

SUMMARY OF MINUTES¹

May 16, 2019

A meeting of the Florida Hurricane Catastrophe Fund (FHCF) Advisory Council was held on Thursday, May 16, 2019, in Room 116 of the Hermitage Centre in Tallahassee, Florida. The meeting began at approximately 1:30 p.m. and concluded at 2:49 p.m. ET.

FHCF Advisory Council Members participating:

Don Brown
M. Campbell Cawood (by phone)
Alan Edwards (by phone)
Kurt Gurley (by phone)
William Huffcut
Floyd Yager (by phone)

FHCF Advisory Council Members absent:

John Auer

Item 1 – CALL MEETING TO ORDER

Alan Edwards, Chair, called the meeting to order.

Item 2 – ROLL CALL

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

Item 3 – APPROVAL OF THE MARCH 19, 2019 MEETING MINUTES

A motion was made by William Huffcut, seconded by Don Brown, and the March 19, 2019 minutes were unanimously approved.

Items 4 & 5 – FINANCIAL MARKET UPDATE, PRESENTATION OF THE DRAFT MAY 2019 ESTIMATED CLAIMS PAYING CAPACITY, AND VOTE ON THE MAY 2019 ESTIMATED CLAIMS PAYING CAPACITY

Kapil Bhatia of Raymond James & Associates, the FHCF Financial Advisor, provided a financial market update. Mr. Bhatia presented the draft May 2019 Estimated Claims Paying Capacity report stating the FHCF is still in a very good position. The FHCF's maximum potential obligation for the 2019-2020 contract year is \$17 billion. The projected year-end cash balance of \$12.4 billion, a projected risk transfer of \$1 billion, and available pre-event bonds of \$1.7 billion provides the FHCF with liquid resources of \$15.1 billion, which is approximately \$1.9 billion below the 2019-2020 statutory maximum obligation. Mr. Bhatia noted the cash balance estimate is adjusted for projected Hurricane Irma losses of \$3.75 billion and projected Hurricane Michael losses of \$1.45 billion. He also noted the projected coverage estimates assume enactment into law of HB 301, which increases the FHCF loss adjustment expense allowance from 5% to 10% of reimbursed losses. The total

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.

average initial season estimated bonding capacity, as determined by the FHCF's senior managers, is \$8.6 billion with an additional \$7.5 billion for the subsequent season. After questions and discussion from Advisory Council members, a motion to approve the May 2019 Estimated Claims Paying Capacity was made by Mr. Brown, seconded by Col. Huffcut, and passed unanimously.

Item 6 – 2019 LEGISLATIVE SESSION UPDATE

Anne Bert provided an update on the 2019 Legislative Session. She reported HB 7091 that passed and was recently signed into law by the Governor amended the Florida Commission on Hurricane Loss Projection Methodology statute removing the October 2, 2019 scheduled repeal for the public records exemption related to trade secrets. Ms. Bert discussed the provisions of HB 7065 identified as the "Assignment of Benefits" bill. She reported HB 301, the insurance "omnibus" bill, increased the FHCF loss adjustment expense allowance from 5% to 10% of reimbursed losses effective for contracts and rates on or after June 1, 2019. Ms. Bert also reported \$13.5 million will be appropriated for mitigation with \$7 million for programs to improve wind resistance in residences and mobile homes, \$3 million to retrofit public hurricane shelters, and \$3.5 million for the statewide emergency and mass notification system.

Item 7 – UPDATE ON FHCF INVESTMENT RESULTS

Ms. Bert discussed how the FHCF's investment needs have changed with the growth in cash balance and that over the last year and a half, FHCF staff has worked with the SBA's Fixed Income staff, our Financial Advisor Raymond James, and Ash Williams, the SBA's Executive Director to update the FHCF's Investment Policy Guidelines. She reported the revised guidelines will provide the FHCF the opportunity for more efficient investment of funds and also provide an opportunity for the FHCF to maximize investment returns while still meeting the primary goals of liquidity and safety of principal. Ms. Bert reviewed the new structure of splitting the operating fund into two portfolios, a Liquidity Fund and a Claims Paying Fund.

Richard Smith and Cherie Jeffries, SBA Fixed Income, provided the Advisory Council with an update on the investment results presented in the FHCF Quarterly Investment Report as of March 2019.

Item 8 – FHCF CHIEF OPERATING OFFICER'S REPORT

Ms. Bert updated the Council on hurricane loss reimbursements stating companies have been reimbursed \$2.14 billion for the 2017 hurricane season and \$0.42 billion for the 2018 hurricane season. She reported the \$12.4 billion cash balance is sufficient to pay Hurricane Michael losses for the year without having to use pre-event bond proceeds or to issue post-event bonds.

Ms. Bert updated the Council on recent FHCF staff activities including issuance of a Request for Qualifications for Exposure Examination and Consulting Services and a Request for Qualifications for Actuarial Consulting Services to the Florida Commission on Hurricane Loss Projection Methodology. She reported FHCF staff provided training for staff at the Office of Insurance Regulation and recently hosted a visit from the Office of Insurance Regulation staff along with a gentleman from Brazil participating in the NAIC sponsored International Fellows Exchange Program.

Ms. Bert recognized Patti Elsbernd from the FHCF staff who received a Teamwork Award given by the SBA for her work with the SBA's IT staff in the development, testing, and implementation of the FHCF's online exposure reporting system *WIRE*. They recently upgraded the functionality and capabilities of the *WIRE* system for uploading records for both exposure exams and claims exams.

Ms. Bert reported FHCF staff has been busy preparing for the 19th Annual Participating Insurers Workshop which will be held on June 5 & 6, 2019 at Disney's Coronado Springs Resort. She reported the Florida Commission on Hurricane Loss Projection Methodology will be meeting on June 11-13, 2019 to review the hurricane models submitted for acceptability under the Commission's 2017 hurricane standards.

Item 9 – SCHEDULE AND AGENDA FOR NEXT MEETING

Ms. Bert informed the Council that a conference call will be held on May 30, 2019 at 10:00 a.m. ET to discuss changes to Rules 19-8.010, Reimbursement Contract, 19-8.028, Reimbursement Premium Formula, and 19-8.029, Insurer Reporting Requirements and Responsibilities, implementing the legislative change to increase LAE to 10%.

Item 10 – AUDIENCE COMMENTS/CLOSING REMARKS/ADJOURN

There being no further business, the meeting was adjourned.