

## **SUMMARY OF MINUTES<sup>1</sup>**

October 14, 2014

A meeting of the Florida Hurricane Catastrophe Fund (FHCF) Advisory Council was held on Tuesday, October 14, 2014, at the Hermitage Centre in Tallahassee, Florida. The meeting began at approximately 1:30 p.m. and concluded at 3:30 p.m. ET.

### FHCF Advisory Council Members participating:

John Auer (by phone)  
Don Brown (by phone)  
M. Campbell Cawood  
Alan Edwards (by phone)  
Kurt Gurley (by phone)  
David Walker

### FHCF Advisory Council Members absent:

William Huffcut  
Floyd Yager

### **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 AUGUST 20, 2014 MEETING MINUTES**

A motion was made by Alan Edwards, seconded by Campbell Cawood, and the August 20, 2014, minutes were unanimously approved.

### **Item 4 – FINANCIAL MARKET UPDATE AND PRESENTATION OF THE DRAFT OCTOBER 2014 ESTIMATED CLAIMS PAYING CAPACITY**

Kapil Bhatia of Raymond James & Associates, the FHCF Financial Advisor, provided an update on the financial markets. Mr. Bhatia reported the unemployment rate is down, the housing market and national economy are recovering, inflation and interest rates are low, while corporate income and consumer spending is strong. However, the labor concentration rate is almost at an all-time low, putting the sustainability of the economy in question. Mr. Bhatia stated interest rates are projected to remain low, and reported that the FHCF credit is very strong with the FHCF assessment base at the highest level thus far.

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<sup>1</sup> 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.

Rick Patterson of Raymond James & Associates, presented the draft October 2014 Estimated Claims Paying Capacity along with the methodology used. Total mandatory coverage for the 2014 hurricane season is \$17 billion. The projected cash balance is \$10.94 billion with a total liquidity available of \$12.94 billion including the \$2 billion of pre-event notes issued in April 2013 leaving a potential post-event bonding need in the initial season of \$4.06 billion. The average estimated bonding capacity, as determined by the FHCF's senior managers, is \$8.3 billion for the first 12 months with an additional \$6.5 billion from 12-24 months. Total estimate of potential claims paying capacity with cash is \$21.24 billion for the 12 month period, but the claims paying capacity is limited to \$17 billion for mandatory coverage. The Council discussed the differences between the ranges provided by the five senior managers and the alternatives for having sufficient post-event funding in place to meet or exceed the fund's potential obligations.

**Item 5 – VOTE TO APPROVE THE OCTOBER 2014 ESTIMATED CLAIMS PAYING CAPACITY**

A motion to approve the October 2014 Estimated Claims Paying Capacity was made by Mr. Cawood, seconded by John Auer, and passed unanimously.

**Item 6 – FLORIDA DIVISION OF EMERGENCY MANAGEMENT REPORT ON THE HURRICANE LOSS MITIGATION PROGRAM**

Meredith VanValkenburgh, Florida Division of Emergency Management, discussed the distribution of the \$10 million appropriation from the FHCF every year with \$3 million going to public hurricane shelters and \$7 million going to the Residential Construction Mitigation Program. The \$7 million divided with \$3.5 million as a competitive grant, \$2.8 million is given to the Tallahassee Community College tie-down program and \$700,000 goes to a hurricane research grant at Florida International University. Darrell Miller, Tallahassee Community College, reported the mobile home tie-down program has spent \$40.4 million to date with 30,496 mobile homes in 194 mobile home communities in 30 counties receiving tie-down services. Mr. Miller discussed the annual audit of the program by the Auditor General's Office and the Request for Proposal process conducted every five years to determine the mobile home tie-down program vendor. Danny Kilcollins, Florida Division of Emergency Management, provided an overview of the 2014 shelter retrofit program and discussed the division's list of recommended facilities for retrofitting with regions deficit in public hurricane shelter space given priority. Mr. Kilcollins further discussed the retrofit priority criteria and how facilities are identified. Ms. VanValkenburgh reported on the current mitigation research at Florida International University's International Hurricane Research Center and the development of the Wall of Wind. She also provided an overview of the Residential Construction Mitigation Program including the program history, project selection criteria, the current status of the program and outreach activities, the award selection process and scoring criteria, evaluation and oversight of the program, and the future of the Residential Construction Mitigation Program.

**Items 7 & 8 – FHCF CHIEF OPERATING OFFICER'S REPORT AND DISCUSSION OF FUTURE LEGISLATIVE IDEAS**

Jack Nicholson reported the 2014/2015 contract year exposure and assumption examinations had begun. Dr. Nicholson recognized Gina Wilson, FHCF Director of Examinations, Patti Elsbernd, FHCF Audit Program Analyst, and Adam Lohne, SBA IT Applications, for the outstanding work they accomplished in creating and maintaining the FHCF on-line reporting system *WIRE* which

went live on July 1<sup>st</sup>. Dr. Nicholson reported he would be speaking at the Thomas Howell Ferguson Insurance Conference. He also updated the Council on the work of the Florida Commission on Hurricane Loss Projection Methodology Flood Standards Development Committee. Dr. Nicholson reported the FHCF does not have any legislative suggestions or plans to put forth any ideas, only to defend any proposals that would weaken the FHCF. Dr. Nicholson discussed the cash build-up factor and the termination of emergency assessments and the bond debt defeasance. Richard Smith, SBA Fixed Income, discussed the development and review of the FHCF Investment Policy and updated the Council on current FHCF investments. Lamar Taylor, SBA Executive Deputy Director, reinforced the SBA's procedure for following proper accounting principles. Mr. Taylor indicated to the Council he is available to any member if they have any specific questions they would like for him to address.

**Item 9 – 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 21, 2014, and would only be held if a Notice of Change was requested for Rule 19-8.010, Reimbursement Contract.

**Item 10 – CONCLUDING REMARKS**

There being no further business, the meeting was adjourned.