

SUMMARY OF MINUTES¹

March 21, 2018

A meeting of the Florida Hurricane Catastrophe Fund (FHCF) Advisory Council was held on Wednesday, March 21, 2018, at the Hermitage Centre in Tallahassee, Florida. The meeting began at approximately 1:30 p.m. and concluded at 3:12 p.m. ET.

FHCF Advisory Council Members participating:

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

FHCF Advisory Council Members absent:

Alan Edwards

Item 1 – CALL MEETING TO ORDER

David Walker, Chair, called the meeting to order.

Item 2 – ROLL CALL

Mr. Walker called roll and noted a quorum was present.

Item 3 – APPROVAL OF THE OCTOBER 26, 2017 MEETING MINUTES

A motion was made by John Auer and seconded by Don Brown, and the October 26, 2017 minutes were approved unanimously.

Item 4 – ELECTION OF VICE CHAIR

In accordance with the Advisory Council Member Handbook, the Chair's term of office expires, the Vice Chair rotates into the office of Chair, and a Vice Chair is chosen in the first quarter of each calendar year. Mr. Walker rotated into the office of Chair, and the floor was opened for nominations for the position of Vice Chair. Alan Edwards was nominated by Floyd Yager, seconded by Mr. Auer, and a vote approving Mr. Edwards as Vice Chair passed unanimously.

Item 5 – PRESENTATION OF THE 2018 PREMIUM FORMULA

Andy Rapoport, independent actuarial consultant with Paragon Strategic Solutions Inc., presented the Council with an overview of the ratemaking process and what was new in the 2018 formula: projected average coverage selection decreased from 74.524% in 2017 to 73.121% in 2018; 2.83% exposure trend increase; mandatory cash build-up factor remains at 25%; pre-event note expense decreased from \$44.6 million in 2017 to \$27.7 million in 2018; and actual reinsurance costs from 2017 were built into the premium formula for 2018 with options included in a premium formula table since a decision on the purchase of reinsurance has not been made. The overall indications

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.

were provided as well as the premium, rates and coverages, modeled losses, loadings and factors, and the proposed 2018 rating territories.

The rates developed in the 2018 Ratemaking Formula Report assume an FHCF per event retention of \$7.255 billion and an FHCF limit level of \$17.0 billion.

Items 6 & 7 – DISCUSSION OF RULE 19-8.028, PREMIUM FORMULA AND VOTE TO APPROVE THE 2018 PREMIUM FORMULA AND TO FILE RULE 19-8.028 FOR NOTICE AND ADOPTION IF NO HEARING IS REQUESTED OR IF A HEARING IS REQUESTED AND NO CHANGES ARE NEEDED

After questions and discussion on the premium formula and proposed rates, a motion to approve the 2018 premium formula and to file Rule 19-8.028 for notice and adoption was made by Mr. Brown, seconded by Mr. Auer, and passed by unanimous vote.

Item 8 – 2017 HURRICANE SEASON RECAP

Dr. Mark Powell, Atmospheric Scientist with Risk Management Solutions, provided a review of the 2017 hurricane season. Dr. Powell presented windfield footprints and discussed the integrated kinetic energy for the storms measuring their destructiveness including storm surge and the sensitivity of the storm tracks.

Item 9 – FHCF CHIEF OPERATING OFFICER’S REPORT

Anne Bert updated the Council on Hurricane Irma loss reimbursements and stated the losses will change as companies report on their loss development. Ms. Bert discussed the financial status of the Cat Fund reporting there is sufficient cash to pay Hurricane Irma losses without having to use pre-event bond proceeds or to issue post-event bonds.

Leonard Schulte, FHCF Director of Legal Analysis and Risk Evaluation, reported on the 2018 Legislative Session and the bills that directly affected the Cat Fund. None of the proposals passed, but it is assumed all or most of the suggested changes to the FHCF will be back in the 2019 session. Mr. Schulte discussed other insurance industry legislative proposals and legislation that passed. He reported the customary \$10 million was appropriated from the fund for mitigation with an additional \$3.5 million appropriated for the statewide emergency mass notification system for a total of \$13.5 million of appropriations from the fund for mitigation purposes.

Ms. Bert introduced Joel Meyer, the FHCF’s new Manager of Financial Operations. She also reported on recent staff activities including preparations for the 18th annual participating insurers workshop to be held in June in Orlando.

Item 10 – SCHEDULE AND AGENDA FOR NEXT MEETING

Ms. Bert informed the Council that the next Advisory Council meeting will be on May 17, 2018 at 1:30 p.m. ET to review and approve the May 2018 estimated claims-paying capacity report.

Item 11 – AUDIENCE COMMENTS/CLOSING REMARKS/ADJOURN

There being no further business, the meeting was adjourned.