels to complete a transaction of the sizes provided below and the risk of cross-market cannibalization is low.

Florida Hurricane Catastrophe Fund Post-Event Market Capacity (\$BN)			
Time Period	Tax-Exempt	Taxable	Total
0-12 Months	\$2.0-3.0	\$3.5-4.5	\$5.5-7.5
12-24 Months	\$2.0-3.0	\$2.5-3.5	\$4.5-6.5
0-24 Months	\$4.0-6.0	\$6.0-8.0	\$10.0-14.0

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We do not provide legal, compliance, tax or accounting advice. Accordingly, any statements contained herein as to tax matters were neither written nor intended by us to be used and cannot be used by any taxpayer for the purpose of avoiding tax penalties that may be imposed on such taxpayer. If any person uses or refers to any such tax statement in promoting, marketing or recommending a partnership or other entity, investment plan or arrangement to any taxpayer, then the statement expressed herein is being delivered to support the promotion or marketing of the transaction or matter addressed and the recipient should seek advice based on its particular circumstances from an independent tax advisor. Notwithstanding anything that may appear herein or in other materials to the contrary, the Company shall be permitted to disclose the tax treatment and tax structure of a transaction (including any materials, opinions or analyses relating to such tax treatment or tax structure, but without disclosure of identifying information or, except to the extent relating to such tax structure or tax treatment, any nonpublic commercial or financial information) on and after the earliest to occur of the date of (i) public announcement of discussions relating to such transaction, (ii) public announcement of such transaction or (iii) execution of a definitive agreement (with or without conditions) to enter into such transaction; provided, however, that if such transaction is not consummated for any reason, the provisions of this sentence shall cease to apply. Copyright 2014 Bank of America Corporation.

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MEMORANDUM



To: Florida Hurricane Catastrophe Fund
From: Citigroup Global Markets Inc.
Date: May 2, 2014
Re: May 2014 Capacity Analysis

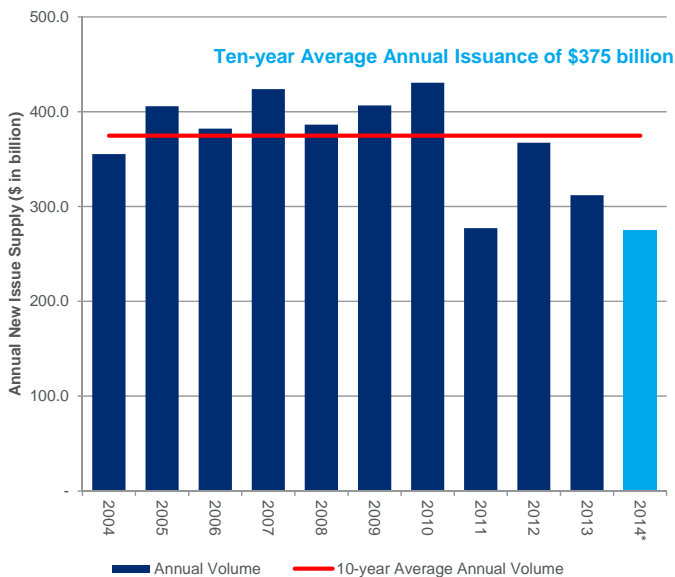
Citigroup is pleased to provide the Florida Hurricane Catastrophe Fund (the "FHCF") with an updated estimated post-event bond capacity analysis. Given the current market conditions and the dearth of supply in the tax exempt markets, our capacity estimates have increased slightly for the FHCF's tax exempt bonds. Furthermore, both our taxable and tax exempt indicative yields have decreased due to the reduction in both credit spreads as well as MMD and Treasury yields relative to our September 2013 update.

Current Market Conditions. The volatility in the fixed income markets still remains. However, after the severe sell-off that occurred in 2013, both Treasuries and Municipals have seen a healthy rally in 2014.

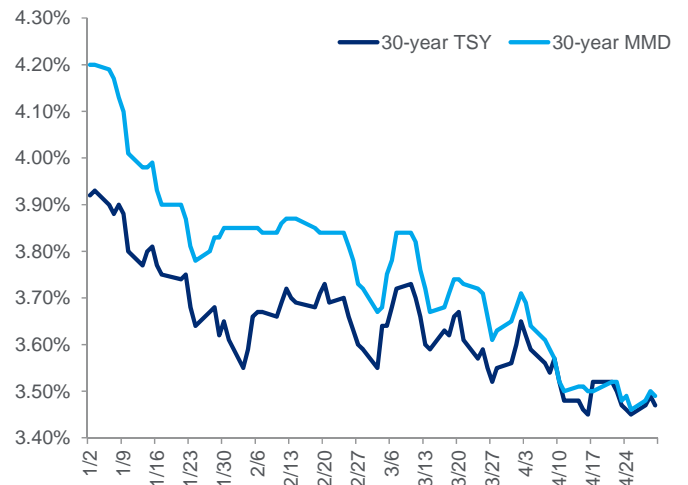
While the Federal Reserve recently announced a fourth \$10 billion reduction to its quantitative easing program, the Treasury market is still showing a positive tone. Since the beginning of 2014, 10-year and 30-year Treasuries have rallied by 37 and 49 basis points, respectively. This could be attributed to the Fed reiterating that they will keep their benchmark interest rate close to zero for a considerable time, as well as geopolitical fears given the Russia/Ukraine situation and weaker housing and inventory numbers.

Municipals have not only benefited from the rally in the Treasury market, but the overall lack of new municipal supply has sent investors scrambling to purchase what little new issuance is being brought to the market. Net fund flows have turned positive for a majority of 2014, and 30-day visible supply still remains low. Overall issuance is down 30% year-over-year, and Citi estimates full-year 2014 supply to be a mere \$275 billion. This confluence of events has had an extremely positive effect on municipal yields, as 10-year and 30-year MMD have rallied by 48 and 75 basis points, respectively, since the beginning of 2014. Furthermore, as evidenced by our enclosed scales, we have seen spreads tighten across the credit spectrum, further benefiting the FHCF should they need to access the debt capital markets.

Annual New Issue Supply Since 2004



30-year MMD and TSY yields



1. Please provide a 30-year tax-exempt scale for the FHCF using the MMD at the close of business tomorrow (Tuesday, April 29th). 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 (7/1/15 - 7/1/44) 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	29-Apr MMD	MMD Spread	Coupon	Base Yield
2015	0.15%	20	5.00%	0.35%
2016	0.35%	30	5.00%	0.65%
2017	0.62%	40	5.00%	1.02%
2018	0.96%	50	5.00%	1.46%
2019	1.23%	60	5.00%	1.83%
2020	1.51%	70	5.00%	2.21%
2021	1.78%	75	5.00%	2.53%
2022	1.99%	75	5.00%	2.74%
2023	2.17%	75	5.00%	2.92%
2024	2.30%	75	5.00%	3.05%
2025	2.42%	80	5.00%	3.22%
2026	2.54%	90	5.00%	3.44%
2027	2.65%	100	5.00%	3.65%
2028	2.76%	110	5.00%	3.86%
2029	2.85%	120	5.00%	4.05%
2030	2.93%	130	5.00%	4.23%
2031	3.01%	130	5.00%	4.31%
2032	3.09%	130	5.00%	4.39%
2033	3.17%	130	5.00%	4.47%
2034	3.23%	130	5.00%	4.53%
2035	3.29%			
2036	3.34%			
2037	3.38%			
2038	3.41%			
2039	3.44%	130	5.00%	4.74%
2040	3.46%			
2041	3.48%			
2042	3.49%			
2043	3.50%			
2044	3.50%	130	5.00%	4.80%

2. Please provide a 30-year taxable scale using the Treasury curve at the close of business tomorrow (Tuesday, April 29th). 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 (7/1/15 - 7/1/44) with par-ish coupons throughout when writing the scale. Base the scale on an uninsured financing given again the FHCF’s current underlying ratings of Aa3/AA-/AA (Moody’s / S&P / Fitch).

Taxable Scale					
Year	TSY Benchmark	29-Apr TSY	TSY Spread	Coupon	Base Yield
2015	2 Yr	0.44%	40	0.840%	0.840%
2016	2 Yr	0.44%	60	1.040%	1.040%
2017		0.91%			
2018	5 Yr	1.74%	80	2.540%	2.540%
2019		1.74%			
2020		2.29%			
2021	7 Yr	2.29%	100	3.290%	3.290%
2022		2.71%			
2023		2.71%			
2024	10 Yr	2.71%	125	3.960%	3.960%
2025		2.71%			
2026		2.71%			
2027		2.71%			
2028		2.71%			
2029	10 Yr	2.71%	190	4.610%	4.610%
2030		3.49%			
2031		3.49%			
2032		3.49%			
2033		3.49%			
2034	30 Yr	3.49%	175	5.240%	5.240%
2035		3.49%			
2036		3.49%			
2037		3.49%			
2038		3.49%			
2039		3.49%			
2040		3.49%			
2041		3.49%			
2042		3.49%			
2043		3.49%			
2044	30 Yr	3.49%	190	5.390%	5.390%

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. In addition, please include and describe briefly in your response if there is any overlap in tax-exempt / taxable capacity.

FHCF Post-Event Market Capacity			
Time Period	Tax-Exempt	Taxable	Total
0-12 Months	\$2.5 bn	\$4.0 bn	\$6.5 bn
12-24 Months	\$2.5 bn	\$4.0 bn	\$6.5 bn
Total	\$5.0 bn	\$8.0 bn	\$13.0 bn

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J.P.Morgan

To: Florida Hurricane Catastrophe Fund
 From: J.P. Morgan
 Date: May 2, 2014
 Subject: Debt Capacity and Indicative Pricing

Please find below J.P. Morgan's estimate of the Florida Hurricane Catastrophe Fund's ("FHCF") potential bonding capacity over the next 0-12 and 12-24 months, based on current market conditions. In addition, we have provided indicative pricing for taxable and tax-exempt offerings, as requested.

Due to recent and favorable market conditions, we are revising our capacity estimates upward from our September 2013 submission. Market conditions for both the tax-exempt and taxable bonds continue to become more favorable for an FHCF issuance, and our current estimate includes a maximum FHCF issuance size of \$18 billion over a 24 month window, across two or more offerings. The municipal market is in a period of significantly reduced primary issuance, with 2014's projected new issuance of \$295 billion, down approximately 10% from 2013 and 38.4% from the recent maximum of \$495 billion in 2010. The taxable fixed income markets also show considerable strength and depth, with large corporate bond issuances receiving very favorable reception, including the recent \$17 billion offering by Apple in April 2014, and the \$49 billion Verizon offering in September 2013 for which J.P. Morgan served as Bookrunner and Global Coordinator.

Indicative yields for both an FHCF tax-exempt or taxable offering have decreased since our September 2013 Capacity Analysis. Since our last analysis, 10-year MMD has decreased by 30 basis points, and 30-year MMD decreased by 70 basis points. Similarly, 10-year and 30-year Treasuries decreased by 6 and 20 basis points over this period, respectively. Tax-exempt and taxable credit spreads have also tightened relative to our September 2013 analysis. Tax-exempt estimated 30-year spreads fell by 10 basis points and 30-year taxable spreads fell by 100 basis points. These changes reflect the current rates at which comparable credits and FHCF secondary market trades are pricing in the market. Additional market information is provided below in the "Fixed Income Market Update" section, and in Appendix A.

Potential Market Capacity. Based on current market conditions as of April 29, 2014, J.P. Morgan estimates that FHCF could sell \$5-6 billion tax-exempt bonds and \$3-4 billion taxable bonds over the next 0-12 months. Over the following 12-24 month period, FHCF could sell an additional \$3-4 billion of tax-exempt bonds and \$3-4 billion of taxable bonds. This would provide FHCF a total post-event market capacity of \$8-10 billion tax-exempt and \$6-8 billion taxable.

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

Indicative Market Capacity, as of April 29, 2014			
Time Period	Tax-exempt	Taxable	Total
0 - 12 Months	\$5-6 billion	\$3-4 billion	\$8-10 billion
12 - 24 Months	\$3-4 billion	\$3-4 billion	\$6-8 billion
Total	\$8-10 billion	\$6-8 billion	\$14-18 billion

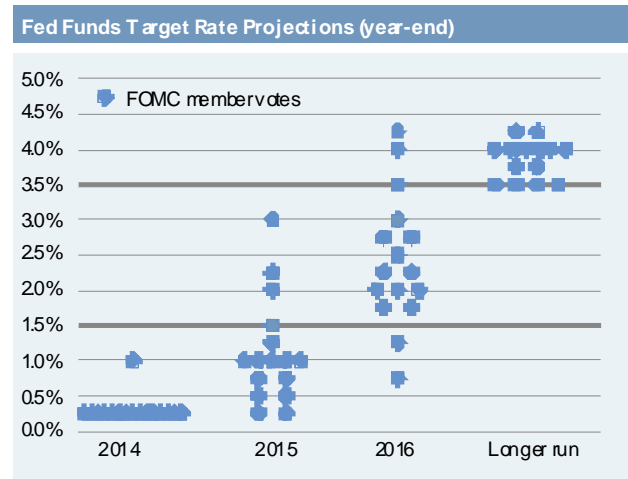
Indicative Capacity Detail, as of April 29, 2014			
	0-12 Months	12-24 Months	Potential Total Capacity by Product
30-year Tax-exempt -- Current Rates	\$3-4 billion	\$2-3 billion	\$5-7 billion
30-year Tax-exempt -- Unconstrained Rates	\$5-6 billion	\$3-4 billion	\$8-10 billion
30-year Taxable -- Current Rates	\$2-3 billion	\$2-3 billion	\$4-6 billion
30-year Taxable -- Unconstrained Rates	\$3-4 billion	\$3-4 billion	\$6-8 billion

In order to accomplish an issuance of maximum size, FHCF would likely want to access both the tax-exempt and taxable markets across one or more offerings. Although the post-event bonds would qualify for tax-exemption, the taxable markets may provide additional depth of institutional buyers. By issuing taxable bonds in addition to tax-exempt bonds, FHCF would access certain investors that do not typically participate in tax-exempt offerings, and

are not able to use the tax-exemption of municipal bonds. FHCF would likely see a significant increase in capacity by offering both a tax-exempt and taxable series as part of the same issuance, with the ultimate goal being to maximize the tax-exempt issuance. The capacity estimates above do consider the capacity overlap from investors that participate in both the tax-exempt and taxable markets, while prioritizing tax-exempt capacity over taxable.

Fixed Income Market Update. Both tax-exempt and taxable markets have experienced a significant rally for 2014YTD. 10- and 30-year MMD have decreased 49 and 71 basis points in 2014, respectively, while 10- and 30-year U.S. Treasuries have decreased 33 and 45 basis points. Throughout the balance of 2014 J.P. Morgan Research expects a gradually improving economy and a rising and steepening yield curve. We expect persistent, but moderate, gains in housing, as improved economic and employment conditions manifest in solid housing demand and improving buyer qualifications, thereby offsetting higher mortgage rates. Near term macro policy risk persists, as the new Federal Reserve chairperson, Janet Yellen, is charged with unwinding the unprecedented stimulus used to combat the impact of the Great Recession.

J.P. Morgan projections for the Fed Funds rate remain low, at 0.10% throughout the balance of 2014. By the end of 2Q14, we expect the 10-year U.S. Treasury to be 23bps higher than current values. By mid-2014, our forecast calls for 10-year and 30-year U.S. Treasury yields to rise to 2.90% and 3.70%, respectively. By year-end, 10-year and 30-year Treasury bond yields are projected to be 3.40% and 4.10%. Municipal rate forecasts follow a similar pattern, with 10-year MMD forecasted to increase 73bps by year end, slightly more than the 59bps 30-year MMD projection. In addition to J.P. Morgan forecasts below, the Fed Funds target rate projections are provided by FOMC vote in the illustration to the above. Additional market information is also provided in Appendix A.



Source: Federal Reserve Board, March 19, 2014

JPM U.S. Treasury Interest Rate Forecast (%)						
	4/25/14	5/25/14	6/30/14	9/30/14	12/31/14	3/31/15
	Current	1m ahead Forecast	2Q14 Forecast	3Q14 Forecast	4Q14 Forecast	1Q15 Forecast
Fed Funds	0.10	0.10	0.10	0.10	0.10	0.15
3M LIBOR	0.23	0.24	0.24	0.25	0.30	0.35
2Y UST	0.43	0.45	0.50	0.70	0.90	1.00
5Y UST	1.73	1.80	1.90	2.25	2.45	2.55
10Y UST	2.67	2.75	2.90	3.20	3.40	3.50
30Y UST	3.44	3.60	3.70	3.95	4.10	4.20

JPM Tax-Exempt Yield Forecast (%)					
	4/25/14	5/25/14	6/30/14	9/30/14	12/31/14
AAA MMD	Current	1m ahead Forecast	2Q14 Forecast	3Q14 Forecast	4Q14 Forecast
2Y	0.35	0.39	0.40	0.65	0.82
5Y	1.19	1.28	1.37	1.88	1.89
10Y	2.27	2.41	2.47	2.88	3.00
30Y	3.46	3.60	3.70	4.05	4.05
10Y MMD/UST Ratio	85.2%	87.6%	85.2%	90.0%	88.2%
30Y MMD/UST Ratio	100.6%	100.0%	100.0%	102.5%	98.8%

Source: Thomson Reuters Municipal Market Data; J.P. Morgan Research, US Fixed Income Weekly - Municipals, 4/25/2014, jpm.com

On the following pages, please find J.P. Morgan's estimated 30-year tax-exempt and taxable scales assuming market conditions as of April 29, 2014. 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 April 29, 2014				
Maturity	MMD	Coupon (%)	Yield (%)	Spread (bps)
7/1/2015	0.15%	5.00%	0.35%	20
7/1/2016	0.35%	5.00%	0.65%	30
7/1/2017	0.62%	5.00%	1.02%	40
7/1/2018	0.96%	5.00%	1.46%	50
7/1/2019	1.23%	5.00%	1.78%	55
7/1/2020	1.51%	5.00%	2.11%	60
7/1/2021	1.78%	5.00%	2.43%	65
7/1/2022	1.99%	5.00%	2.69%	70
7/1/2023	2.17%	5.00%	2.92%	75
7/1/2024	2.30%	5.00%	3.08%	78
7/1/2025	2.42%	5.00%	3.22%	80
7/1/2026	2.54%	5.00%	3.34%	80
7/1/2027	2.65%	5.00%	3.45%	80
7/1/2028	2.76%	5.00%	3.56%	80
7/1/2029	2.85%	5.00%	3.65%	80
7/1/2030	2.93%	5.00%	3.73%	80
7/1/2031	3.01%	5.00%	3.81%	80
7/1/2032	3.09%	5.00%	3.89%	80
7/1/2033	3.17%	5.00%	3.97%	80
7/1/2034	3.23%	5.00%	4.03%	80
7/1/2035	3.29%			
7/1/2036	3.34%			
7/1/2037	3.38%			
7/1/2038	3.41%			
7/1/2039	3.44%	5.00%	4.24%	80
7/1/2040	3.46%			
7/1/2041	3.48%			
7/1/2042	3.49%			
7/1/2043	3.50%			
7/1/2044	3.50%	5.00%	4.30%	80

J.P.Morgan

Florida Hurricane Catastrophe Fund				
Taxable Rates as of Close of Business April 29, 2014				
Maturity	Treasury	Coupon (%)	Yield (%)	Spread (bps)
7/1/2015	0.09%	0.49%	0.49%	40
7/1/2016	0.44%	0.94%	0.94%	50
7/1/2017	0.90%	1.55%	1.55%	65
7/1/2018	1.74%	2.19%	2.19%	45
7/1/2019	1.74%	2.64%	2.64%	90
7/1/2020	2.29%	3.09%	3.09%	80
7/1/2021	2.29%	3.39%	3.39%	110
7/1/2022	2.69%	3.64%	3.64%	95
7/1/2023	2.69%	3.84%	3.84%	115
7/1/2024	2.69%	3.94%	3.94%	125
7/1/2025	2.69%	4.09%	4.09%	140
7/1/2026	2.69%	4.24%	4.24%	155
7/1/2027	2.69%	4.39%	4.39%	170
7/1/2028	2.69%	4.49%	4.49%	180
7/1/2029	2.69%	4.59%	4.59%	190
7/1/2030	3.49%			
7/1/2031	3.49%			
7/1/2032	3.49%			
7/1/2033	3.49%			
7/1/2034	3.49%	4.84%	4.84%	135
7/1/2035	3.49%			
7/1/2036	3.49%			
7/1/2037	3.49%			
7/1/2038	3.49%			
7/1/2039	3.49%			
7/1/2040	3.49%			
7/1/2041	3.49%			
7/1/2042	3.49%			
7/1/2043	3.49%			
7/1/2044	3.49%	4.99%	4.99%	150

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To: Florida Hurricane Catastrophe Fund

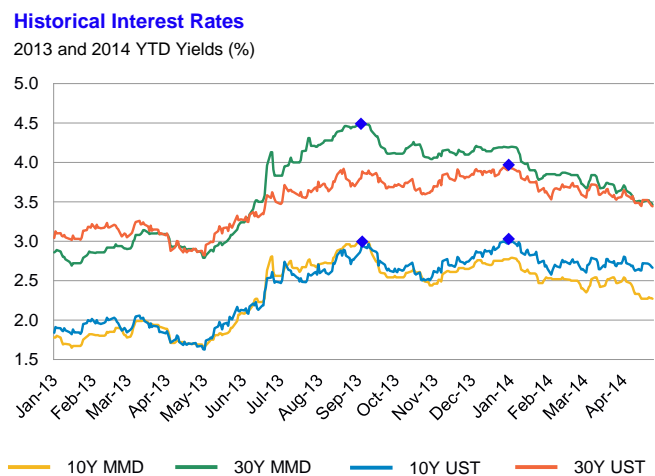
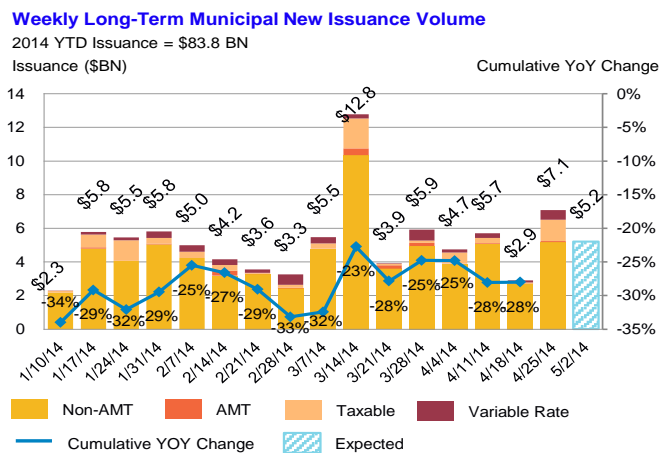
Date: May 2, 2014

From: Morgan Stanley

Subject: Florida Hurricane Catastrophe Fund Financing Corporation, May 2014 Capacity Analysis

Morgan Stanley is pleased to provide its estimate of Florida Hurricane Catastrophe Fund’s (“FHCF”) post-event bonding capacity. Much has changed in the municipal market since this time last year, particularly new issue volume. New issue volumes have dipped significantly from already low numbers in 2013. Municipal market technicals are strong in the current market, in part due to light volumes and positive inflows into municipal bond funds. Year-to-date issuance totaled just under \$84 billion as of last week, representing a decrease of 28% relative to 2013 levels. With a shortage of municipal bond supply, most transactions continue to be well received by the market. Investors across all asset classes continue to struggle to find yield. We have seen new investors, not typically buyers of municipal bonds, take sizeable positions where ample yield exists, such as the \$3.5 billion Puerto Rico deal that priced mid-March.

Additionally, rates have decreased in recent months in both the tax-exempt and taxable markets. 30-year MMD has decreased 23 bps since March 1, and the 30-year US Treasury has rallied 14 bps over the same period. Treasury rates remain slightly rich to MMD rates in the long end of the yield curve, and posted significant long-end-led gains Thursday after a mixed batch of economic data ahead of Friday’s key employment report. **Given the current issuance volume, rate environment and investor appetite, we are confident that the FHCF could successfully issue several billion in the coming months.**



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1. Please provide a 30-year tax-exempt scale for the FHCF using the MMD at the close of business tomorrow (Tuesday, April 29th). 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 (7/1/15 - 7/1/44) 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 30-Year Scale

Year	Maturity	MMD (4/29/2014)	Spread	Coupon	Yield
1	2015	0.160%	25	5.000%	0.410%
2	2016	0.360%	35	5.000%	0.710%
3	2017	0.640%	45	5.000%	1.090%
4	2018	0.980%	55	5.000%	1.530%
5	2019	1.250%	65	5.000%	1.900%
6	2020	1.530%	75	5.000%	2.280%
7	2021	1.800%	80	5.000%	2.600%
8	2022	2.010%	85	5.000%	2.860%
9	2023	2.190%	90	5.000%	3.090%
10	2024	2.320%	95	5.000%	3.270%
11	2025	2.440%	100	5.000%	3.440%
12	2026	2.560%	100	5.000%	3.560%
13	2027	2.660%	100	5.000%	3.660%
14	2028	2.760%	100	5.000%	3.760%
15	2029	2.850%	100	5.000%	3.850%
16	2030	2.930%	100	5.000%	3.930%
17	2031	3.010%	100	5.000%	4.010%
18	2032	3.090%	100	5.000%	4.090%
19	2033	3.170%	100	5.000%	4.170%
20	2034	3.230%	100	5.000%	4.230%
21	2035	3.290%			
22	2036	3.340%			
23	2037	3.380%			
24	2038	3.410%			
25	2039	3.440%			
26	2040	3.460%			
27	2041	3.480%			
28	2042	3.490%			
29	2043	3.500%			
30	2044	3.500%	100	5.000%	4.500%

2. Please provide a 30-year taxable scale using the Treasury curve at the close of business tomorrow (Tuesday, April 29th). 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 (7/1/15 - 7/1/44) with par-ish coupons throughout when writing the scale. Base the scale on an uninsured financing given again the FHCF’s current underlying ratings of Aa3/AA-/AA (Moody’s / S&P / Fitch).

Taxable 30-Year Scale

Year	Maturity	UST (4/29/2014)	Spread	Coupon	Yield
1	2015	0.440%	60	1.040%	1.040%
2	2016	0.440%	75	1.190%	1.190%
3	2017	0.898%	90	1.798%	1.798%
4	2018	1.739%	75	2.489%	2.489%
5	2019	1.739%	110	2.839%	2.839%
6	2020	2.290%	95	3.240%	3.240%
7	2021	2.290%	130	3.590%	3.590%
8	2022	2.692%	115	3.842%	3.842%
9	2023	2.692%	135	4.042%	4.042%
10	2024	2.692%	150	4.192%	4.192%
11	2025	2.692%			
12	2026	2.692%			
13	2027	2.692%			
14	2028	2.692%			
15	2029	2.692%	210	4.792%	4.792%
16	2030	3.490%			
17	2031	3.490%			
18	2032	3.490%			
19	2033	3.490%			
20	2034	3.490%	175	5.240%	5.240%
21	2035	3.490%			
22	2036	3.490%			
23	2037	3.490%			
24	2038	3.490%			
25	2039	3.490%			
26	2040	3.490%			
27	2041	3.490%			
28	2042	3.490%			
29	2043	3.490%			
30	2044	3.490%	187.5	5.365%	5.365%

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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. In addition, please include and describe briefly in your response if there is any overlap in tax-exempt / taxable capacity.

FHCF Post-Event Market Capacity (\$ in Billions)			
Time Period	Tax-Exempt	Taxable	Total
0-12 Months	3-4	3.5-4	6.5-8
12-24 Months	3-4	4-5	7-9

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G-23 Disclosure

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To: Florida Hurricane Catastrophe Fund

From: Wells Fargo Securities

Date: May 2, 2014

Re: Florida Hurricane Catastrophe Fund Bonding Capacity Analysis for May 2014

Wells Fargo Securities is pleased to provide the Florida Hurricane Catastrophe Fund (“FHCF”) with our estimate of FHCF bonding capacity as of April 29, 2014. Below please find our estimate of current market tax-exempt and taxable scales and spreads along with our estimate of bonding capacity for 0-12 and 12-24 months assuming unconstrained spreads. Please feel free to contact any of the Wells Fargo team if we can provide additional information or address any questions.

1. Please provide a 30-year tax-exempt scale for the FHCF using the MMD at the close of business tomorrow (Tuesday, April 29th). 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 (7/1/15 - 7/1/44) 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 Scale Rates as of April 29, 2014				
Maturity	Coupon	MMD	Spread	Yield
7/1/2015	5.000%	0.150%	0.200%	0.350%
7/1/2016	5.000%	0.350%	0.300%	0.650%
7/1/2017	5.000%	0.620%	0.400%	1.020%
7/1/2018	5.000%	0.960%	0.450%	1.410%
7/1/2019	5.000%	1.230%	0.500%	1.730%
7/1/2020	5.000%	1.510%	0.550%	2.060%
7/1/2021	5.000%	1.780%	0.600%	2.380%
7/1/2022	5.000%	1.990%	0.650%	2.640%
7/1/2023	5.000%	2.170%	0.700%	2.870%
7/1/2024	5.000%	2.300%	0.750%	3.050%
7/1/2025	5.000%	2.420%	0.800%	3.220%
7/1/2026	5.000%	2.540%	0.800%	3.340%
7/1/2027	5.000%	2.650%	0.800%	3.450%
7/1/2028	5.000%	2.760%	0.800%	3.560%
7/1/2029	5.000%	2.850%	0.800%	3.650%
7/1/2030	5.000%	2.930%	0.800%	3.730%
7/1/2031	5.000%	3.010%	0.800%	3.810%
7/1/2032	5.000%	3.090%	0.800%	3.890%
7/1/2033	5.000%	3.170%	0.800%	3.970%
7/1/2034	5.000%	3.230%	0.800%	4.030%
7/1/2035				
7/1/2036				
7/1/2037				
7/1/2038				
7/1/2039	5.000%	3.440%	0.800%	4.240%
7/1/2040				
7/1/2041				
7/1/2042				
7/1/2043				
7/1/2044	5.000%	3.500%	0.800%	4.300%

2. Please provide a 30-year taxable scale using the Treasury curve at the close of business tomorrow (Tuesday, April 29th). 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 (7/1/15 - 7/1/44) with par-ish coupons throughout when writing the scale. Base the scale on an uninsured financing given again the FHCF’s current underlying ratings of Aa3/AA-/AA (Moody’s / S&P / Fitch).

Florida Hurricane Catastrophe Fund Taxable Scale Rates as of April 29, 2014				
Maturity	Coupon	UST	Spread	Yield
7/1/2015	0.610%	0.110%	0.500%	0.610%
7/1/2016	1.040%	0.440%	0.600%	1.040%
7/1/2017	1.610%	0.910%	0.700%	1.610%
7/1/2018	2.140%	1.740%	0.400%	2.140%
7/1/2019	2.640%	1.740%	0.900%	2.640%
7/1/2020	3.090%	2.290%	0.800%	3.090%
7/1/2021	3.390%	2.290%	1.100%	3.390%
7/1/2022	3.610%	2.710%	0.900%	3.610%
7/1/2023	3.810%	2.710%	1.100%	3.810%
7/1/2024	3.960%	2.710%	1.250%	3.960%
7/1/2025				
7/1/2026				
7/1/2027				
7/1/2028				
7/1/2029				
7/1/2030				
7/1/2031				
7/1/2032				
7/1/2033				
7/1/2034	4.790%	3.490%	1.300%	4.790%
7/1/2035				
7/1/2036				
7/1/2037				
7/1/2038				
7/1/2039				
7/1/2040				
7/1/2041				
7/1/2042				
7/1/2043				
7/1/2044	4.990%	3.490%	1.500%	4.990%

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. In addition, please include and describe briefly in your response if there is any overlap in tax-exempt / taxable capacity.

FHCF Post-Event Market Capacity			
Time Period	Tax-Exempt	Taxable	Total
0- 12 Months	\$7.0 - \$10.0 billion	\$3.0 - \$4.0 billion	\$10.0 - \$14.0 billion
12- 24 Months	\$3.0 - \$5.0 billion	\$1.0 - \$2.0 billion	\$4.0 - \$7.0 billion
0- 24 Months Total	\$10.0 - \$15.0 billion	\$4.0 - \$6.0 billion	\$14.0 - \$21.0 billion

The capacity estimates shown in the table above assume FHCF would issue debt at higher interest rates than the current “market” tax-exempt and taxable scales that we have provided in our response to questions 1 and 2. Also, please note that there is an overlap between the buyers of taxable and tax-exempt FHCF bonds and a transaction in one market is likely to reduce the available capacity in the other market.



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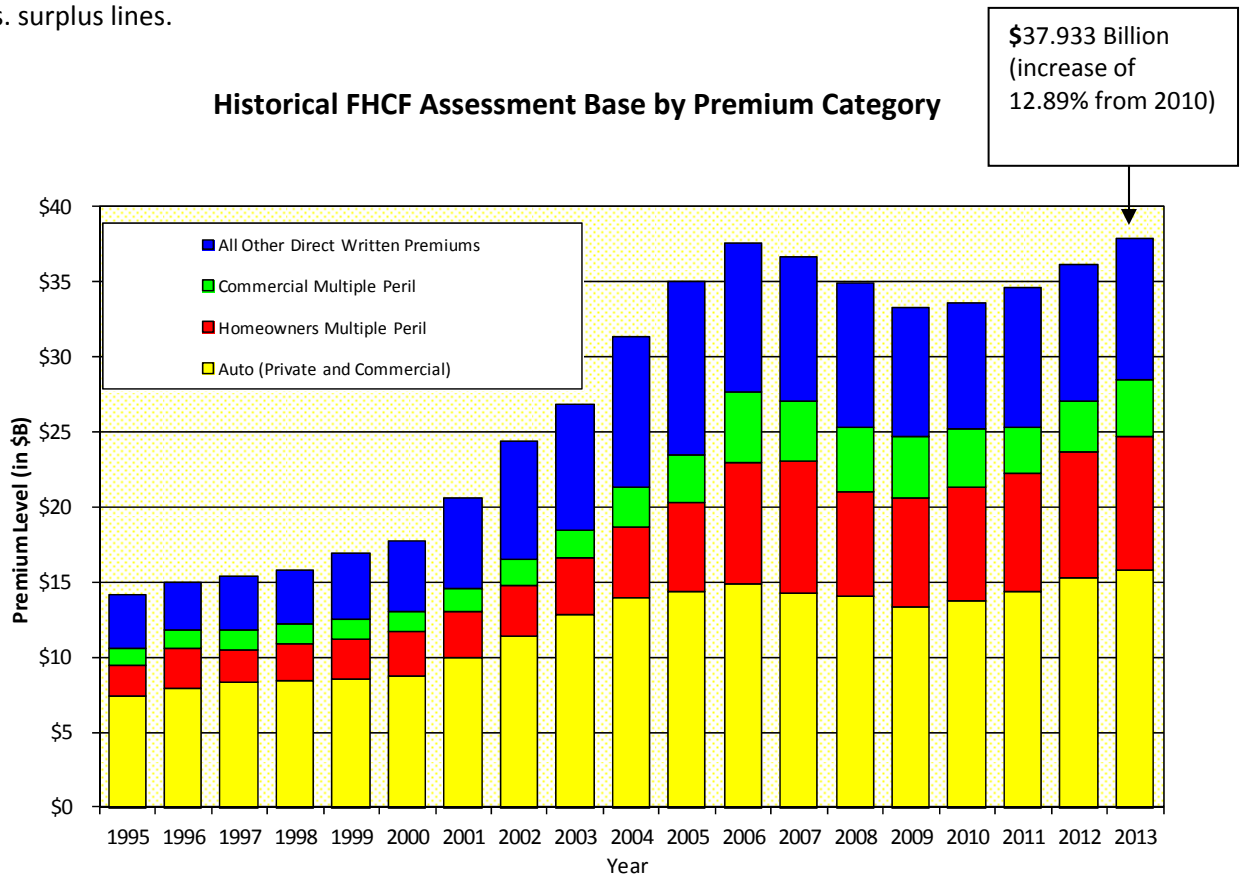
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Appendix B – The FHCF’s Assessment Base

According to Section 215.555(6)(b)1., Florida Statutes, “(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 2013 (the last official measurement date), totaled approximately \$37.933 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 by Premium Category



Historical FHCF Assessment Base

Admitted Market, Surplus Lines, and the dollar value of a 6% assessment

Calendar Year	Admitted Lines DWP	Surplus Lines and NIMA		Total Aggregate Premium	6% Emergency Assessment	% Premium Change from Prior Year
		Clearinghouse DWP				
1995	\$13,782,528,507	-		\$13,782,528,507		
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%
2013	\$33,726,402,951	\$4,206,244,204		\$37,932,647,155	\$2,275,958,829	4.83%

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. The DWP for 2013, which is based on company reports to OIR, is currently being verified and is subject to change.

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, it has now been extended until June 2016.

2011, 2012 and 2013 DWP is adjusted to reflect changes in the reporting requirements. The 2011, 2012 and 2013 DWP for admitted lines prior to these allowed adjustments was \$31,399,556,105, \$32,748,456,614 and \$34,098,935,891 respectively.

Average direct written premium increase from 1995-2013 (geometric mean) is 5.79% and the average direct written premium increase from 2000-2013 (geometric mean) is 6.47%.

2013 Admitted Market Lines Premiums

Line of Business	2013 Total Assessable Premium
Fire	\$1,091,013,667
Allied Lines	\$2,290,911,050
Multiple Peril Crop	\$100,137,124
Farmowners Multiple Peril	\$20,519,100
Homeowners Multiple Peril	\$8,583,613,606
Commercial Multiple Peril (Non-Liability)	\$1,170,343,803
Commercial Multiple Peril (Liability)	\$467,799,293
Mortgage Guaranty	\$238,356,330
Ocean Marine	\$290,996,417
Inland Marine	\$920,421,959
Financial Guaranty	\$24,062,549
Earthquake	\$8,315,307
Other liability - occurrence	\$1,484,914,677
Other liability - claims	\$521,344,491
Products Liability	\$94,801,012
Private Passenger Auto No-Fault (PIP)	\$3,428,085,785
Other Private Passenger Auto Liability	\$7,296,475,858
Commercial Auto No-Fault (PIP)	\$86,800,991
Other Commercial Auto Liability	\$1,272,683,619
Private Passenger Auto Physical	\$3,432,328,735
Commercial Auto Physical Damage	\$257,021,033
Aircraft (All Perils)	\$89,552,165
Fidelity	\$59,144,030
Surety	\$269,783,694
Burglary and Theft	\$13,661,094
Boiler and Machinery	\$52,434,668
Credit	\$77,387,397
Warranty	\$363,487,707
Aggregate Write-ins	\$92,538,730
Independently Procured Coverage (IPC)	\$1,719,032
Allowed Adjustments *	(\$374,251,972)
Totals	\$33,726,402,951

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

2013 Surplus Lines and NIMA Clearinghouse Premiums

		2013 Surplus Lines and NIMA Clearinghouse Premiums			2013 Surplus Lines and NIMA Clearinghouse Premiums
Coverage Code			Coverage Code		
1000	Commercial Property	\$1,955,096,162	3005	Stevedores Legal Liability	\$6,000,502
1001	Builders Risk	\$40,269,084	3006	Personal & Pleasure Boats & Yachts	\$24,000,227
1002	Business Income	\$2,555,995	3007	Ocean Marine Builder's Risk	\$450,651
1003	Apartments (Commercial)	\$3,453,384	3008	Longshoremen (Jones Act)	\$0
1004	Boiler and Machinery	\$81,652	3010	Marine Operators Legal Liability - Non Taxable	\$0
1005	Commercial Package (Property & Casualty)	\$262,103,471	3011	Marine Liabilities Package - Non Taxable	\$3,467
1006	Condominium Package (Commercial)	\$72,279,952	4000	Inland Marine (Commercial)	\$20,744,310
1007	Crop Hail	\$35,211	4001	Inland Marine (Personal)	\$17,236,833
1008	Difference In Conditions	\$20,213,541	4002	Motor Truck Cargo	\$15,799,711
1009	Earthquake	\$127,987	4003	Jewelers Block	\$7,095,277
1010	Flood	\$13,740,527	4004	Furriers Block	\$0
1011	Glass (Commercial)	\$0	4005	Contractors Equipment	\$1,612,273
1012	Mortgagee Impairment	\$1,428,628	4006	Electronic Data Processing	\$563,629
1013	Windstorm &/or Hail	\$70,195,510	5000	Commercial General Liability	\$595,167,918
1014	Mold Coverage - Commercial	\$1,282,064	5001	Commercial Umbrella Liability	\$51,705,980
1015	Sinkhole Coverage - Commercial	\$0	5002	Directors & Officers Liability (Profit)	\$21,936,670
1016	Excess Flood - Commercial	\$12,796,756	5003	Directors & Officers Liability (Non-Profit)	\$3,742,146
1017	Collateral Protection	\$16,016,379	5004	Educator Legal Liability	\$770,933
1018	Fire	\$118,618	5005	Employment Practices Liability	\$11,331,796
1100	Bankers Blanket Bond	\$1,597,796	5006	Excess Commercial General Liability (Not Umbrella)	\$110,680,673
1101	Blanket Crime Policy	\$410,361	5007	Excess Personal Liability (Not Umbrella)	\$4,908,212
1102	Employee Dishonesty	\$516,203	5008	Liquor Liability	\$4,499,560
1103	Identity Theft	\$520,094	5009	Owners & Contractors Protective	\$2,822,395
1104	Deposit Forgery	\$9,900	5010	Personal Umbrella	\$7,161,891
1105	Miscellaneous Crime	\$114,012	5011	Personal Liability	\$12,421,093
1200	Accident & Health	\$0	5012	Pollution & Environment Liability	\$43,404,747
1201	Credit Insurance	\$8,610,351	5013	Product & Completed Operations Liability	\$10,261,128
1202	Animal Mortality	\$197,730	5014	Public Officials Liability	\$1,147,811
1203	Mortgage Guaranty	\$15,642	5015	Police Professional Liability	\$1,001,151
1204	Worker's Compensation-Excess Only	\$0	5016	Media Liability	\$6,993,194
1205	Product Recall	\$4,116,614	5017	Railroad Protective Liability	\$2,648,810
1206	Kidnap/Ransom	\$199,792	5018	Asbestos Removal & Abatement	\$30,701
1207	Surety	\$1,340,146	5019	Guard Service Liability	\$933,449
1208	Weather Insurance	\$215,738	5020	Special Events Liability	\$1,668,423
1209	Prize Indemnification	\$36,073	5021	Miscellaneous Liability	\$38,916,860
1210	Travel Accident	\$10,759	6000	Hospital Professional Liability	\$0
1211	Terrorism	\$10,725,205	6001	Miscellaneous Medical Professionals	\$0
1212	Fidelity	\$947,704	6002	Nursing Home Professional Liability	\$0
2000	Homeowners-HO-1	\$1,126,404	6003	Physician/Surgeon	\$0
2001	Homeowners-HO-2	\$495,984	7000	Architects & Engineers Liability	\$17,694,428
2002	Homeowners-HO-3	\$197,063,493	7001	Insurance Agents & Brokers E&O	\$14,697,016
2003	Tenant Homeowners-HO-4	\$514,857	7002	Lawyers Professional Liability	\$36,925,974
2004	Homeowners-HO-5	\$12,735,159	7003	Miscellaneous E&O Liability	\$97,169,366
2005	Condo Unit-Owners HO-6	\$35,573,042	7004	Real Estate Agents E&O	\$1,701,358
2006	Homeowners-HO-8	\$22,853,093	7005	Software Design Computer E & S	\$336,116
2007	Dwelling Builders Risk	\$3,490,572	8000	Commercial Auto Liability	\$8,437,047
2008	Dwelling Flood	-\$618,907	8001	Commercial Auto Excess Liability	\$7,181,943
2009	Dwelling Property	\$45,241,754	8002	Commercial Auto Physical Damage	\$15,113,659
2010	Farmowners Multi-Peril	\$2,136,247	8003	Dealers Open Lot	\$3,426,314
2011	Mobile Homeowners	\$7,169,175	8004	Garage Liability	\$22,843,545
2012	Windstorm	\$40,809,886	8005	Garage Keepers Legal	\$1,422,491
2013	Mold Coverage - Residential	\$0	8006	Private Passengers Auto-Physical Damage Only	\$31,410
2014	Sinkhole Coverage - Residential	\$0	8007	Personal Excess Auto Liability	\$96,598
2015	Excess Flood - Residential	\$18,823,525	9000	Commercial Aircraft Hull &/or Liability	\$18,485,697
3000	Marine Operators Legal Liability - Taxable	\$618,735	9001	Airport Liability	\$961,328
3001	Marine Liabilities Package - Taxable	\$4,988,943	9002	Aviation Cargo	\$226,683
3002	Ocean Marine-Hull &/or Protection & Indemnity	\$11,618,538	9003	Aviation Product Liability	\$8,215,436
3003	Ocean Cargo Policy	\$17,533,233	9004	Hanger Keepers Legal Liability	\$1,837
3004	Ship Repairers Legal Liability	\$0	9005	Personal & Pleasure Aircraft	\$60,761
			Totals		\$4,206,244,204

Source: FLSO and NIMA Clearinghouse

Based on policies with a submitted/ filed/ written date from 1/1/13 to 12/31/13.