

SUMMARY OF MINUTES¹

March 19, 2019

A meeting of the Florida Hurricane Catastrophe Fund (FHCF) Advisory Council was held on Tuesday, March 19, 2019, at the Hermitage Centre in Tallahassee, Florida. The meeting began at approximately 1:30 p.m. and concluded at 3:15 p.m. ET.

FHCF Advisory Council Members participating:

John Auer (by phone)

Don Brown

M. Campbell Cawood (by phone)

Alan Edwards (by phone)

Kurt Gurley (by phone)

William Huffcut

David Walker, Chair (by phone)

Floyd Yager (by phone)

FHCF Advisory Council Members absent:

None

Item 1 – CALL MEETING TO ORDER

Alan Edwards, Chair, called the meeting to order.

Item 2 – ROLL CALL

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

Item 3 – APPROVAL OF THE OCTOBER 9, 2018 MEETING MINUTES

A motion was made by Don Brown and the October 9, 2018 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. Edwards rotated into the office of Chair, and the floor was opened for nominations for the position of Vice Chair. John Auer was nominated by Floyd Yager and a vote approving Mr. Auer as Vice Chair passed unanimously.

Item 5 – PRESENTATION OF THE 2019 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 2019 formula: projected average coverage selection increased from 73.483% in 2018 to 81.629% in 2019; FHCF layer decrease from \$23.1 billion in 2018 to \$20.8 billion in 2019; 3.72% exposure trend increase with an increased allocation to new construction; and pre-event note expense decreased from \$27.7 million in 2018 to \$26.1 million in 2019. The overall indications were provided as well as the

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premium, rates and coverages, modeled losses, loadings and factors, and the proposed 2019 rating territories.

The rates developed in the 2019 Ratemaking Formula Report assume an FHCF per event retention of \$7.422 billion and an FHCF limit level of \$17.0 billion.

Items 6 & 7 – DISCUSSION OF RULE 19-8.028, PREMIUM FORMULA AND VOTE ON THE 2019 PREMIUM FORMULA AND FILING 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 vote on the 2019 premium formula and filing Rule 19-8.028 for notice and adoption was passed unanimously.

Item 8 – FHCF CHIEF OPERATING OFFICER’S REPORT

Anne Bert updated the Council on hurricane loss reimbursements stating 71 companies have been reimbursed \$1.82 billion for the 2017 hurricane season and 14 companies have been paid a little over \$600 million for the 2018 hurricane season. Ms. Bert reported the Fund has \$12.4 billion in cash which is sufficient cash to pay Hurricane Michael losses for the year without having to use pre-event bond proceeds or to issue post-event bonds.

Leonard Schulte, FHCF Director of Legal Analysis and Risk Evaluation, provided an update on the 2019 Legislative Session and the bills that would potentially affect the Cat Fund. He reported the appropriations bills include the customary \$10 million appropriation 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 for mitigation purposes, the same as in 2018. Mr. Schulte also informed the Council of proposed legislation adjusting the flat 5% LAE currently paid by the Cat Fund to amounts ranging from actual LAE paid up to a flat 15%.

Ms. Bert reported that claims audits for Hurricane Irma have started.

Item 9 – SCHEDULE AND AGENDA FOR NEXT MEETING

Ms. Bert informed the Council of a tentative conference call meeting scheduled for April 30, 2019, at 1:30 p.m. ET to review comments made at a rule hearing if a rule hearing is timely requested and held on Rule 19-8.028, Premium Formula. The next Advisory Council meeting is May 16, 2019, at 1:30 p.m. to review and vote on the May 2019 claims-paying capacity estimates.

Item 10 – AUDIENCE COMMENTS/CLOSING REMARKS/ADJOURN

There being no further business, the meeting was adjourned.