

SUMMARY OF MINUTES¹

October 26, 2017

A meeting of the Florida Hurricane Catastrophe Fund (FHCF) Advisory Council was held on Thursday, October 26, 2017, at the Hermitage Centre in Tallahassee, Florida. The meeting began at approximately 1:30 p.m. and concluded at 2:52 p.m. ET.

FHCF Advisory Council Members participating:

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

FHCF Advisory Council Members absent:

William Huffcut

Item 1 – CALL MEETING TO ORDER

Floyd Yager called the meeting to order.

Item 2 – ROLL CALL

Mr. Yager called roll and noted that a quorum was present.

Item 3 – APPROVAL OF THE SEPTEMBER 13, 2017 MEETING MINUTES

A motion was made by Alan Edwards, seconded by David Walker, and the September 13, 2017, minutes were unanimously approved.

Item 4 – FINANCIAL MARKET UPDATE AND PRESENTATION OF THE DRAFT OCTOBER 2017 ESTIMATED CLAIMS PAYING CAPACITY

Kapil Bhatia of Raymond James & Associates, the FHCF Financial Advisor, provided an update on the U.S. economy and the financial markets. Mr. Bhatia discussed the total insurance/reinsurance industry estimated 2017 losses from multiple global events. He reported the U.S. unemployment rate remains low helping to keep inflation and interest rates low. Mr. Bhatia reported the bond issuance market is very strong, and the reinsurance market still has a very large sum of almost \$600 billion of capital available.

Mr. Bhatia presented the draft October 2017 Estimated Claims Paying Capacity along with the methodology used. The FHCF's maximum potential obligation for the 2017-2018 contract year is

¹ This document is a summary of the official minutes for the FHCF Advisory Council. The official minutes consist of the complete recorded transcript. The content of this Summary of Minutes document may not have been taken from the official transcript and should not be relied upon for any official purpose. The official transcript is available upon request from the FHCF.

\$17 billion. The projected year-end cash available is approximately \$15 billion with pre-event bonds of \$2.7 billion and \$1 billion of reinsurance coverage providing \$18.7 billion in liquidity. The average estimated borrowing capacity for the initial season, as determined by the FHCF's senior managers, is \$7.9 billion for the first 12 months, and the subsequent season borrowing estimate is \$7.2 billion. The claims paying estimates are range bound, stabilized, and have not changed much over the last three years reflecting the stability of the marketplace and the strength of the fixed income market. The total potential claims paying capacity available for the initial 2017/2018 season is \$26.6 billion. The FHCF is reserving a conservative \$5.1 billion for Hurricane Irma claims. Mr. Bhatia reported the FHCF is in a strong position to pay any claims from Hurricane Irma.

Item 5 – VOTE TO APPROVE THE OCTOBER 2017 ESTIMATED CLAIMS PAYING CAPACITY

A motion to approve the October 2017 Estimated Claims Paying Capacity was made by Don Brown, seconded by Mr. Edwards, and passed unanimously.

Item 6 – DISCUSSION OF THE 2018 DATA CALL AND RULE 19-8.029, INSURER REPORTING REQUIREMENTS AND RESPONSIBILITIES

Leonard Schulte, FHCF Director of Legal Analysis & Risk Evaluation, discussed the proposed revisions to Rule 19-8.029, Insurer Reporting Requirements and Responsibilities, and the incorporated forms.

Item 7 – VOTE TO APPROVE FILING A NOTICE OF PROPOSED RULE FOR RULE 19-8.029, INSURER REPORTING REQUIREMENTS AND RESPONSIBILITIES, AND TO FILE THE RULE, ALONG WITH THE INCORPORATED FORMS, FOR ADOPTION IF NO MEMBER OF THE PUBLIC TIMELY REQUESTS A RULE HEARING, OR IF A HEARING IS REQUESTED AND NO NOTICE OF CHANGE IS NEEDED

A motion was made by Mr. Brown, seconded by Mr. Walker, and the Advisory Council members unanimously voted to approve the proposed changes to Rule 19-8.029, F.A.C., and the incorporated forms, and to allow filing of the rule and incorporated forms for adoption if no member of the public timely requests a rule hearing or if a hearing is requested and no changes are necessary.

Item 8 – FHCF CHIEF OPERATING OFFICER'S REPORT

Anne Bert provided an update on the 2017 hurricane season and loss reimbursement requests. She reported approximately \$20 million in claims had been processed thus far. Ms. Bert asked Andy Rapaport, FHCF consulting actuary with Paragon Strategic Solutions, to discuss the \$5.1 billion reserve estimate included in the bonding capacity estimates. Mr. Rapaport reported on the initial modeler estimates and the losses provided in the company interim loss reports. He stated the \$5.1 billion is conservative and an average between Hurricane Charley and Hurricane Wilma loss reimbursements. Ms. Bert indicated the companies will be filing their mandatory proof of loss reports at year-end. Mr. Bert informed the Council the FHCF will be able to pay Hurricane Irma losses from the projected year-end \$15 billion in cash, that post-event bonds will not need to be issued, there will not be a need to levy emergency assessments, and pre-event proceeds will not need to be used.

Ms. Bert called on Leonard Schulte to provide an update on the upcoming 2018 legislative session. Mr. Schulte discussed the two bills that passed in 2017 affecting the FHCF and the only bill filed so far for 2018 affecting the FHCF.

Ms. Bert called on Steve Szypula, FHCF Director of Examinations, to provide an update on the exposure examination program. Mr. Szypula reported 105 of the 158 participating companies had been examined for the 2016 Contract Year with 18 being assumption examinations and the remaining few examinations are currently in the final stages of being issued. Mr. Szypula stated the total amount of premium examined equated to 99.2% of the reimbursement premiums collected. For the 2017 Contract Year, there are 160 participating insurers with 80 making up 99% of the reimbursement premium. 104 exposure examinations have been planned so far with 12 assumption examinations for policies assumed from Citizens Property Insurance Corporation. Mr. Szypula reported several examinations had already begun. He also commented on the weekly meetings to discuss the online exposure reporting program, *WIRE*.

Ms. Bert reported on the FHCF's 17th Annual Participating Insurers Workshop held in June where Insurance Commissioner David Altmaier was the keynote speaker. She informed the Council of several meetings with Legislators and their staff, SBA Risk & Compliance, FIGA, the Division of Rehab & Liquidation, presentations at both the House and Senate Banking & Insurance Committee meetings, and the annual planning workshop with Paragon Strategic Solutions. Ms. Bert reported an ITN for Administration Services and Actuarial Consulting Services would be issued the next day, October 27th. She also reported on the work of the Florida Commission on Hurricane Loss Projection Methodology which held a series of meetings and adopted 2017 Flood Standards, 2017 Hurricane Standards, and the associated Reports of Activities.

Item 9 – SCHEDULE AND AGENDA FOR NEXT MEETING

Ms. Bert advised the Council of two tentative conference call meetings to review comments made at a rule hearing if a rule hearing is timely requested and held on Rule 19-8.010, Reimbursement Contract (November 14, 2017, 1:30 p.m. ET) or on Rule 19-8.029, Insurer Reporting Requirements and Responsibilities (January 9, 2018, 1:30 p.m. ET).

Item 10 – AUDIENCE COMMENTS/CLOSING REMARKS/ADJOURN

There being no further business, the meeting was adjourned.