

The logo for the Florida Hurricane Catastrophe Fund is located at the top left of the slide. It features a dark blue background with a stylized white map of Florida. Below the map is a horizontal rainbow-colored bar. The text "Florida Hurricane" is positioned above the map, and "Catastrophe Fund" is positioned below it.

Florida Hurricane
Catastrophe Fund

Florida Hurricane Catastrophe Fund

Advisory Council Meeting

May 18, 2017

Introductory Comments

1. Meeting called to order & opening comments – *Floyd Yager, Chair*
2. Roll call – *Floyd Yager, Chair*
3. Approval of March 23, 2017 Minutes – *Floyd Yager, Chair*

Agenda

1. Call Meeting to Order – *Floyd Yager, Chair*
2. Roll Call – *Floyd Yager, Chair*
3. Approval of March 23, 2017 Meeting Minutes – *Floyd Yager, Chair*
4. Presentation of the Draft May 2017 Estimated Claims Paying Capacity – *Kapil Bhatia, Raymond James & Associates, Inc.*
5. Vote to Approve the May 2017 Claims Paying Capacity Estimates – *Floyd Yager, Chair*
6. FHCF Chief Operating Officer's Report – *Anne Bert*
7. Schedule & Agenda for Next Meeting – *Anne Bert*
8. Audience Comments/Closing Remarks/Adjourn – *Floyd Yager, Chair*

4. Presentation of the Draft May 2017 Estimated Claims Paying Capacity

-- Kapil Bhatia, Raymond James & Associates, Inc.

5. Vote to Approve the May 2017 Claims Paying Capacity Estimates

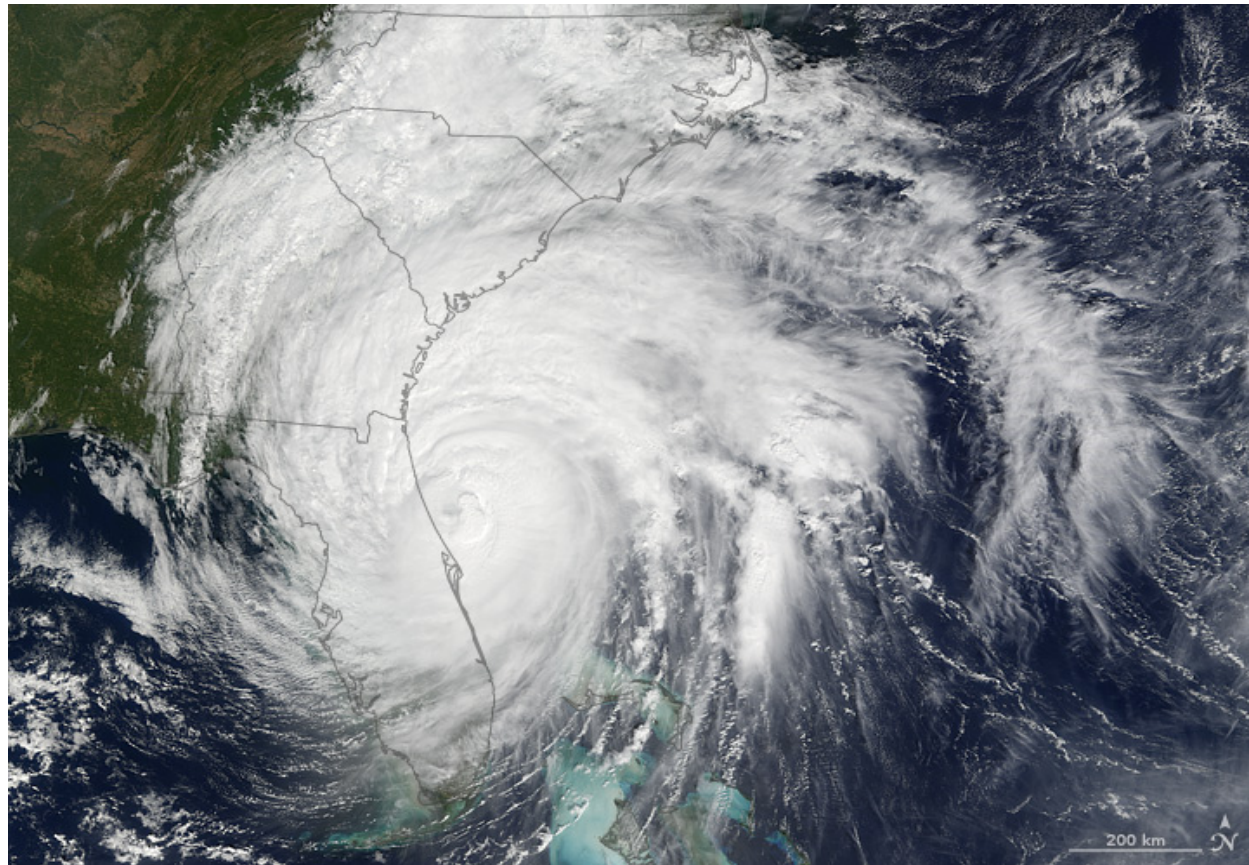
-- Floyd Yager, Chair

6. FHCF Chief Operating Officer's Report

-- *Anne Bert*

- A. 2016 Hurricane Season Update
- B. 2017-2018 Contract Year FHCF Structure
- C. 2017 Legislative Update – *Leonard Schulte*
- D. Staff Activities

2016 Hurricane Season Update



2017/2018 Contract Year

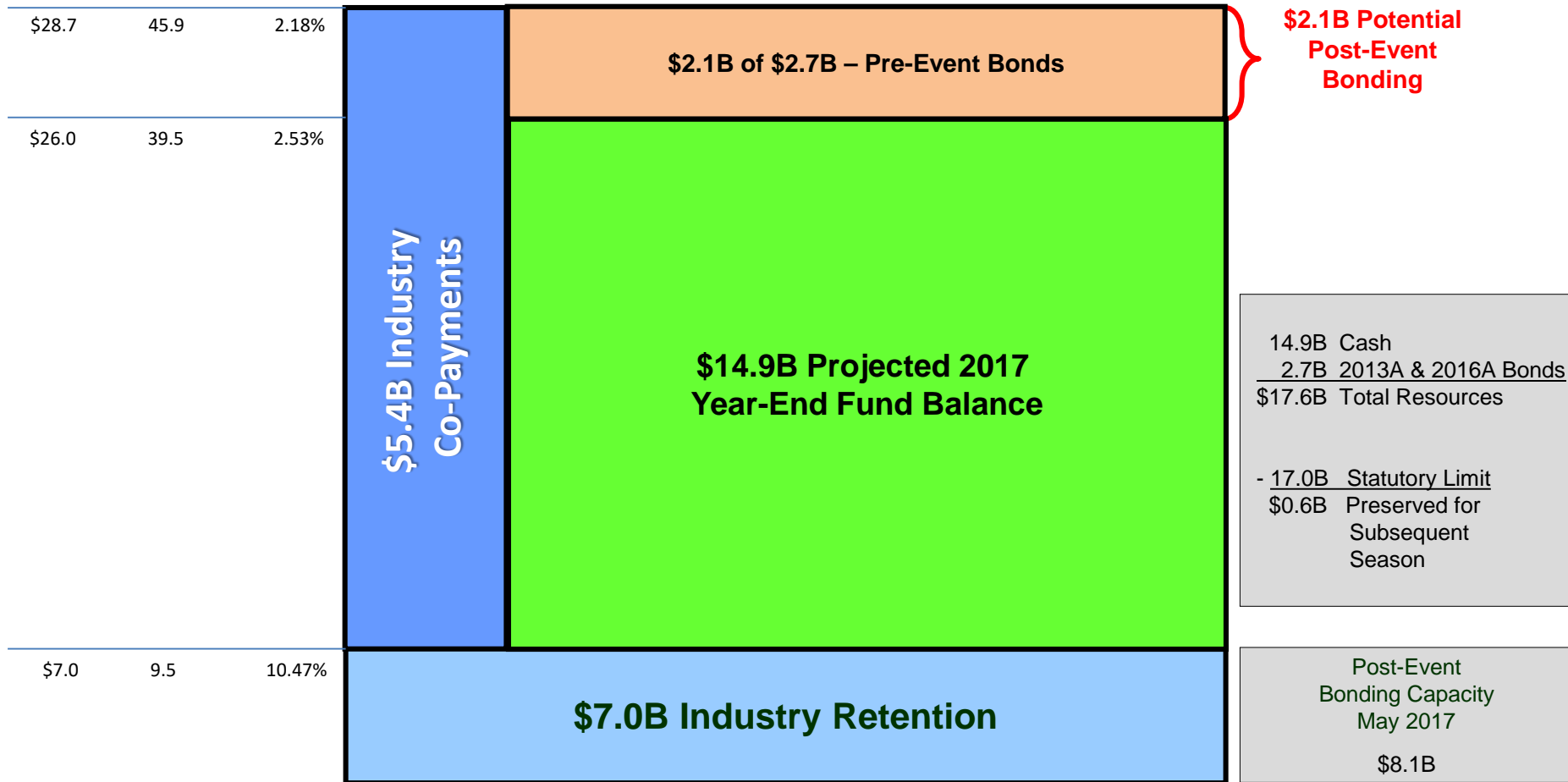
Not Official
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Purposes Only)

Not Drawn to Scale.

as of May 3, 2017

\$17B FHCF Capacity (Loss Adjustment Expense is included in the capacity)

Ground Up Losses (\$B)	Return Time (Years)	Probability (%)
\$28.7	45.9	2.18%
\$26.0	39.5	2.53%
\$7.0	9.5	10.47%



Represents industry losses. FHCF probabilities are lower at the top loss levels and higher at the lower loss levels. All insurers would need to reach their maximum coverage limit in order to exhaust the last billion of FHCF Coverage. Insurers can trigger coverage below the industry retention.

Individual company retentions are their share of the industry retention.

2018/2019 Subsequent Season

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Not Drawn to Scale.

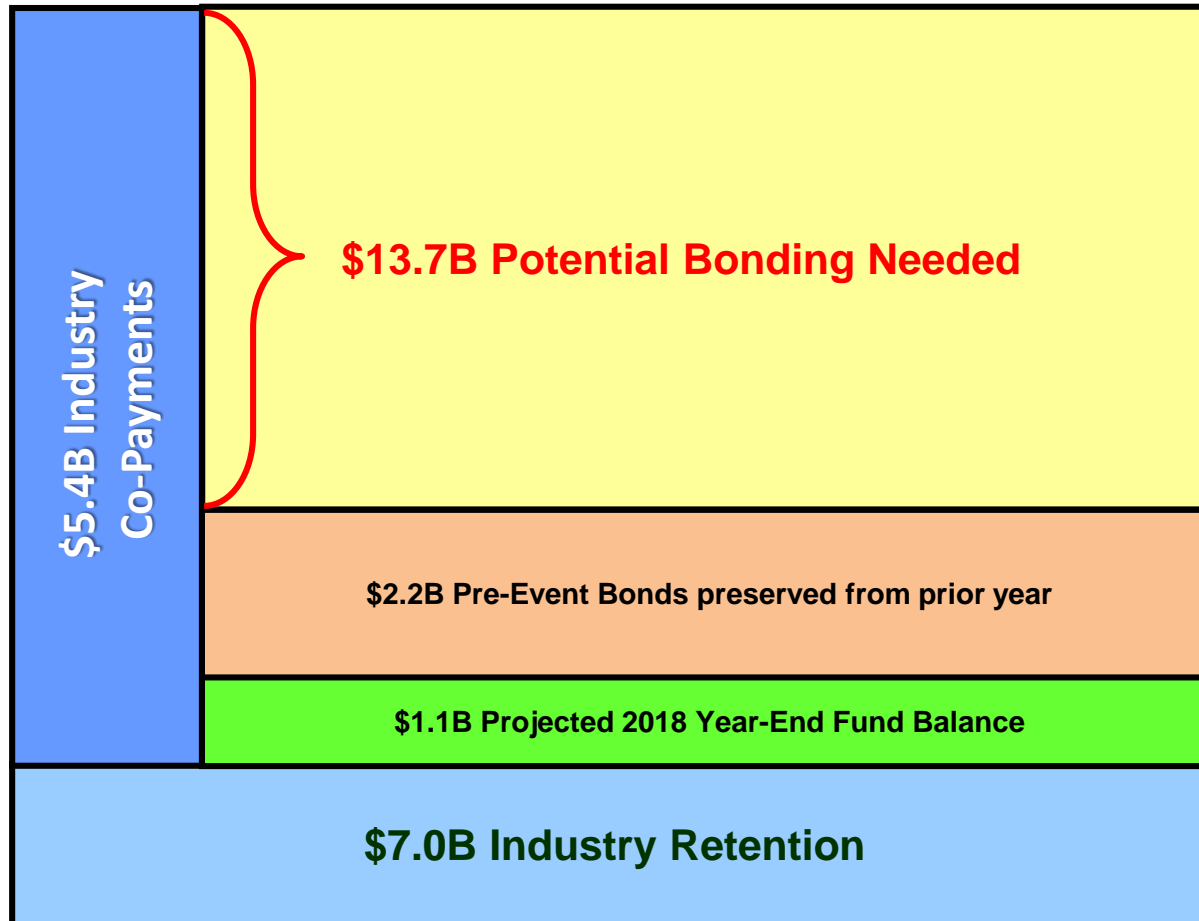
Preliminary Estimates

as of May 3, 2017

\$17B FHCF Capacity

(Loss Adjustment Expense is included in the capacity)

Assumption: *Preserved all Pre-Event Bonds after a \$17B loss in prior year*



1.1B	Cash
2.2B	2013A & 2016A Bonds*
<u>3.3B</u>	Total Resources
- 17.0B	Statutory Limit
\$13.7B	Potential Bonding Needed

* Excludes \$500M debt service payment due July 1, 2018

Post-Event Bonding Capacity May 2017
\$8.1B

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Individual company retentions are their share of the industry retention.

2018/2019 Subsequent Season

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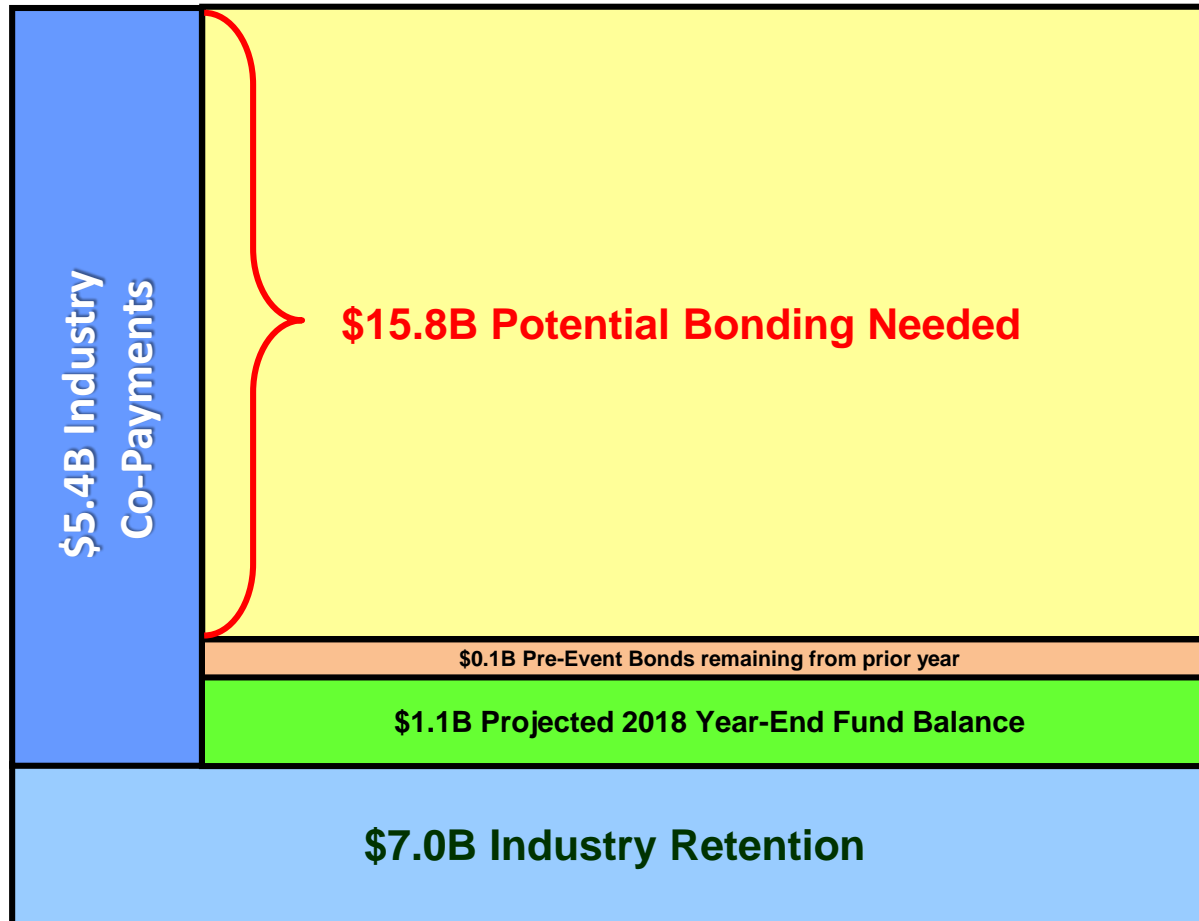
Preliminary Estimates

as of May 3, 2017

\$17B FHCF Capacity

(Loss Adjustment Expense is included in the capacity)

Assumption: *Used Pre-Event Bonds in prior year*



1.1B	Cash
0.1B	Pre-Event Bonds*
<hr/>	
\$1.2B	Total Resources

- 17.0B	Statutory Limit
\$15.8B	Potential Bonding Needed

* Excludes \$500M debt service payment due July 1, 2018

Post-Event Bonding Capacity
May 2017
\$8.1B

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Individual company retentions are their share of the industry retention.

2017 Legislative Update

Bills directly affecting FHCF coverage and rates

- HB 597 by Rep. Santiago, SB 1746 by Sen. Flores, SB 1772 by Sen. Lee
 - All three bills died without being heard in committee
- Providing additional coverage percentage options: HB 597, SB 1772
- Eliminating the use of a cash buildup factor in the premium formula: HB 597 (but retaining a 15% factor for Citizens, adding a 10% surcharge to fund mitigation), SB 1746 (simple elimination), SB 1772 (elimination with phased-in reinstatement after FHCF losses)
- Lowering limit to \$14 billion with provision for optional buy-back up to old limit: HB 597, SB 1772
- Allowing insurers to buy layers of coverage below the standard retention: HB 597
- Expanding coverage by removing certain exclusions: HB 597
- Removing provisions limiting the FHCF's obligations to its actual claims-paying capacity: HB 597

Bills affecting FHCF emergency assessment exemptions

- SB 454 by Sen. Brandes
- HB 359 by Rep. Santiago
 - “Omnibus” bill. Only provision affecting the FHCF makes the emergency assessment exemption for medical malpractice policies permanent (instead of expiring on 5/31/2019)
 - **HB 359 passed**

Other issues of interest

- Assignment of benefits—relevant to FHCF because of potential impact on insurers' hurricane losses
 - HB 1421 by Rep. James Grant, regulates property insurance assignments, provides for attorney fees
 - **Passed House, not heard in Senate**
 - SB 1038 by Sen. Hukill, regulates property insurance assignments, restricts attorney fees
 - **Did not get a committee hearing**
 - SB 1218 by Sen. Farmer, provides for regulation of “professional water damage restorers,” requires insurers to allow post-loss assignment of benefits, specifies contractual requirements
 - **Passed Senate Banking & Insurance Committee, died in Regulated Industries**

Other issues of interest

- Flood insurance
 - SB 420 by Sen. Brandes
 - HB 813 by Rep. Lee
 - These bills affect the Florida Commission on Hurricane Loss Projection Methodology (FCHLPM) by:
 - Requiring revision of FCHLPM flood standards every four years, instead of every two years
 - Delaying the requirement that flood insurers use FCHLPM-accepted flood models until 10/1/2025 (instead of 10/1/2019)
 - **HB 813 passed**

Other issues of interest

- Reviser's bill

- SB 502 by Sen. Benacquisto
- HB 7015 by Rules & Policy Committee
- Deletes various expired provisions from the Florida Statutes, including subsection (16) of the FHCF statute, relating to TICL
- **SB 502 passed and signed by the Governor**

- Intra-group policy transfers

- HB 805 by Rep. Ingoglia
- SB 812 by Sen. Perry
- Allows a policy to be transferred from one company within a group to another company in the same group without being treated as a nonrenewal.
- **HB 805 passed and signed by the Governor**

Staff Activities:

- Meetings with various Senate and House Legislators and their Staff
- 2017 Exposure Examination Planning Meeting
- SBA/Cabinet Meeting – Approval of 2017 Premium Formula and to file Rule 19-8.028 for notice and adoption
- ITN for Financial Advisor-in Progress
- SBA Quarterly Risk & Compliance Meeting
- Monthly Exam Meetings
- Weekly *WIRE* Planning Meetings

Staff Activities (continued):

- Completed RFQ for Audit Services-KPMG selected
 - SOC 1 – Audit of the Internal Controls of FHCF Administrator
 - Financial Statement Audit – FHCF and SBA Finance Corporation
- Florida Commission on Hurricane Loss Projection Methodology:
 - Professional Team Hurricane Model On-Site Reviews
 - Professional Team Flood Model and Discussion Flood Standards Feedback Visits
 - Commission Review of 5 Models for Acceptability Under the 2015 Hurricane Standards
 - AIR Worldwide Corporation
 - Applied Research Associates
 - CoreLogic
 - Florida Public Hurricane Loss Model
 - Risk Management Solutions

Staff Activities (continued):

Upcoming Meetings:

- May 22 & 23, 2017 – Methodology Commission Flood Committee Meetings
- June 8 & 9, 2017 – 17th Annual FHCF Participating Insurers Workshop, Orlando, FL
- June 15 & 16, 2017 – Methodology Commission Meetings to adopt 2017 Flood Standards

7. Schedule & Agenda for Next Meeting

-- Anne Bert, FHCF Chief Operating Officer

- August/September (Conference Call) – Request approval to file Rule 19-8.010, Reimbursement Contract, for Notice of Proposed Rulemaking
- October – Presentation and approval of the October 2017 Claims Paying Capacity Estimates

Dates and times to be determined

8. Audience Comments/Closing Remarks/Adjourn

-- Floyd Yager, Chair