# Report Prepared for the Florida Hurricane Catastrophe Fund

## Claims-Paying Capacity Estimates

## October 24, 2023

*Once finalized, the statement of the FHCF's estimated borrowing capacity, estimated claims-paying capacity, and projected year-end balance required under s. 215.555(4)(c)2., F.S., will be published in the Florida Administrative Register as required by law.*

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Florida Hurricane Catastrophe Fund

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**Appendix**

## I. *Introduction*

The Florida Hurricane Catastrophe Fund ("FHCF") is a tax-exempt trust fund created by the State of Florida in 1993 and is administered by the State Board of Administration of Florida under Section 215.555, Florida Statutes. It was created to operate exclusively for the purpose of protecting and advancing the state's interest in maintaining insurance capacity by providing contractually specified coverage that provides reimbursement for a portion of residential property insurers' hurricane losses. Participation is mandatory for authorized property insurers, subject to limited exceptions.

Participating insurers pay the FHCF annual reimbursement premiums as consideration for this reimbursement coverage. The reimbursement premiums are based on insured values of covered properties, as reported annually to the FHCF. The FHCF statute requires the annual adoption of a reimbursement premium formula that generates actuarially indicated premiums as defined by law. An insurer's premium is proportionate to its coverage selection at a percentage level and its share of the FHCF's total risk exposure.

The annual reimbursement contract provides for reimbursement of a percentage of an insurer's residential hurricane losses in excess of its retention which is determined under a statutory formula. Reimbursement is provided at one of three percentage levels (90%, 75%, or 45%) selected in advance by the insurer.

The FHCF may obtain funds to pay its contractual reimbursement obligations from the following available potential sources:

*(1) Accumulated and current year reimbursement premiums*

*(2) Recoveries from reinsurance and other risk-transfer mechanisms, if any*

*(3) Pre-event bond proceeds and other pre-event liquidity resources*

*(4) Proceeds of post-event revenue bonds or bank loans issued under Section 215.555(6), Florida Statutes, and secured by emergency assessments, if needed*

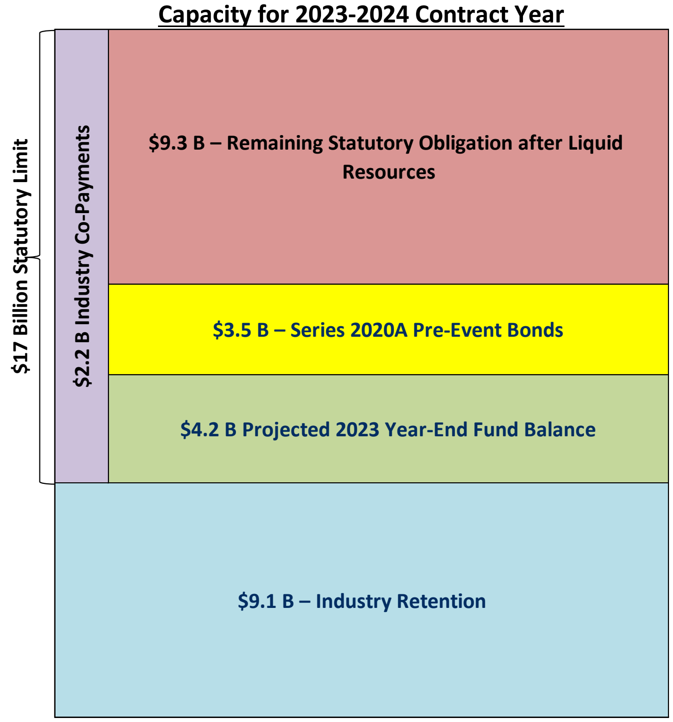
*(5) Investment earnings on accumulated reimbursement premiums and emergency assessments*

The actual and potential obligations of the FHCF are limited by statute. For the contract year June 1, 2023 – May 31, 2024, the maximum potential liability of the FHCF is $17 billion, with projected available total liquid resources of approximately $7.7 billion, which is comprised of $4.2 billion of projected year-end fund balance and $3.5 billion of pre-event bond proceeds. The projected available total liquid resources of $7.7 billion is $9.3 billion below the maximum potential liability, which would therefore require additional financing. In addition, the FHCF statute limits the Fund's reimbursement liability to its actual claims-paying capacity, which may depend on financial market conditions at the time of sale if any post-event revenue bonds are needed to pay claims.

Hurricane Idalia made landfall on August 30, 2023, near Keaton Beach, Florida as a Category 3 hurricane. Paragon Strategic Solutions Inc. ("Paragon"), the FHCF's consulting actuary is projecting an ultimate loss amount of $30 million. There is significant uncertainty regarding the ultimate loss amount as losses are just developing. Estimates are based on the output of models and are subject to significant uncertainty; therefore, there is no guarantee that actual losses will fall within the projected ultimate loss amount.

The chart below summarizes the sources of funds for the FHCF's statutory limit and estimated claims-paying capacity for the 2023-2024 Contract Year. The $9.1 billion industry retention is the maximum loss amount retained by the industry below the FHCF coverage layer. The $4.2 billion 2023 year-end projected fund balance is based on assumptions prepared by Paragon and Raymond James, the FHCF's financial advisor. The approximately $2.2 billion industry co-payment amount is the maximum co-pay for the industry for losses in the FHCF coverage layer based on the projected industry overall coverage selection of 87.401%. The $17 billion of FHCF statutory limit includes an allowance of 10% for loss adjustment expenses. The chart below shows total liquid resources of $7.7 billion and an estimated borrowing need of $9.3 billion to fund the FHCF statutory limit.

**FHCF Statutory Limit and Estimated Claims-Paying Capacity for 2023-2024 Contract Year**




*Numbers may not add due to rounding. Not drawn to scale*

Section 215.555, Florida Statutes, specifies the calculation of the retention multiple for each participating insurer. Each participating insurer has its own loss experience based on its own exposure, retention, limit, and FHCF coverage selection with its own unique probabilities of incurring FHCF layer losses. To more accurately estimate ground up losses and return times for different levels within the FHCF coverage layer, Paragon uses a detailed, company-by-company approach which includes an additional analysis based on model results by ZIP code and type of business and each individual company retention, company limit, and coverage selection. The data shown in the table below is for the approximately 150 participating insurers where each insurer has its own retention and coverage limits based upon its projected market share exposures, and therefore each participating insurer has its own unique probabilities of triggering its FHCF coverage and reaching its FHCF coverage limit.

| Layer | FHCF Layer Loss ($ in B) | Ground Up Losses for Average Verisk, RMS Company Retention Limit ($ in B) | Return Times (Yrs) for Aggregate Verisk, RMS Company Retention Limit |
|---|---|---|---|
| $1 Billion FHCF Layer | 1.0 | 7.9 | 8 |
| Projected Fund Balance Exhausted | 4.2 | 14.1 | 13 |
| $5 Billion FHCF Layer | 5.0 | 15.2 | 14 |
| Pre-Event Bonds Exhausted | 7.7 | 19.3 | 17 |
| $10 Billion FHCF Layer (Ian Level) | 10.0 | 23.3 | 21 |
| Maximum Statutory Limit | 17.0 | 98.2 | 240 |

*Source: Paragon Strategic Solutions.*
*Return times and ground up losses are shown for illustrative purposes only.*

Pursuant to Section 215.555(4)(c)(2), Florida Statutes, *"in May and October of the contract year, the board shall publish in the Florida Administrative Register a statement of the fund's estimated borrowing capacity, the fund's estimated claims-paying capacity, and the projected balance of the fund as of December 31."* The purpose of these claims-paying capacity estimate reports is to provide an estimate of the borrowing and claims-paying capacity of the FHCF for the 2023-2024 Contract Year and the preliminary estimate for the following contract year in order to assist the FHCF's participating insurers in determining their reimbursements.

Providing estimates at these times of the year is useful since some insurers operate in multiple states and purchase private reinsurance effective January 1st, while many other insurers operate solely in Florida and purchase their private reinsurance prior to June, effective June 1st of each year.

## II. *The Process*

As in prior years, in order to estimate the FHCF's borrowing capacity for the 2023 and 2024 seasons, we took the following three steps:

**Raymond James and the FHCF staff utilized the resources of the FHCF's five senior managing underwriters to estimate FHCF borrowing capacity**

(1) Evaluated market conditions for the FHCF using our internal resources. Raymond James & Associates, Inc. ("Raymond James"), a full service broker-dealer with over $20 billion in market capitalization (RJF, www.raymondjames.com), serves as the independent financial advisor to the FHCF. Raymond James also serves as an independent advisor to numerous other governmental catastrophe insurance entities across the country and our experience includes the evaluation and placement of risk transfer programs in both traditional and capital markets, the issuance of pre-event bonds and other liquidity mechanisms, the issuance of post-event bonds, structuring bank loans, and serving as an investment consultant. We rank number one as financial advisor to state-sponsored public insurance entities and are among the top municipal underwriters in the country and participate daily in the market for fixed income securities similar to those the FHCF has issued or would issue to help meet its reimbursement obligations after an event and have served as independent advisor or underwriter on the issuance of over $48 billion of debt and related financial instruments for the FHCF and other governmental catastrophe insurance entities around the country since 2005. Raymond James currently has over $1.2 trillion of assets under management.

(2) Solicited formal written feedback from the five current senior managing underwriters of the FHCF's financial services team and given certain assumptions. These firms – Bank of America, Citi, J.P. Morgan, Morgan Stanley and Wells Fargo – are among the largest financial services firms and municipal underwriters in the world, and each one has extensive experience and expertise with FHCF securities and similar instruments for other municipal issuers. They all were also part of the team for the successful execution of the FHCF's Series 2020A pre-event financing. As always, in our written request for feedback, we sought to ensure that the underwriters had a clear understanding of the purpose of asking them to provide such estimates and the uses thereof. A copy of the solicitation and the response of each of the managers is contained in Appendix A.

(3) We evaluated the written feedback and determined a recommended borrowing capacity estimate for inclusion in this report.

## III. *Analytical Considerations*

**The major constraint, if any in the future, for the FHCF in achieving its maximum reimbursement obligation is potential limitation of market access and capacity, not a lack of assessment capability or credit strength**

The FHCF has very strong debt repayment capabilities. From a credit standpoint, the ability to levy emergency assessments on all property and casualty insurance lines except workers' compensation, medical malpractice, federal flood, and accident and health lines is similar to a statewide sales tax on an essential product with an underlying premium base of $72.6 billion[1]. The strength of this pledged revenue stream is the primary reason the three major rating agencies – Moody's, Standard & Poor's, and Fitch – rate the FHCF's current debt as Aa3, AA, and AA, respectively. To put these ratings in perspective, less than 1% of U.S. corporations have ratings in the "AA" category by all three rating agencies.

While the FHCF statute does limit the amount of assessments that can be levied – 6% for losses attributable to one contract year and 10% for losses attributable to all years – these percentages, when applied to the current assessment base of $72.6 billion, mean the FHCF could levy annual assessments of as much as $4.36 billion for losses from hurricanes occurring in one contract year and as much as $7.26 billion for losses from hurricanes occurring over all contract years. These annual amounts, in conjunction with the other available resources of the FHCF, are estimated to be more than sufficient to support the estimated borrowing capacity for the FHCF. The financial markets are currently stressed as interest rates have significantly increased and are also very volatile due to global macroeconomic factors such as the banking crisis, Russia's invasion of the Ukraine, and actions by both the Federal Reserve and global central banks to combat inflation that is at historically high levels not seen since the 1980's – even though inflation is coming down, there is still a significant probability of a recession. Credit spreads have widened due to the volatility in the fixed income markets – even for high-grade credits such as the FHCF – therefore, we have utilized rates of 7% for the initial season and 9% for the subsequent season, which are "above market" rates.

The FHCF successfully executed the Series 2020A taxable pre-event financing in September 2020. The Series 2020A financing was issued in the amount of $3.5 billion at a low true interest cost of 1.842%. The Series 2020A transaction re-established the FHCF in the municipal bond marketplace and illustrated the significant amount of investor demand in the taxable municipal market for a strong credit like the FHCF. However, significant time has elapsed since the 2020 transaction; interest rates have signficantly increased and market access can never be guaranteed, especially in volatile times or after an event or multiple events

[1] *See Appendix B for an analysis of the size and growth of the FHCF's assessment base over time.*

either in Florida or globally. Therefore, it is critical to understand the risk and potential challenges the FHCF may face after an event.

In addition, pricing conditions in the global reinsurance markets affect the participating insurers' coverage percentage selections. Hardening market conditions in the global reinsurance markets, especially in the Florida marketplace, began in 2020 and have continued into 2023. Florida has experienced a significant decrease in reinsurance capacity and increase in pricing from global reinsurers due to the large number of global catastrophe events and Florida's insurance market conditions. Due to hardening reinsurance pricing and reduced capacity in the Florida market, the FHCF's average coverage increased for 2023 to approximately 87.4%. Due to Hurricane Ian losses and global macroeconomic factors, the global reinsurance markets are expected to remain hard, which will further reduce the reinsurance capacity for the global catastrophe risk for the Florida market.

The chart below illustrates the FHCF's projected $7.7 billion of liquidity resources for the 2023-2024 Contract Year, which is $9.3 billion below its maximum statutory obligation of $17 billion. The FHCF's 2023-2024 Contract Year liquidity resources have been adjusted for paid losses and loss reserves in the total amount of approximately $19 billion for Hurricanes Ian, Irma, Michael and Idalia. At this time, the FHCF's projected ultimate incurred loss estimates are $7.55 billion from Hurricane Irma, $1.45 billion from Hurricane Michael, $10 billion from Hurricane Ian and $30 million from Hurricane Idalia.

| FHCF Obligations and Liquidity Resources – 2023-2024 Contract Year | Amount ($B) |
|---|---|
| **Total Potential FHCF Obligations** | **$17.0** |
| **Projected 2023 Year-End Fund Balance** | **$4.2** |
| **Series 2020A Pre-Event Bonds Balance** | **$3.5** |
| **Total Liquidity Resources** | **$7.7** |
| **Total Liquidity Resources Below Potential Obligations** | **$9.3** |

*Numbers may not add due to rounding.*

After an event and depending on market conditions and interest rates, the FHCF could either draw on its Series 2020A pre-event bond proceeds and repay the pre-event bonds by issuing post-event bonds or by levying assessments to repay the bonds, or the FHCF could issue post-event bonds and preserve its $3.5 billion Series 2020A pre-event bond proceeds for subsequent seasons depending on the market conditions. For this report, we are assuming the FHCF will use the $3.5 billion Series 2020A pre-event bonds and repay the bonds by levying assessments based on current market conditions as the interest rates have significantly increased since the issuance of Series 2020A pre-event bonds and it would be economically inefficent to refinance the pre-event bonds. As shown in the next two charts, the largest single issuance since 2020 was $5 billion. However, after a hurricane event, the FHCF most likely will not need to do one single large financing, but could issue two to four series of bonds likely over a year or more than one year, if needed, based on loss payouts from storms. Accordingly, it is helpful to evaluate which issuers in the municipal market (both taxable and tax-exempt) have issued the most debt over a 12-month period. The charts on page 10 show that the largest cumulative amount issued by a single issuer in a full calendar year since 2020 has ranged from $7.8-$13.7 billion.

| Largest 25 Taxable Municipal Issuances By Par Amount Since 2020 | | | | | |
|---|---|---|---|---|---|
| Rank | Issuer Name | State | Year of Sale | Issue Description | Par ($MM) |
| 1 | Texas Natural Gas Sec Fin Corp | TX | 2023 | Customer Rate Relief Bonds | $3,522 |
| **2** | **Florida St Board Admin Fin Corp** | **FL** | **2020** | **Revenue Bonds** | **$3,500** |
| 3 | Louisiana Gov Env Fac & CDA (LCDA) | LA | 2022 | System Restoration Bonds | $3,194 |
| 4 | Golden State Tobacco Sec Corp | CA | 2021 | Tobacco Settle Asset-Backed Bonds | $2,800 |
| 5 | Massachusetts | MA | 2022 | Special Obligation Rev Bonds | $2,681 |
| 6 | Regents of the University of Michigan | MI | 2022 | General Revenue Bonds | $2,000 |
| 7 | Hawaii | HI | 2021 | GO & Refunding Bonds | $1,883 |
| 8 | Golden State Tobacco Sec Corp | CA | 2021 | Enhance Tobacco Settle Bonds | $1,840 |
| 9 | NYS Dorm Authority | NY | 2021 | State Personal Income Tax Bonds | $1,826 |
| 10 | Regents of the Univ of California | CA | 2020 | General Revenue Bonds | $1,823 |
| 11 | California | CA | 2023 | Various Purpose GO Bonds | $1,804 |
| 12 | Regents of the Univ of California | CA | 2020 | Medical Center Pooled Rev Bonds | $1,800 |
| 13 | Los Angeles Comm College Dt | CA | 2020 | GO Refunding Bonds | $1,794 |
| 14 | California State Univ Trustees | CA | 2021 | Systemwide Revenue Bonds | $1,664 |
| 15 | Grand Parkway Transport Corp | NY | 2020 | Sub Tier Toll Revenue Ref Bonds | $1,293 |
| 16 | New York City-New York | NY | 2020 | General Obligation Bonds | $1,500 |
| 17 | Alabama Fed Aid Highway Fin Auth | AL | 2021 | Special Obligation Revenue Bonds | $1,496 |
| 18 | Louisiana Gov Env Fac & CDA (LCDA) | LA | 2023 | System Restoration Bonds | $1,491 |
| 19 | Oklahoma Dev Finance Auth | OK | 2022 | Ratepayer-Backed Bonds | $1,354 |
| 20 | Texas Transportation Commission | TX | 2020 | GO Mobility Fund Ref Bonds | $1,271 |
| 21 | Dallas & Fort Worth Cities-Texas | TX | 2020 | Joint Revenue Refunding Bonds | $1,194 |
| 22 | Dallas & Fort Worth Cities-Texas | TX | 2022 | Joint Revenue Improvement Bodns | $1,188 |
| 23 | Port Authority of NY & NJ | NY | 2020 | Consolidated Notes | $1,100 |
| 24 | Regents of the University of California | CA | 2022 | Medical Ctr Pooled Rev Bonds | $1,100 |
| 25 | Massachusetts School Bldg Auth | MA | 2020 | Sr Dedicated Sales Tax Bonds | $1,095 |

*Source: Thomson Financial for long-term negotiated taxable issuances from January 1, 2020 to September 30, 2023.*

| Largest 25 Tax-Exempt Municipal Issuances By Par Amount Since 2020 | | | | | |
|---|---|---|---|---|---|
| Rank | Issuer Name | State | Year of Sale | Issue Description | Par ($MM) |
| 1 | Buckeye Tobacco Settle Fin Au | OH | 2020 | Tobacco Settle Asset-Backed Bonds | $4,924 |
| 2 | New Jersey | NJ | 2020 | GO Emergency Bonds | $3,672 |
| 3 | Metropolitan Transport Auth (MTA) | NY | 2020 | Payroll Mobility Tax BANs | $2,907 |
| 4 | California | CA | 2020 | Various Purpose GO & Ref Bonds | $2,631 |
| 5 | California | CA | 2023 | Var Purp GO & Ref Bonds | $2,582 |
| 6 | California | CA | 2023 | Various Purpose GO & Ref Bonds | $2,553 |
| 7 | NYS Dorm Authority | NY | 2020 | State Personal Income Tx Rev Bond | $2,434 |
| 8 | NYS Dorm Authority | NY | 2022 | State Personal Inc Tax Rev Bonds | $2,422 |
| 9 | California | CA | 2022 | Various Purpose GO & Ref Bonds | $2,317 |
| 10 | Illinois | IL | 2023 | General Obligation & Ref Bonds | $2,311 |
| 11 | California | CA | 2022 | Various Purpose GO & Ref Bonds | $2,229 |
| 12 | NYS Urban Development Corp | NY | 2020 | State Personal Inc Tax Rev Bonds | $2,225 |
| 13 | NYS Dorm Authority | NY | 2021 | State Personal Inc Tax Rev Bonds | $2,153 |
| 14 | California | CA | 2020 | Various Purp GO & Ref Bonds | $2,096 |
| 15 | California | CA | 2021 | Various Purp GO & Refunding Bonds | $2,095 |
| 16 | NYS Thruway Authority | NY | 2022 | State Personal Inc Tax Rev Bonds | $1,938 |
| 17 | NYS Thruway Authority | Ny | 2021 | Revenue Bonds | $1,901 |
| 18 | Regents of the University of California | CA | 2022 | Medical Ctr Pooled Rev Bonds | $1,900 |
| 19 | NYS Dorm Authority | NY | 2021 | State Personal Inc Tax Rev Bonds | $1,871 |
| 20 | California | CA | 2021 | GO Various Purpose & Ref Bonds | $1,842 |
| 21 | Regents of the University of California | CA | 2023 | General Revenue Bonds | $1,772 |
| 22 | Chicago City-Illinois | IL | 2022 | General Airport Sr Lien Rev Bonds | $1,768 |
| 23 | Pennsylvania Econ Dev Fin Auth | PA | 2022 | Private Activity Revenue Bonds | $1,759 |
| 24 | Empire State Development Corp | NY | 2021 | States Sales Tax Revenue Bonds | $1,755 |
| 25 | NYS Dorm Authority | NY | 2023 | State Sales Tax Revenue Bonds | $1,683 |

*Source: Thomson Financial for long-term negotiated tax-exempt issuances from January 1, 2020 to September 30, 2023.*

| Largest 25 Issuers By Issued Par Amount 2020 | | |
|---|---|---|
| Rank | Issuer Name | Par ($MM) |
| **1** | **Metropolitan Transport Auth (MTA)** | **$9,253** |
| 2 | NYS Dorm Authority | $8,920 |
| 3 | California | $7,473 |
| 4 | Texas | $7,362 |
| 5 | New York City-New York | $6,592 |
| 6 | Buckeye Tobacco Settle Fin Au | $5,352 |
| 7 | Massachusetts | $5,214 |
| 8 | NYC Transitional Finance Auth | $5,072 |
| 9 | Regents of the Univ of California | $4,599 |
| 10 | NYS Urban Development Corp | $4,078 |
| 11 | New Jersey | $3,997 |
| 12 | Hawaii | $3,592 |
| **13** | **Florida St Board Admin Fin Corp** | **$3,500** |
| 14 | NYC Municipal Water Fin Auth | $3,154 |
| 15 | New York Transportation Dev Corp | $3,124 |
| 16 | Texas Transportation Commission | $3,090 |
| 17 | Massachusetts Dev Finance Agcy | $3,028 |
| 18 | Miami-Dade Co-Florida | $2,973 |
| 19 | Illinois | $2,790 |
| 20 | District of Columbia | $2,680 |
| 21 | Pennsylvania State University | $2,600 |
| 22 | Connecticut | $2,550 |
| 23 | Los Angeles USD | $2,330 |
| 24 | Wisconsin | $2,319 |
| 25 | Grand Parkway Transport Corp | $2,307 |

| Largest 25 Issuers By Issued Par Amount 2021 | | |
|---|---|---|
| Rank | Issuer Name | Par ($MM) |
| **1** | **NYS Dorm Authority** | **$7,863** |
| 2 | California | $6,886 |
| 3 | Golden State Tobacco Sec Corp | $6,462 |
| 4 | NYC Transitional Finance Auth | $5,494 |
| 5 | CSCDA Community Imp Auth | $4,140 |
| 6 | Connecticut | $3,321 |
| 7 | Triborough Bridge & Tunnel Auth | $3,054 |
| 8 | NYC Housing Dev Corp | $2,981 |
| 9 | Regents of the Univ of California | $2,923 |
| 10 | NYC Municipal Water Fin Auth | $2,870 |
| 11 | Wisconsin Public Finance Auth | $2,729 |
| 12 | Washington | $2,661 |
| 13 | Massachusetts | $2,550 |
| 14 | NYS Thruway Authority | $2,504 |
| 15 | Ohio | $2,458 |
| 16 | Empire State Development Corp | $2,403 |
| 17 | Miami-Dade Co-Florida | $2,348 |
| 18 | Indiana Finance Authority | $2,310 |
| 19 | New York City-New York | $2,300 |
| 20 | Pennsylvania Turnpike Commission | $2,299 |
| 21 | Black Belt Energy Gas Dt | $2,288 |
| 22 | Illinois | $2,151 |
| 23 | Port Authority of NY & NJ | $2,119 |
| 24 | Nashville-Davidson Co Metro Govt | $2,084 |
| 25 | California Housing Finance Agcy | $2,046 |

| Largest 25 Issuers By Issued Par Amount 2022 | | |
|---|---|---|
| Rank | Issuer Name | Par ($MM) |
| **1** | **NYC Transitional Finance Auth** | **$13,738** |
| 2 | Triborough Bridge & Tunnel Auth | $12,868 |
| 3 | New York City-New York | $9,072 |
| 4 | California | $8,935 |
| 5 | NYS Dorm Authority | $7,976 |
| 6 | Massachusetts | $6,719 |
| 7 | Wisconsin Public Finance Auth | $5,623 |
| 8 | Black Belt Energy Gas Dt | $5,450 |
| 9 | NYC Municipal Water Fin Auth | $5,224 |
| 10 | Regents of the University of California | $5,171 |
| 11 | Washington | $4,917 |
| 12 | Los Angeles Dept of Airports | $4,897 |
| 13 | Virginia Small Business Fin Auth | $4,831 |
| 14 | Oklahoma Dev Finance Auth | $4,402 |
| 15 | Los Angeles Dept Wtr & Pwr (LADWP) | $4,203 |
| 16 | Connecticut | $4,188 |
| 17 | Louisiana Gov Env Fac & CDA (LCDA) | $4,180 |
| 18 | Denver City and Co-Colorado | $4,109 |
| 19 | Los Angeles City-California | $3,918 |
| 20 | Texas Water Development Board | $3,878 |
| 21 | Main Street Natural Gas Inc | $3,749 |
| 22 | Illinois | $3,738 |
| 23 | Colorado Health Facilities Auth | $3,582 |
| 24 | Port Authority of New York & New Jersey | $3,568 |
| 25 | NYS Thruway Authority | $3,564 |

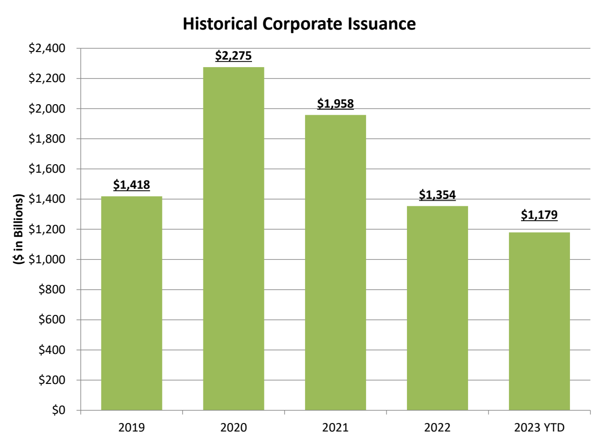
| Largest 25 Issuers By Issued Par Amount 2023 YTD | | |
|---|---|---|
| Rank | Issuer Name | Par ($MM) |
| **1** | **California** | **$6,938** |
| 2 | NYS Dorm Authority | $4,721 |
| 3 | NYC Transitional Finance Auth | $4,526 |
| 4 | New York City-New York | $4,388 |
| 5 | Main Street Natural Gas Inc | $4,194 |
| 6 | Triborough Bridge & Tunnel Auth | $3,817 |
| 7 | California Comm Choice Fin Auth | $3,797 |
| 8 | Texas Natural Gas Sec Fin Corp | $3,522 |
| 9 | Washington | $3,190 |
| 10 | Regents of the University of California | $2,875 |
| 11 | Illinois | $2,511 |
| 12 | NYC Municipal Water Fin Auth | $2,186 |
| 13 | Port Authority of New York & New Jersey | $2,177 |
| 14 | San Francisco City/Co Public Util Comm | $2,027 |
| 15 | Wisconsin | $1,742 |
| 16 | Massachusetts | $1,741 |
| 17 | Los Angeles Dept Wtr & Pwr (LADWP) | $1,604 |
| 18 | Louisiana Gov Env Fac & CDA (LCDA) | $1,596 |
| 19 | San Antonio City-Texas | $1,537 |
| 20 | Indiana Finance Authority | $1,511 |
| 21 | Black Belt Energy Gas Dt | $1,502 |
| 22 | Oregon | $1,400 |
| 23 | Colorado Hsg & Fin Auth (CHFA) | $1,328 |
| 24 | New Jersey Econ Dev Auth | $1,239 |
| 25 | Southeast Energy Authority | $1,224 |

*Source: Thomson Financial for long-term issuances from January 1, 2020 to September 30, 2023.*

In reviewing this history of large municipal issuers, however, it is important to note that the FHCF has been a relatively infrequent but large issuer of debt. Since 2006, the FHCF has completed eight bond issues totaling $15.6 billion (three tax-exempt issues totaling $2.6 billion and five taxable issues totaling $13.0 billion), of which $3.5 billion is outstanding. By comparison, for example, since 2020, the State of California has completed 36 long-term bond issues totaling approximately $32 billion, the New York State Dormitory Authority has completed 99 long-term bond issues totaling approximately $26 billion, the New York City Transitional Finance Authority has completed 77 long-term bond issues totaling approximately $30 billion, and the Commonwealth of Massachusetts has completed 33 long-term bond issues totaling approximately $15 billion. The FHCF's debt has always been issued with relatively short maturities ranging from 1-10 years (although it has the authority to issue debt with maturities of up to 30 years). All of the issuers listed above have had final maturities of 30 years or more.

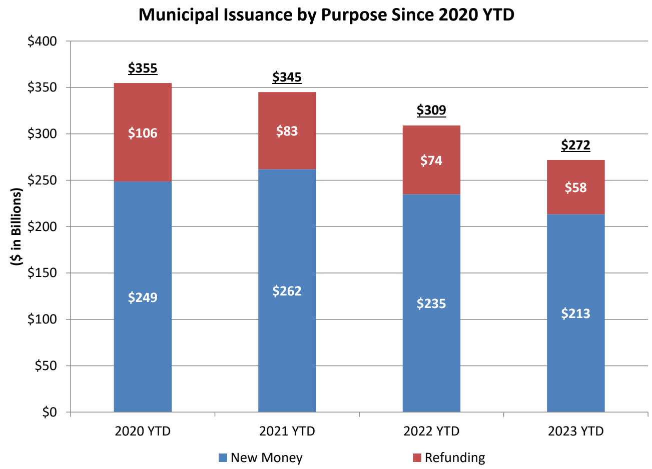
Analysis of potential market acceptance of large amounts of FHCF debt must include not only relevant historical references, but also an evaluation of current market conditions and cash flow needs. Market conditions in both tax-exempt and taxable municipal markets, as well as in the corporate market, remain volatile and are almost always uncertain.

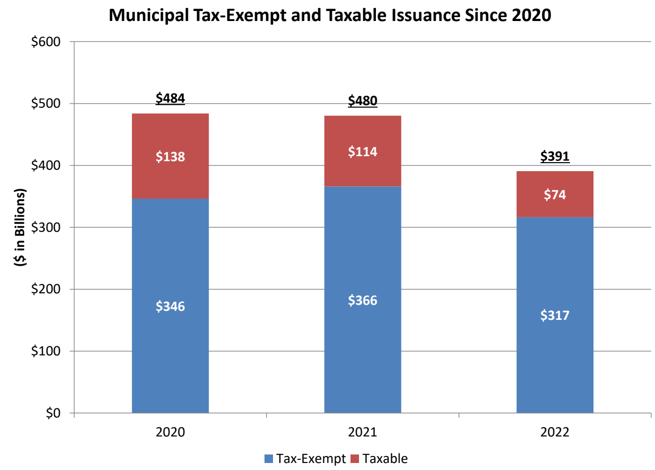
In 2022, corporate issuance was $1.4 trillion, which was lower than 2021 issuance of $2.0 trillion. Through September 30, 2023, corporate bond issuance is at $1.2 trillion, or relatively flat to the $1.1 trillion issued over the same time period in 2022. The corporate bond market has topped $1 trillion each year since 2011 while rates were historically low, but rates are volatile and issuance has waned due to the higher rate environment, wider credit spreads, and uncertainty in the marketplace.

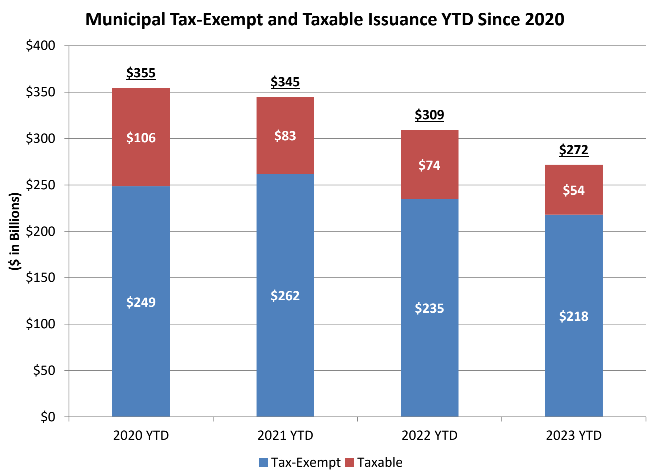


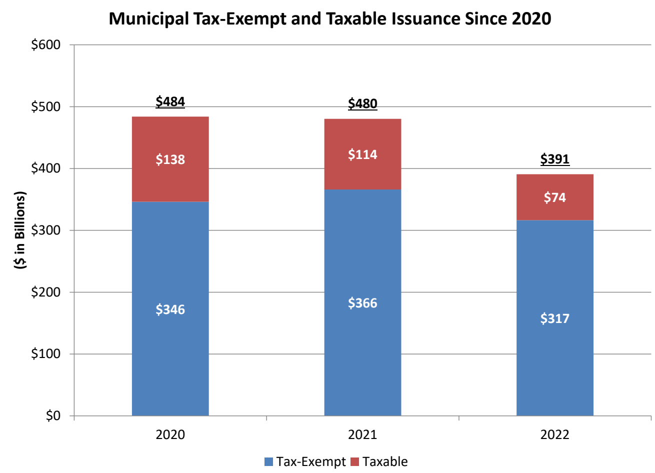
*Source: SIFMA, 2023 year-to-date through September 30, 2023*

For 2022, municipal long-term issuance was lower compared to 2021 with $391 billion of issuance. For year-to-date 2023, municipal long-term issuance is $272 billion and is 12% lower compared to the $316 billion issued over the same time period in 2022.




*Source: Thomson Financial for municipal long-term issuances from January 1, 2020 to September 30, 2023.*

Although market conditions remain highly volatile, the FHCF has multiple factors working in its favor, including: (1) the FHCF is a well-regarded, highly-rated credit (AA category), closely associated with (though not guaranteed by) the State of Florida (AAA category), a blue-chip name in the market; (2) in September 2020, the FHCF successfully priced $3.5 billion of Series 2020A taxable pre-event bonds with a 10-year final maturity at a true interest cost of 1.842%, which re-established the strength of the FHCF credit in the taxable market; and (3) similar to its pre-event financings, any post-event bond issuances of the size the FHCF may need to undertake would also be included in the various benchmark indices market observers use to track market performance, so institutional money managers seeking to at least match indexed returns may have a strong additional incentive to buy FHCF bonds, particularly if they are offered at interest rates marginally higher than those usually associated with typical "AA" rated credits.

Estimating the FHCF's post-event borrowing capacity is an inexact science. To do so requires a consideration of the factors above, an extrapolation about what market conditions might exist after single or multiple hurricanes of various sizes, and an evaluation of the many subjective and substantive considerations surrounding these estimates and the uses thereof. Certainty, especially after a large event, is not a defining characteristic of an exercise like this; nor can the results be responsibly guaranteed. Nevertheless, with the proper experience, market perspective and analysis, we can make estimates suitable for the FHCF's requirements – conservative estimates, not guaranteed to be accurate, but responsibly determined using the best available sources.

One additional note of caution is that financial markets and risk transfer markets can be highly volatile and uncertain at various times, as seen in today's current macro-economic environment. As such uncertainty is currently present, this may create an additional risk for participating insurers who rely on the FHCF for reimbursements. It is never possible to guarantee financial market conditions for very large issuances or into the future for long-term sustainability of the FHCF. The FHCF's estimated post-event borrowing capacity is subjective and depends heavily on the opinions of its five senior managing underwriters and our evaluation and analysis of their responses to our questions. Based on the FHCF's current and projected resources, the FHCF's potential borrowing need to meet the $17 billion statutory obligation for the 2023-2024 Contract Year is projected to be approximately $9.3 billion. Participating insurers should recognize the significant impact that financial markets can have on the FHCF's claims-paying ability for the 2023-2024 Contract Year and subsequent seasons. The following pages provide current borrowing and claims-paying capacity estimates.

## IV. *Borrowing and Claims-Paying Capacity Estimates*

**The preliminary estimated borrowing capacity of the FHCF is $7.8 billion for 0-12 months**

To estimate the FHCF's borrowing capacity, we used the general process described in Section II and detailed in Appendix A. Below is the capacity question we asked the FHCF's senior managing underwriters:

*"Please provide us with your firm's opinion on the potential tax-exempt and/or taxable post-event market capacity over the next 0-12 **and** 12-24 months at rates that are at or above the current "market" scale, as needed."*[2]

We considered all data elements, and based on cash flow requirement projections from Paragon, input from FHCF staff about potential payout timing, and a desire for prudence to meet the FHCF's statutory limit, we plan to use the borrowing capacity estimates for the first 12 months and a portion of the 12-24 month borrowing estimate in formulating the borrowing capacity estimate for the initial season. Based on past payout patterns, the amount of debt that the FHCF can raise as needed within the first 12 or even up to 24 months is integral for the FHCF and its ability to reimburse participating insurers up to its statutory limit.

We are also comfortable including estimates that contain some above-market interest rate capacity in recognition of the significant current market volatility and the Federal Reserve's statement of "higher for longer" along with the fact that the FHCF's strong assessment capability can support its estimated borrowing capacity, even at significantly higher rates. For purposes of calculating the potential assessment impact of the FHCF's bonding needs, we have calculated the assessment rate assuming the FHCF post-event bonds carry interest rates at an "above market" interest rate of 7% for the initial season and 9% for the subsequent season. There is also some overlap between tax-exempt and taxable capacity estimates and therefore the total capacity available will be potentially marginally less than the sum of the tax-exempt and taxable capacity individually. A summary of the senior managers' responses is shown in the table on the following page:

[2] The complete information request and all responses are included in Appendix A.

| FHCF Post-Event Estimated Borrowing Capacity | | | | | | |
|---|---|---|---|---|---|---|
| | Bank of America | Citi | J.P. Morgan | Morgan Stanley | Wells Fargo | Average [1] |
| Borrowing Estimates | | | | | | |
| **Tax-Exempt:** | | | | | | |
| 0-12 Months | $1.5-$2B | $2-$2.5B | $4-$5B | $3.5-$5B | $3-$4B | $3.3B |
| 12-24 Months | $2-$3B | $2-$2.5B | $4-$5B | $2-$4B | $2-$3B | $3.0B |
| *Total tax-exempt* | *$3.5-$5B* | *$4-$5B* | *$8-$10B* | *$5.5-$9B* | *$5-$7B* | *$6.3B* |
| **Taxable:** | | | | | | |
| 0-12 Months | $3-$5B | $3-$3.5B | $5-$6B | $5-$7B | $3-$4B | $4.5B |
| 12-24 Months | $3-$5B | $3-$3.5B | $5-$6B | $3-$5B | $2-$3B | $3.9B |
| *Total taxable* | *$6-$10B* | *$6-$7B* | *$10-$12B* | *$8-$12B* | *$5-$7B* | *$8.4B* |
| Tax-Exempt and Taxable | | | | | | |
| **0-12 Months Total** | **$4.5-$7B** | **$5-$6B** | **$9-$11B** | **$8.5-$12B** | **$6-$8B** | **$7.8B** |
| **12-24 Months Total** | $5-$8B | $5-$6B | $9-$11B | $5-$9B | $4-$6B | $6.9B |
| **0-24 Months Total** | $9.5-$15B | $10-$12B | $18-$22B | $13.5-$21B | $10-$14B | $14.7B |

[1] Averages are rounded to the nearest hundred million dollars

Even under the current volatile market conditions, we still believe that using all of the 0-12 month borrowing estimate and a portion of the 12-24 month borrowing estimate is a prudent approach to estimating borrowing capacity for the initial season. Using this methodology yields an estimated borrowing capacity of approximately $9.3 billion, or $7.8 billion of 0-12 month borrowing capacity and $1.5 billion from the 12-24 month borrowing capacity to meet the FHCF's maximum statutory obligation for the 2023-2024 Contract Year. As the FHCF's ability to pay additional claims for a subsequent season is also important, the FHCF's remaining borrowing capacity beyond 0-12 months is another important factor for the sustainabilty of the FHCF. Each of the senior managers believes that the FHCF would have significant additional borrowing capacity in the 12-24 month period after an event[3], and the remaining significant portion of the additional capacity could be used to fund a portion of the amount potentially needed for the 2024-2025 Contract Year, in the approximate amounts as shown on the following pages.

## Estimated Claims-Paying Capacity

Estimated claims-paying capacity of the FHCF is equal to the sum of the projected year-end fund balance plus risk transfer, if any, and any other potential financing resources, such as bank loans, and the estimated borrowing capacity. The FHCF projects that its year-end fund balance for the 2023-2024 Contract Year is approximately $4.2 billion. It also has pre-event liquidity of $3.5 billion for total available liquidity of $7.7 billion. The FHCF has an estimated borrowing capacity of $7.8 billion over 0-12 months and $6.9 billion over 12-24 months.

The table below reflects the FHCF's 2023-2024 Contract Year and 2024-2025 Contract Year claims-paying capacity estimates. The 2023-2024 Contract Year claims-paying capacity estimate of $17 billion includes the use of $4.2 billion of projected year-end fund balance, $3.5 billion of 2020A pre-event bond proceeds, and $9.3 billion of borrowing capacity comprised of $7.8 billion of 0-12 month borrowing

[3] The longer the time frame for estimation purposes, the greater the degree of uncertainty.

capacity and $1.5 billion of 12-24 month borrowing capacity. Based on current market conditions, the $3.5 billion of 2020A pre-event bond proceeds would likely be repaid by levying emergency assessments. The 2024-2025 Contract Year claims-paying capacity estimate of $7.0 billion includes the use of $1.6 billion of projected year-end fund balance and $5.4 billion of remaining 12-24 month borrowing capacity after the use of $1.5 billion of 12-24 month borrowing capacity for the 2023-2024 Contract Year.

| ($ in Billions, Totals may not add due to rounding) | | 2023-2024 Contract Year | 2024-2025 Contract Year |
|---|---|---|---|
| **FHCF Potential Coverage Obligation** | | | |
| **FHCF Coverage Obligation** | **(A)** | **$17.0** | **$17.0** |
| **FHCF Estimated Liquid Sources Available** | | | |
| Projected FHCF Year-End Fund Balance | (B) | $4.2 | $1.6 |
| Risk Transfer | (C) | $0.0 | $0.0 |
| Pre-Event Bond Proceeds Available[1] | (D) | $3.5 | $0.0 |
| **Total Liquid Resources Available** | **(B + C + D ) = (E)** | **$7.7** | **$1.6** |
| **Additional Funds / Potential Borrowing Need** | **(E - A) = (F)** | **($9.3)** | **($15.4)** |
| **FHCF Estimated Claims-Paying Capacity** | | | |
| Total Liquid Resources Available | (E) | $7.7 | $1.6 |
| Estimated FHCF Borrowing Capacity (0-12 Months)[1] | (G) | $7.8 | $5.4 |
| Estimated FHCF Borrowing Capacity (12-24 Months)[1] | (H) | $1.5 | $0.0 |
| **Total Estimated Claims-Paying Capacity** | **(E + G + H) = (I)** | **$17.0** | **$7.0** |
| **Total Estimated Claims-Paying Capacity as a % of FHCF Coverage Obligation (I / A) = (J)** | | **100%** | **41%** |
| **Amount Above / (Below) Coverage Obligation (I - A) = (K)** | | **$0.0** | **($10.0)** |

*Totals may not add due to rounding.*

*[1] Pre-event bonds are available as a liquidity resource for the 2023-2024 Contract Year in the amount of $3.5 billion and we are assuming pre-event bonds will be used to pay claims for 2023-2024.*

The breakdown of the potential assessments required for the FHCF's potential borrowing needs and repayment of pre-event bond proceeds are shown in the table below based on an interest rate of 7% for the initial season and 9% for the subsequent season over a 30-year period, for informational purposes only.

| ($ in Billions) | 2023-2024 Contract Year[1] | 2024-2025 Contract Year[2] |
|---|---|---|
| **Total Potential Borrowing** | **$9.3** | **$5.4** |
| **Assessment % over 30 Years if Financed at a Rate of 7% for the Initial Season and 9% for the Subsequent Season** | **1.02%** | **0.59%** |
| **Assessment % over 10 Years if Financed at a Rate of 7% for the Initial Season and 9% for the Subsequent Season** | **1.78%** | **1.03%** |

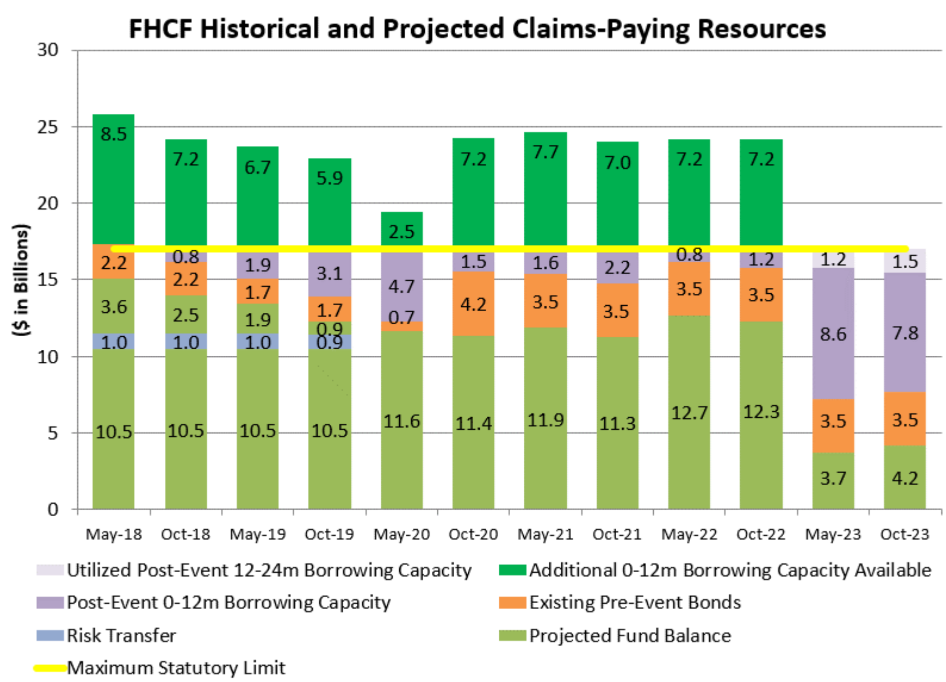
*[1] The potential borrowing for the 2023-2024 Contract Year is shown as the estimated potential borrowing of $9.3 billion. The assessment amount of repaying the pre-event bond proceeds is not included and will depend on the tenor of repayment, which is based on the maturity schedule of the pre-event bonds.*

*[2] The potential borrowing for the 2024-2025 Contract Year is shown as the remaining 12-24 month estimated borrowing capacity of $5.4 billion.*

## Historical Perspective on Estimated Claims-Paying Capacity

The estimated claims-paying capacity of the FHCF over time is subject to changes in the projected fund balance, risk transfer amount, available pre-event liquidity, and estimates of borrowing capacity. While the projected fund balance climbed steadily from 2006 to 2017 without a major hurricane that triggered the FHCF, Hurricane Irma, Michael, Ian and Idalia losses have significantly reduced the FHCF's projected fund balance to approximately $4.2 billion available for the 2023-2024 Contract Year. In recent years, the senior managers' estimate ranges of the FHCF's borrowing capacity have remained relatively stable, but due to volatility in the marketplace, the senior managers' estimates for October 2023 are diverse, reflecting both the big picture fundamental changes to the market described in Section III and the impact of market volatility at the time we asked them for estimates. The May 2023 average borrowing estimate for 0-12 months and 12-24 months was $8.6 billion and $7.8 billion, respectively, and the October 2023 average borrowing estimate for 0-12 months and 12-24 months has decreased to $7.8 billion and $6.9 billion, respectively, or by approximately $1 billion for both the initial season and subsequent season.

The chart below shows the total estimated initial season claims-paying resources of the FHCF since May 2018 with projected fund balance (**light green**), existing pre-event bonds (**orange**), risk transfer (**blue**), post-event 0-12 month borrowing capacity (**purple**), additional 12-24 month borrowing capacity utilized (**light purple**) and maximum statutory limit (**yellow**) with additional 0-12 month borrowing capacity available above (**dark green**).




*Numbers may not add due to rounding.*
*The additional capacity above the maximum statutory limit reflects the estimated borrowing capacity plus any additional funds available. October 2022 projected fund balance is prior to Hurricane Ian's projected loss reserve of $10 billion.*

This chart reflects the history of the FHCF's claims-paying resources. The outstanding pre-event bonds, risk transfer, and the projected fund balance are reliable amounts since they are known prior to an event, but the post-event borrowing capacity can vary significantly depending on financial market conditions after a hurricane event. It is important that the FHCF's claims-paying capacity estimates be reasonable and prudent in order to minimize financial risk for participating insurers for the initial and subsequent seasons as well as for long-term sustainability of the Florida residential property insurance market even under the current volatile market conditions.

It is interesting to compare the range of the estimates during this time period, which is indicative of the level of uncertainty and variability among the team of senior managers with regard to the FHCF's borrowing capacity. The table below shows the aggregate ranges for each estimate since May 2020.

| Post-Event Estimated Borrowing Capacity (Senior Managers' Range) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **($ in Billions)** | **May-20** | **Oct-20** | **May-21** | **Oct-21** | **May-22** | **Oct-22** | **May-23** | **Oct-23** | **May 2023 - Oct. 2023 Change** |
| 0-12 Months | $4-$11 | $6.5-$11 | $5.5-$13 | $5.5-$13 | $4.5-$13 | $4.5-$13 | **$4.5-$13** | **$4.5-$11** | |
| 12-24 Months | $4-$17 | $5-$17 | $5-$18 | $5-$17 | $4-17 | $4-$20 | **$4-$13** | **$4-$11** | |

We believe the process of using a survey of the opinions of the best experts with the most relevant experience and employing a prudent approach to pick among several potential estimates of capacity, provides a reasonable estimate that suits the purposes of the FHCF and the needs of its participating insurers. The FHCF has liquid resources that are significantly below its statutory limit for the subsequent season. The projected 0-12 month borrowing capacity of $7.8 billion and a $1.5 billion portion of its 12-24 month borrowing capacity of $6.9 billion allows for the FHCF to meet its maximum statutory obligation for the current season. This assumes the FHCF would need to issue bonds for a major portion of its statutory obligations within 12 months, which is conservative, as the FHCF would likely have more time for additional borrowing over 12-24 months based on the timing of reimbursement payments following prior covered events. The FHCF's additional borrowing capacity from 12-24 months is subject to relatively greater uncertainty and does not provide a guaranteed source of liquidity or claims-paying capacity but the longer timeframe does provide for a conservative approach of funding the FHCF's maximum statutory obligation. The actual borrowing results achieved by the FHCF could vary substantially from this estimate. The FHCF can take advantage of the capital markets by issuing pre-event bonds or utilizing other alternative options to reduce its potential post-event market exposure and bolster its available liquidity, which enhances the FHCF's stability and sustainability towards its mission to provide strong reimbursement capacity to the Florida property insurance market for both the initial and subsequent season.

# Appendix A – Bonding Capacity Solicitation & Senior Manager Responses

# Memorandum

| | |
|---|---|
| **To:** | Florida Hurricane Catastrophe Fund |
| **From:** | BofA Securities, Inc. |
| **Date:** | October 3, 2023 |
| **Subject:** | Florida Hurricane Catastrophe Fund – October 2023 Bonding Capacity Analysis |

BofA Securities, Inc. ("BofA") is pleased to provide the Florida Hurricane Catastrophe Fund ("FHCF" or the "Fund") with our firm's estimates and views of the FHCF's post-event bonding capacity and current market borrowing costs.

While Hurricane Idalia had a relatively muted impact on the markets, given the much lower losses relative to Ian, it nonetheless was a reminder of the need to continue building resiliency in the overall insurance market. Our assessment of investor appetite for an FHCF offering (or offerings) has not changed since May 2023, and we believe total unconstrained issuance capacity remains at levels we presented in May 2023. However, since our last update to FHCF, taxable rates have increased approximately 86-98 bps across the yield curve and tax-exempt rates have widened 99-128 bps in the same part of the curve (average of 119 bps from years 1-10). Credit spreads have also widened, with tax-exempt spreads approximately 5 bps higher and 10 bps wider for taxable bonds, across the yield curve. These levels are a function largely of overall technical factors in the broader fixed income markets (as discussed below) and are not a reflection of the Fund's credit or standing with investors.

**Market Commentary**

As FHCF is aware, the Federal Reserve ("Fed") stayed on hold at its September meeting, leaving policy rates unchanged at 5.25-5.50%. Despite higher policy rates in 2024, Fed expectation for economic growth was revised up, unemployment was marked down and inflation was unchanged. The Fed will likely "proceed carefully" and allow data to guide the ultimate decision. Last week, the Bureau of Economic Analysis ("BEA") released the third print of 2Q GDP along with its comprehensive update of the National Economic Accounts, including GDP, Gross Domestic Income (GDI) and the underlying details. There were substantive revisions back to 2013, with more minor changes going back to 1979. In our view, the GDP revisions were a mixed bag, GDI growth was revised up meaningfully for 2020, 2021 and 2022 on a 4Q/4Q basis, and also for the first two quarters of this year. As a result, the gap between GDP and GDI growth decreased meaningfully. The fact that GDI was revised in the direction of GDP mitigates concerns that the income data showing economic weakness was not properly captured in GDP. Less encouraging, headline and core PCE inflation were revised up, essentially from the start of the pandemic. Core PCE inflation in 2Q 2023 is now estimated at 4.6% y/y versus 4.4% before the revision. The main driver was an upward revision to services inflation. While the upward revisions to inflation do not majorly alter the inflation outlook, they mean the Fed has more work to do to get inflation back to target.

Since our May 2023 update, the Treasury and municipal markets continue to experience high volatility and both the MMD and Treasury curves have increased significantly. The increases are mainly due to higher-than-expected inflation and the Fed's subsequent interest rate hike campaign, though the effect has been more pronounced in the taxable market. In the current market, credit spreads to MMD also remain elevated from a historical standpoint, based on factors including weaker market tone, continued supply/demand imbalances, increased volatility in rates as the market continues to digest Fed actions and commentary along with varying economic data releases.

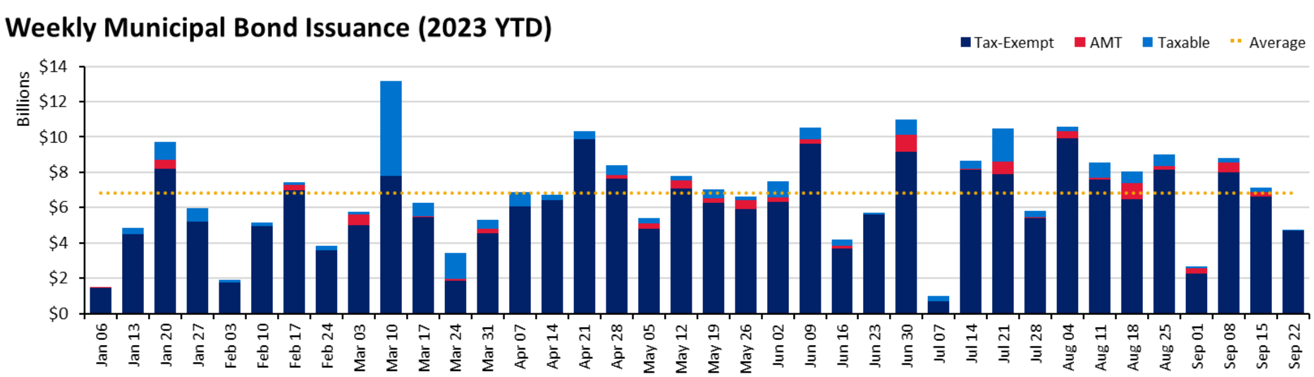
**BOFA SECURITIES FORECAST**

| Metric | 2023Q3 | 2023Q4 | 2024Q1 | 2024Q2 |
|---|---|---|---|---|
| Fed Fund Rate | 5.50% | 5.75% | 5.75% | 5.50% |
| 2YR T-Note | 5.00% | 4.75% | 4.55% | 4.35% |
| 5YR T-Note | 4.35% | 4.30% | 4.10% | 4.05% |
| 10YR T-Note | 4.10% | 4.00% | 3.80% | 3.75% |
| 30YR T-Bond | 4.25% | 4.20% | 4.00% | 3.95% |

Our research analysts still expect one more interest rate hike in November, but it is a close call given several near-term economic headwinds (UAW strike, possible future government shutdown, higher energy prices and the resumption of student loan repayments), and potential for the first interest rate cut in June 2024 and quarterly 25 bps reductions in the policy rate for a total of 75 bps of rate cuts in 2024 and 100 bps of cuts in 2025. BofA expects a soft landing for the U.S. economy, where growth falls below trend in 2024, but remains positive throughout our forecast horizon. Our research analysts forecast U.S. GDP growth of 2.0% (4Q/4Q) this year, 0.7% in 2024, and 1.8% in 2025.

Last week, the tax-exempt AAA MMD yield curve increased 25-29 bps across the entire curve. This is a continuation of the increases the market has experienced over the past several weeks, with YTD yields increasing approximately 67 to 110 bps across the entire curve. Similarly, the UST market saw almost non-stop yield increases from Monday to Thursday which appeared to be driven by no particular catalyst, pushing the 10-year UST yield to 4.69% and the 30-year to 4.81% on an intra-day basis. Since our last update, AAA MMD yields have increased 99 to 128 bps across the yield curve, while UST yields have increased 86 to 98 across the 1-30 year curve. While MMD/UST ratios remain rich on the front end and cheap further out the curve, the recent movements in the tax-exempt market have caused ratios to move up toward historical norms, with the 5-year MMD/UST ratio at 74% and the 30-year MMD/UST ratio remaining elevated at 92%. Muni yields are even more attractive now relative to corporates after the recent selloff. That being said, monthly bearish sentiment rose to levels seen only once since 1982 in October 2022. Our research analysts believe an imminent market reversal is due, which should lead to good performance in 4Q2023.

In terms of supply, MTD issuance through September 27 totaled $23.3 billion, up 12% y/y, while YTD issuance of $270.4 billion is down 12% y/y. For 2023 YTD, tax-exempt issuances accounted for 87% of volume, with only 10% taxable (77% new money and 23% refunding). October redemptions and coupon payments will be significantly larger than in September, followed by an even better November and December. BofA estimate 2024 principal redemptions to be $416 billion and coupon payments $158 billion, totaling $574 billion. Strong summer redemption season in 2024 will be delayed, starting in June and ending in August. Weak redemption months include April and September.



*Source: Refinitiv as of 9/22/23.*

As we have noted in the past, a transaction or series of transactions by the FHCF and possibly other insurance-related entities in the State (e.g. Citizens, FIGA) after a hurricane event have been generally untested and may significantly impact market dynamics for a specific transaction. In the pages that follow, we provide BofA's estimate of the FHCF's current borrowing costs, as well as our view on the FHCF's unconstrained issuance capacity in the current market. If you have any questions, please contact the BofA team.

1. Please provide a 30-year tax-exempt scale for the FHCF using the MMD at the close of business Tuesday, September 26th. This scale should be the one that you believe reflects a "market" scale given the FHCF's strong credit with no capacity constraints. Please use serial bonds and 15, 20, 25, and/or 30-year term bonds, as needed, over a 30-year amortization period (7/1/24 - 7/1/53) with par-ish coupons throughout, as needed, when writing the scale. Base your scale on an uninsured financing given the FHCF's strong current underlying ratings of Aa3/AA/AA (Moody's / S&P / Fitch).

Below, we have provided a 30-year tax-exempt scale reflecting our view of the FHCF's estimated current market borrowing costs based on an uninsured financing, Aa3/AA/AA ratings from Moody's, S&P and Fitch, respectively, and no capacity constraints.

| Tax-Exempt Scale | | | | | |
|---|---|---|---|---|---|
| **Term** | **Maturity (July 1)** | **Premium Coupon** | **MMD** | **Spread** | **Yield** |
| 1 | 2024 | 5.000% | 3.620% | 15 bps | 3.770% |
| 2 | 2025 | 5.000% | 3.560% | 20 bps | 3.760% |
| 3 | 2026 | 5.000% | 3.420% | 25 bps | 3.670% |
| 4 | 2027 | 5.000% | 3.310% | 30 bps | 3.610% |
| 5 | 2028 | 5.000% | 3.270% | 35 bps | 3.620% |
| 6 | 2029 | 5.000% | 3.270% | 40 bps | 3.670% |
| 7 | 2030 | 5.000% | 3.260% | 45 bps | 3.710% |
| 8 | 2031 | 5.000% | 3.280% | 50 bps | 3.780% |
| 9 | 2032 | 5.000% | 3.300% | 55 bps | 3.850% |
| 10 | 2033 | 5.000% | 3.300% | 60 bps | 3.900% |
| 11 | 2034 | 5.000% | 3.360% | 65 bps | 4.010% |
| 12 | 2035 | 5.000% | 3.470% | 70 bps | 4.170% |
| 13 | 2036 | 5.000% | 3.600% | 75 bps | 4.350% |
| 14 | 2037 | 5.000% | 3.720% | 80 bps | 4.520% |
| 15 | 2038 | 5.000% | 3.820% | 82 bps | 4.640% |
| 16 | 2039 | 5.000% | 3.860% | 85 bps | 4.710% |
| 17 | 2040 | 5.000% | 3.900% | 88 bps | 4.780% |
| 18 | 2041 | 5.000% | 3.950% | 90 bps | 4.850% |
| 19 | 2042 | 5.000% | 4.000% | 90 bps | 4.900% |
| 20 | 2043 | 5.000% | 4.030% | 90 bps | 4.930% |
| 21 | 2044 | | 4.060% | | |
| 22 | 2045 | | 4.100% | | |
| 23 | 2046 | | 4.140% | | |
| 24 | 2047 | | 4.170% | | |
| 25 | 2048 | 5.250% | 4.180% | 93 bps | 5.110% |
| 26 | 2049 | | 4.180% | | |
| 27 | 2050 | | 4.190% | | |
| 28 | 2051 | | 4.200% | | |
| 29 | 2052 | | 4.210% | | |
| 30 | 2053 | 5.250% | 4.220% | 95 bps | 5.170% |

2. Please provide a 30-year taxable scale using the Treasury curve at the close of business Tuesday, September 26th. This scale should be the one that you believe reflects a "market" scale given the FHCF's strong credit with no capacity constraints. Please use serial bonds and 15, 20, 25, and/or 30-year term bonds, as needed, over a 30-year amortization period (7/1/24 - 7/1/53) with par-ish coupons throughout when writing the scale. Again, base the scale on an uninsured financing given again the FHCF's current underlying ratings of Aa3/AA/AA (Moody's / S&P / Fitch).

Below, we have provided a 30-year taxable scale reflecting our view of the FHCF's estimated current market borrowing costs based on an uninsured financing, Aa3/AA/AA ratings from Moody's, S&P and Fitch, respectively, and no capacity constraints.

| Taxable Scale | | | | | |
|---|---|---|---|---|---|
| **Term** | **Maturity (July 1)** | **Coupon** | **UST** | **Spread** | **Yield** |
| 1 | 2024 | 5.540% | 5.040% | 50 bps | 5.540% |
| 2 | 2025 | 5.640% | 5.040% | 60 bps | 5.640% |
| 3 | 2026 | 5.490% | 4.840% | 65 bps | 5.490% |
| 4 | 2027 | 5.370% | 4.620% | 75 bps | 5.370% |
| 5 | 2028 | 5.470% | 4.620% | 85 bps | 5.470% |
| 6 | 2029 | 5.570% | 4.620% | 95 bps | 5.570% |
| 7 | 2030 | 5.620% | 4.620% | 100 bps | 5.620% |
| 8 | 2031 | 5.660% | 4.560% | 110 bps | 5.660% |
| 9 | 2032 | 5.760% | 4.560% | 120 bps | 5.760% |
| 10 | 2033 | 5.860% | 4.560% | 130 bps | 5.860% |
| 11 | 2034 | 5.960% | 4.560% | 140 bps | 5.960% |
| 12 | 2035 | 6.060% | 4.560% | 150 bps | 6.060% |
| 13 | 2036 | 6.160% | 4.560% | 160 bps | 6.160% |
| 14 | 2037 | 6.260% | 4.560% | 170 bps | 6.260% |
| 15 | 2038 | 6.310% | 4.560% | 175 bps | 6.310% |
| 16 | 2039 | | | | |
| 17 | 2040 | | | | |
| 18 | 2041 | | | | |
| 19 | 2042 | | | | |
| 20 | 2043 | 6.450% | 4.700% | 175 bps | 6.450% |
| 21 | 2044 | | | | |
| 22 | 2045 | | | | |
| 23 | 2046 | | | | |
| 24 | 2047 | | | | |
| 25 | 2048 | 6.500% | 4.700% | 180 bps | 6.500% |
| 26 | 2049 | | | | |
| 27 | 2050 | | | | |
| 28 | 2051 | | | | |
| 29 | 2052 | | | | |
| 30 | 2053 | 6.550% | 4.700% | 185 bps | 6.550% |

3. Please provide us with your firm's opinion on the potential tax-exempt and/or taxable post-event conservative market capacity over the next 0-12 and 12-24 months at rates that are at or above the current "market" scale, as needed. In addition, please include and describe briefly in your response if there is any overlap in tax-exempt / taxable capacity.

In the table below, we have provided our current tax-exempt and taxable FHCF capacity estimates at rates that are at or above the current "market" scale, as needed. We believe that sufficient demand exists at these capacity levels to complete a transaction of the sizes provided below. In the current market, there has been very little crossover participation and believe there is low probability of cannibalization between tax-exempt/taxable capacity.

**FLORIDA HURRICANE CATASTROPHE FUND**
**POST-EVENT MARKET CAPACITY ($ BILLION)**

| Time Period | Tax-Exempt | Taxable | Total |
|---|---|---|---|
| 0-12 Months | $1.5-2.0 | $3.0-5.0 | $4.5-7.0 |
| 12-24 Months | $2.0-3.0 | $3.0-5.0 | $5.0-8.0 |
| **0-24 Months** | **$3.5-5.0** | **$6.0-10.0** | **$9.5-15.0** |

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# Memorandum

To: Florida Hurricane Catastrophe Fund

From: Citigroup Global Markets Inc. ("Citi")

Date: October 3, 2023

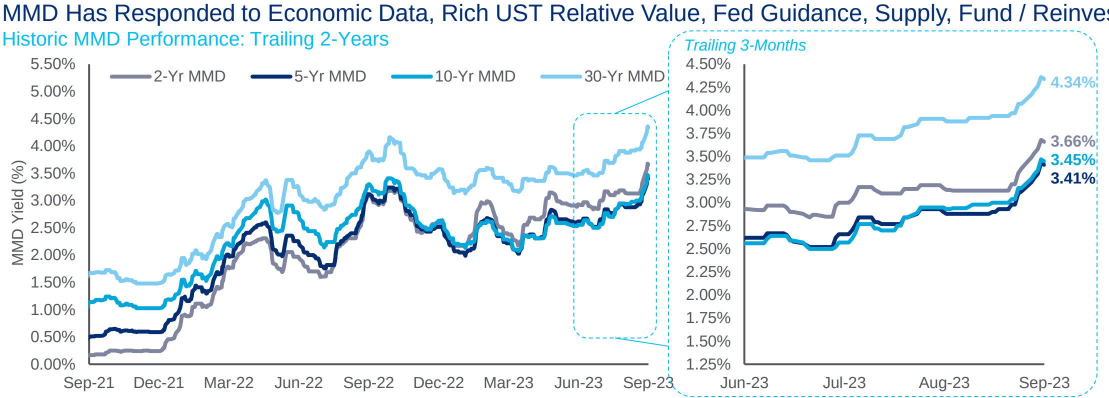
Re: FHCF October 2023 Capacity Analysis

Citigroup is pleased to provide the Florida Hurricane Catastrophe Fund (the "FHCF") with updated estimates and analysis of the FHCF's post-event bonding capacity.

Historically, the FHCF has had very strong debt repayment capabilities, enabling a stronger credit to their bondholders. While fundamental strengths of the FHCF credit, which include a strong current capital position and claims paying capacity, a broad assessment base and an experienced leadership team remain, looming economic uncertainty and financial market volatility have contributed to higher rates, and reduced post-event bonding capacity. Further, themes of climate and cyber risks to issuers in the municipal market are increasingly recognized among investors, while liquidity concerns remain top of mind.

**Municipal Market Update.** The economic challenges and uncertainty of the past year has largely been characterized by financial market volatility, inflation, and rising rates. Recent municipal market developments include rising energy prices, negative impacts on credit strength due to a potential US government shut down and interest rate hikes to cool inflation. Amid the backdrop of 2023, persistent ambiguity on the neutral rate with a more hawkish dot plot, the Treasury yield curve has steepened, reflecting expectations of a soft-landing. Meanwhile, municipal bond yields have increased dramatically over the last few weeks and continues to observe inversion in the front-end. For the week ending September 29, 2023, the 10-, 20- and 30-year MMD rates are up 82bps, 78bps, and 76bps, respectively, as of September 29, 2023. Throughout 2023, municipal mutual fund flows have been mixed or neutral, as there has not been a consistent trend of significant inflows or outflows since the start of June. Municipal bond funds reported outflows of -$1.2 billion for the week ending September 27 after prior week's outflows of -$27.4 million. Year-to-date for weekly and monthly reporting flows now totals -$12.0 billion of funds flowing out of the municipal market. In the high yield space, bond funds reported outflows of -$365.2 million for the week ending September 27 after reporting prior week's inflows of +$85.5 million.

MMD Has Responded to Economic Data, Rich UST Relative Value, Fed Guidance, Supply, Fund / Reinvest Flows and Bid Lists

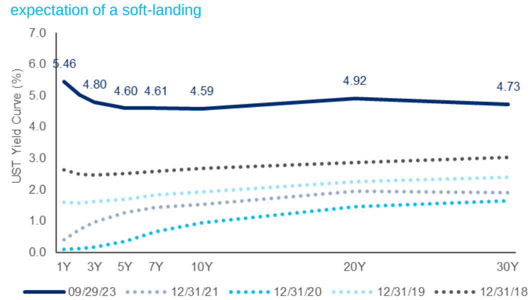



| | 5-Yr | 10-Yr | 30-Yr |
|---|---|---|---|
| Current | 3.41% | 3.45% | 4.34% |
| **2023 Year-to-Date** | | | |
| Weekly Δ | 29 bps | 29 bps | 27 bps |
| '23 YTD Δ | 89 bps | 82 bps | 76 bps |
| High | 3.43% | 3.47% | 4.36% |
| Low | 1.99% | 2.08% | 3.13% |
| Average | 2.53% | 2.54% | 3.52% |
| YE '22 | 2.52% | 2.63% | 3.58% |
| **Trailing 2-Years** | | | |
| High | 3.43% | 3.47% | 4.36% |
| Low | 0.50% | 1.03% | 1.48% |
| Average | 2.10% | 2.31% | 3.01% |

**Yield Curve Environment.** At the September Federal Open Market Committee ("FOMC") meeting, the FOMC held its target range for the federal funds rate at 5.25% to 5.5% while signaling rates will likely stay higher for longer and anticipation of one more rate hike this year. As central banks battle to control decelerating but sticky inflation, "higher for longer" rates will remain as a theme. Higher interest rates are likely to cause additional volatility.

US Treasury Yield Curve

The treasury curve has steepened recently reflective of investors expectation of a soft-landing



1. Please provide a 30-year tax-exempt scale for the FHCF using the MMD at the close of business Tuesday, September 26th. This scale should be the one that you believe reflects a "market" scale given the FHCF's strong credit with no capacity constraints. Please use serial bonds and 15, 20, 25, and/or 30-year term bonds, as needed, over a 30-year amortization period (7/1/24 - 7/1/53) with par-ish coupons throughout, as needed, when writing the scale. Base your scale on an uninsured financing given the FHCF's strong current underlying ratings of Aa3/AA/AA (Moody's / S&P / Fitch).

**Tax-Exempt Scale**

| Year | 09/26/2023 MMD | MMD Spread | Coupon | Base Yield |
|---|---|---|---|---|
| 2024 | 3.62% | 35 | 5.00% | 3.97% |
| 2025 | 3.56% | 40 | 5.00% | 3.96% |
| 2026 | 3.42% | 45 | 5.00% | 3.87% |
| 2027 | 3.31% | 50 | 5.00% | 3.81% |
| 2028 | 3.27% | 55 | 5.00% | 3.82% |
| 2029 | 3.27% | 60 | 5.00% | 3.87% |
| 2030 | 3.26% | 65 | 5.00% | 3.91% |
| 2031 | 3.28% | 70 | 5.00% | 3.98% |
| 2032 | 3.30% | 75 | 5.00% | 4.05% |
| 2033 | 3.30% | 80 | 5.00% | 4.10% |
| 2034 | 3.36% | 83 | 5.00% | 4.19% |
| 2035 | 3.47% | 86 | 5.00% | 4.33% |
| 2036 | 3.60% | 89 | 5.00% | 4.49% |
| 2037 | 3.72% | 92 | 5.00% | 4.64% |
| 2038 | 3.82% | 94 | 5.00% | 4.76% |
| 2039 | 3.86% | 95 | 5.00% | 4.81% |
| 2040 | 3.90% | 95 | 5.00% | 4.85% |
| 2041 | 3.95% | 95 | 5.00% | 4.90% |
| 2042 | 4.00% | 95 | 5.00% | 4.95% |
| 2043 | 4.03% | 95 | 5.00% | 4.98% |
| 2044 | 4.06% | | | |
| 2045 | 4.10% | | | |
| 2046 | 4.14% | | | |
| 2047 | 4.17% | | | |
| 2048 | 4.18% | 100 | 5.25% | 5.18% |
| 2049 | 4.18% | | | |
| 2050 | 4.19% | | | |
| 2051 | 4.20% | | | |
| 2052 | 4.21% | | | |
| 2053 | 4.22% | 100 | 5.25% | 5.22% |

1. July Interpolated MMD.
2. Assumes a 10-year par call.

2. Please provide a 30-year taxable scale using the Treasury curve at the close of business Tuesday, September 26th. This scale should be the one that you believe reflects a "market" scale given the FHCF's strong credit with no capacity constraints. Please use serial bonds and 15, 20, 25, and/or 30-year term bonds, as needed, over a 30-year amortization period (7/1/24 - 7/1/53) with par-ish coupons throughout when writing the scale. Again, base the scale on an uninsured financing given again the FHCF's current underlying ratings of Aa3/AA/AA (Moody's / S&P / Fitch).

**Taxable Scale**

| Year | TSY | 09/26/2023 TSY | TSY Spread | Coupon | Base Yield |
|---|---|---|---|---|---|
| 2024 | 2 Yr | 5.04% | 70 | 5.74% | 5.74% |
| 2025 | 2 Yr | 5.04% | 50 | 5.54% | 5.54% |
| 2026 | 3 Yr | 4.84% | 70 | 5.54% | 5.54% |
| 2027 | 5 Yr | 4.62% | 90 | 5.52% | 5.52% |
| 2028 | 5 Yr | 4.62% | 95 | 5.57% | 5.57% |
| 2029 | 7 Yr | 4.62% | 100 | 5.62% | 5.62% |
| 2030 | 7 Yr | 4.62% | 105 | 5.67% | 5.67% |
| 2031 | 10 Yr | 4.56% | 115 | 5.71% | 5.71% |
| 2032 | 10 Yr | 4.56% | 120 | 5.76% | 5.76% |
| 2033 | 10 Yr | 4.56% | 125 | 5.81% | 5.81% |
| 2034 | 10 Yr | 4.56% | 135 | 5.91% | 5.91% |
| 2035 | 10 Yr | 4.56% | 145 | 6.01% | 6.01% |
| 2036 | 10 Yr | 4.56% | 155 | 6.11% | 6.11% |
| 2037 | 10 Yr | 4.56% | 165 | 6.21% | 6.21% |
| 2038 | 10 Yr | 4.56% | 175 | 6.31% | 6.31% |
| 2039 | | | | | |
| 2040 | | | | | |
| 2041 | | | | | |
| 2042 | | | | | |
| 2043 | 30 Yr | 4.70% | 170 | 6.40% | 6.40% |
| 2044 | | | | | |
| 2045 | | | | | |
| 2046 | | | | | |
| 2047 | | | | | |
| 2048 | | | | | |
| 2049 | | | | | |
| 2050 | | | | | |
| 2051 | | | | | |
| 2052 | | | | | |
| 2053 | 30 Yr | 4.70% | 175 | 6.45% | 6.45% |

1. Assumes a make-whole call.

3. Please provide us with your firm's opinion on the potential tax-exempt and/or taxable post-event conservative market capacity over the next 0-12 and 12-24 months at rates that are at or above the current "market" scale, as needed. In addition, please include and describe briefly in your response if there is any overlap in tax-exempt / taxable capacity.

**FHCF Post-Event Market Capacity ($B)**

| Time Period | Tax-Exempt | Taxable | Total |
|---|---|---|---|
| 0-12 Months | $2.0-$2.5 | $3.0-$3.5 | $5.0-$6.0 |
| 12-24 Months | $2.0-$2.5 | $3.0-$3.5 | $5.0-$6.0 |
| **Total** | **$4.0-$5.0** | **$6.0-$7.0** | **$10.0-$12.0** |

Our capacity numbers assume no overlap between the tax-exempt and taxable sectors.

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J.P.Morgan

| | |
|---|---|
| To: | Florida Hurricane Catastrophe Fund |
| From: | J.P. Morgan |
| Date: | October 3, 2023 |
| Subject: | FHCF Estimated Bonding Capacity and Pricing |

Please find below J.P. Morgan's estimate of the Florida Hurricane Catastrophe Fund's ("FHCF") potential bonding capacity over the next 0-12 and 12-24 months, based on current market conditions. In addition, we have provided indicative pricing for tax-exempt and taxable offerings, as requested.

## Market Update

- Last week, benchmark municipal rates rose a significant 29bps in 2-5-10yrs, respectively, and by 27bps in 30yrs. The municipal AAA scale reflected considerable underperformance versus taxable fixed-income, lagging Treasuries by 36-25-14-7bps in benchmark spots on the curve.
- Economic data was mixed with September consumer confidence and sentiment measures weakening, and housing data disappointing, reflecting the impact of higher mortgage rates. Meanwhile, the labor market continues to look resilient.
- Lipper reported combined weekly and monthly outflows of $1.2bn for the period ending September 27, bringing YTD outflows to $12bn, on open-end outflows of $1.2bn (YTD $17.3bn outflows) and modest ETF inflows of $26mn (YTD $5.3bn inflows).
- We expect $8.5bn in total primary market supply this week, or 81% of the 5yr equivalent average for the week. We anticipate tax-exempt supply of $6.0bn (78% the 5yr avg) and taxable/corp cusip supply of $2.5bn (91% of the 5yr avg).
- Despite challenging seasonals and risks skewed to further outflows, depending on the direction of UST market rates, investors may consider turning bullish given fresh 10-year highs in muni market yields, and forecasts for lower UST rates in 2023 and beyond.

## Potential Market Capacity

Based on market conditions as of close of business September 26, 2023, J.P. Morgan estimates that FHCF could sell $4-5 billion of tax-exempt bonds and $5-6 billion of taxable bonds over the next 0-12 months at the market rate assumptions provided. Over the following 12-24 month period, FHCF could sell an additional $4-5 billion of tax-exempt bonds and $5-6 billion of taxable bonds. This would provide FHCF a total post-event market capacity of $8-10 billion tax-exempt and $10-12 billion taxable, for a total of $18-22 billion.

| Indicative Post-Event Market Capacity as of 9/26/2023 | | | |
|---|---|---|---|
| **Time Period** | **Tax-Exempt** | **Taxable** | **Total** |
| 0-12 Months | $4-5 billion | $5-6 billion | $9-11 billion |
| 12-24 Months | $4-5 billion | $5-6 billion | $9-11 billion |
| **Total** | **$8-10 billion** | **$10-12 billion** | **$18-22 billion** |

In order to accomplish an issuance of maximum size, FHCF would likely want to access both the tax-exempt and taxable markets across one or more offerings. Although the post-event bonds would qualify for tax-exemption, the taxable markets may provide additional depth of institutional buyers. By issuing taxable bonds in addition to tax-exempt bonds, FHCF would access certain investors that do not typically participate in tax-exempt offerings, and are not able to use the tax-exemption of municipal bonds. FHCF would likely see a significant increase in capacity by offering both a tax-exempt and taxable series as part of the same issuance, with the ultimate goal being to maximize the tax-exempt issuance. The capacity estimates above do consider the capacity overlap from investors that participate in both the tax-exempt and taxable markets, while prioritizing tax-exempt capacity over taxable.

On the following pages, please find J.P. Morgan's estimated 30-year tax-exempt and taxable scales assuming market conditions as of the close of business September 26, 2023. The scales assume FHCF's current underlying ratings of Aa3/AA/AA and $3 billion transaction size.

| Florida Hurricane Catastrophe Fund - Tax-Exempt Scale | | | | | | |
|---|---|---|---|---|---|---|
| **Year** | **Maturity** | **Sinker/Term** | **Int. MMD** | **Spread** | **Coupon** | **Stated Yield** |
| 1 | 7/1/2024 | | 3.62% | 35 | 5.00% | 3.97% |
| 2 | 7/1/2025 | | 3.56% | 38 | 5.00% | 3.94% |
| 3 | 7/1/2026 | | 3.42% | 40 | 5.00% | 3.82% |
| 4 | 7/1/2027 | | 3.31% | 42 | 5.00% | 3.73% |
| 5 | 7/1/2028 | | 3.27% | 45 | 5.00% | 3.72% |
| 6 | 7/1/2029 | | 3.27% | 48 | 5.00% | 3.75% |
| 7 | 7/1/2030 | | 3.26% | 50 | 5.00% | 3.76% |
| 8 | 7/1/2031 | | 3.28% | 52 | 5.00% | 3.80% |
| 9 | 7/1/2032 | | 3.30% | 53 | 5.00% | 3.83% |
| 10 | 7/1/2033 | | 3.30% | 55 | 5.00% | 3.85% |
| 11 | 7/1/2034 | | 3.36% | 57 | 5.00% | 3.93% |
| 12 | 7/1/2035 | | 3.47% | 58 | 5.00% | 4.05% |
| 13 | 7/1/2036 | | 3.60% | 59 | 5.00% | 4.19% |
| 14 | 7/1/2037 | | 3.72% | 60 | 5.00% | 4.32% |
| 15 | 7/1/2038 | | 3.82% | 61 | 5.00% | 4.43% |
| 16 | 7/1/2039 | | 3.86% | 65 | 5.00% | 4.51% |
| 17 | 7/1/2040 | | 3.90% | 68 | 5.00% | 4.58% |
| 18 | 7/1/2041 | | 3.95% | 70 | 5.00% | 4.65% |
| 19 | 7/1/2042 | | 4.00% | 70 | 5.00% | 4.70% |
| 20 | 7/1/2043 | | 4.03% | 70 | 5.00% | 4.73% |
| 21 | 7/1/2044 | * | | | | |
| 22 | 7/1/2045 | * | | | | |
| 23 | 7/1/2046 | * | | | | |
| 24 | 7/1/2047 | * | | | | |
| 25 | 7/1/2048 | T | 4.18% | 73 | 5.00% | 4.91% |
| 26 | 7/1/2049 | * | | | | |
| 27 | 7/1/2050 | * | | | | |
| 28 | 7/1/2051 | * | | | | |
| 29 | 7/1/2052 | * | | | | |
| 30 | 7/1/2053 | T | 4.22% | 75 | 5.00% | 4.97% |

*Assumes MMD as of close of business September 26, 2023, an optional redemption date of 7/1/2033 at par and $3 billion transaction size.*

## Florida Hurricane Catastrophe Fund - Taxable Scale

| Year | Maturity | Sinker/Term | UST | Spread | Coupon | Stated Yield |
|---|---|---|---|---|---|---|
| 1 | 7/1/2024 | | 5.07% | 100 | 6.07% | 6.07% |
| 2 | 7/1/2025 | | 5.07% | 75 | 5.82% | 5.82% |
| 3 | 7/1/2026 | | 4.84% | 90 | 5.74% | 5.74% |
| 4 | 7/1/2027 | | 4.62% | 105 | 5.67% | 5.67% |
| 5 | 7/1/2028 | | 4.62% | 105 | 5.67% | 5.67% |
| 6 | 7/1/2029 | | 4.62% | 110 | 5.72% | 5.72% |
| 7 | 7/1/2030 | | 4.62% | 115 | 5.77% | 5.77% |
| 8 | 7/1/2031 | | 4.56% | 125 | 5.81% | 5.81% |
| 9 | 7/1/2032 | | 4.56% | 130 | 5.86% | 5.86% |
| 10 | 7/1/2033 | | 4.56% | 135 | 5.91% | 5.91% |
| 11 | 7/1/2034 | | 4.56% | 140 | 5.96% | 5.96% |
| 12 | 7/1/2035 | | 4.56% | 145 | 6.01% | 6.01% |
| 13 | 7/1/2036 | | 4.56% | 150 | 6.06% | 6.06% |
| 14 | 7/1/2037 | | 4.56% | 155 | 6.11% | 6.11% |
| 15 | 7/1/2038 | | 4.56% | 160 | 6.16% | 6.16% |
| 16 | 7/1/2039 | * | | | | |
| 17 | 7/1/2040 | * | | | | |
| 18 | 7/1/2041 | * | | | | |
| 19 | 7/1/2042 | * | | | | |
| 20 | 7/1/2043 | T | 4.88% | 135 | 6.23% | 6.23% |
| 21 | 7/1/2044 | * | | | | |
| 22 | 7/1/2045 | * | | | | |
| 23 | 7/1/2046 | * | | | | |
| 24 | 7/1/2047 | * | | | | |
| 25 | 7/1/2048 | * | | | | |
| 26 | 7/1/2049 | * | | | | |
| 27 | 7/1/2050 | * | | | | |
| 28 | 7/1/2051 | * | | | | |
| 29 | 7/1/2052 | * | | | | |
| 30 | 7/1/2053 | T | 4.69% | 160 | 6.29% | 6.29% |

*Assumes UST as of close of business September 26, 2023, a make-whole call and $3 billion transaction size.*

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# Memorandum

| | | |
|---|---|---|
| To: | Florida Hurricane Catastrophe Fund | Date: October 3, 2023 |
| From: | Morgan Stanley | |
| Subject: | FHCF October 2023 Semi-Annual Bonding Capacity Analysis | |

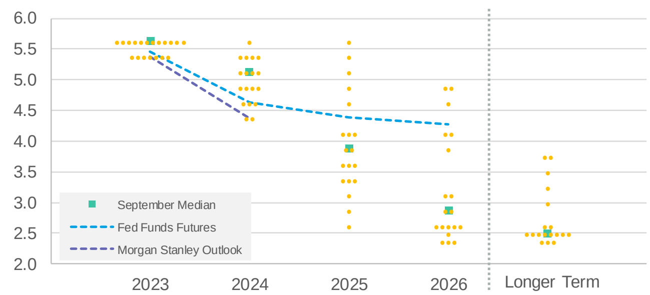
Morgan Stanley is pleased to provide the Florida Hurricane Catastrophe Fund ("FHCF") with our Firm's Semi-Annual Bonding Capacity Analysis.

**Current Macroeconomic Themes**.

- **Fed Leaves Rates Unchanged but Signals Higher for Longer**. At the most recent FOMC meeting, the Fed left rates unchanged but signaled that rates would be higher for longer. The FOMC dot plot median currently calls for a 25 bps hike in 2023 and 50 bps of cuts in 2024.

**Interest Rate Outlook**

September FOMC Dot Plot vs. Morgan Stanley Expectations (%)

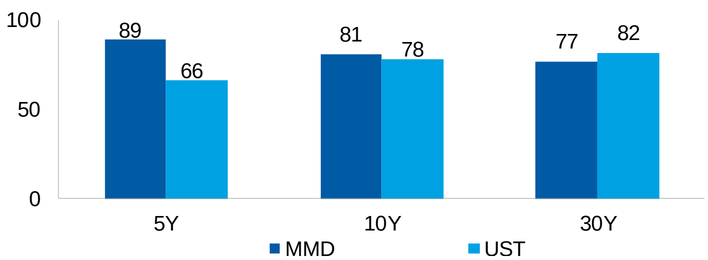



**Source:** September 2023 Summary of Economic Projections, Bloomberg, Morgan Stanley Research

- **US Avoids Government Shutdown with Stopgap Measure**. The US narrowly avoided a government shutdown as Congress passed a stopgap funding measure just hours before a midnight deadline on Saturday, clearing with bipartisan support to fund the government through November 17. Despite the ultimate resolution, the government shutdown loomed over markets last week after Moody's warned that a shutdown could be credit negative for the sovereign rating due to the intensifying political polarization that has placed constraints on fiscal policymaking.
- **Job Market Remains Resilient.** Although weekly jobless claims have been lower than expected, the overall job openings and the hiring rate have been falling.
- **Run Up in Oil Prices Adds to Inflation Pressures.** Oil prices have risen 17% since the end of August, adding fuel to the concern that it will take the Fed longer to get inflation under control.

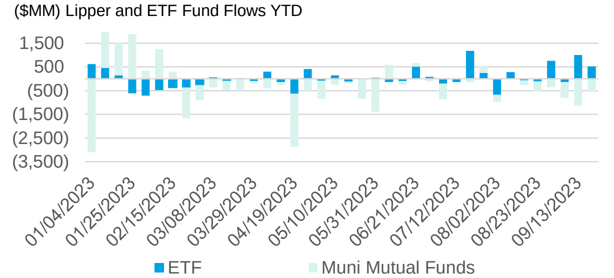
**MMD and UST Movement 2023YTD**

bps; January 3, 2023 - September 29, 2023




**Muni Bond Funds Have Lost ~$17BN YTD, Yet ETFs Have Seen $5BN of Inflows**

($MM) Lipper and ETF Fund Flows YTD




**Municipal Market Dynamics**.

- **Tax-Exempt and Taxable Rates.** MMD and UST rates have been sharply increasing over the last month and recently reached fresh YTD highs on hawkish signals from the Fed. As of September 29, 2023, 10-year and 30-year MMD were up 81 and 78 bps on the year, respectively, to 3.45% and 4.34%. 10-year and 30-year US Treasury rates are up 77 and 82 bps, respectively, to 4.58% and 4.70%.
- **New Issue Supply.** Current new issue municipal supply totals $276 billion. This is down 12% vs. 2022 year-to-date and down 23% vs. 2021 year-to-date. Recently, 30-day visible supply has ticked up materially which is a sign of strong October and November of issuance.
- **Fund Flows.** Muni mutual funds remain negative on the year with $17 billion of outflows year-to-date, although ETFs have seen $5 billion of inflows. Secondary bids-wanted in 2023 have averaged $8 billion on a weekly basis compared to $10 billion in 2022 as investors seek to raise cash.

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**Pricing Views.** On the following pages, we have provided our estimate of current pricing levels and bonding capacity over a 0-12 month and 12-24 month period.

1. Please provide a 30-year tax-exempt scale for the FHCF using the MMD at the close of business Tuesday, September 26th. This scale should be the one that you believe reflects a “market” scale given the FHCF’s strong credit with no capacity constraints. Please use serial bonds and 15, 20, 25, and/or 30-year term bonds, as needed, over a 30-year amortization period (7/1/24 - 7/1/53) with par-ish coupons throughout, as needed, when writing the scale. Base your scale on an uninsured financing given the FHCF’s strong current underlying ratings of Aa3/AA/AA (Moody’s / S&P / Fitch).

| FHCF Pricing Views: 30-Year Tax-Exempt Scale[1] | | | | | |
|---|---|---|---|---|---|
| Year | Maturity | MMD (9/26/2022)[(1)] | Spread (bps) | Coupon | Yield |
| 1 | 2024 | 3.62% | 20 | 5.00% | 3.82% |
| 2 | 2025 | 3.56% | 24 | 5.00% | 3.80% |
| 3 | 2026 | 3.42% | 26 | 5.00% | 3.68% |
| 4 | 2027 | 3.31% | 28 | 5.00% | 3.59% |
| 5 | 2028 | 3.27% | 30 | 5.00% | 3.57% |
| 6 | 2029 | 3.27% | 32 | 5.00% | 3.59% |
| 7 | 2030 | 3.26% | 34 | 5.00% | 3.60% |
| 8 | 2031 | 3.28% | 36 | 5.00% | 3.64% |
| 9 | 2032 | 3.30% | 38 | 5.00% | 3.68% |
| 10 | 2033 | 3.30% | 40 | 5.00% | 3.70% |
| 11 | 2034 | 3.36% | 42 | 5.00% | 3.78% |
| 12 | 2035 | 3.47% | 45 | 5.00% | 3.92% |
| 13 | 2036 | 3.60% | 48 | 5.00% | 4.08% |
| 14 | 2037 | 3.72% | 50 | 5.00% | 4.22% |
| 15 | 2038 | 3.82% | 52 | 5.00% | 4.34% |
| 16 | 2039 | 3.86% | 55 | 5.00% | 4.41% |
| 17 | 2040 | 3.90% | 60 | 5.00% | 4.50% |
| 18 | 2041 | 3.95% | 60 | 5.00% | 4.55% |
| 19 | 2042 | 4.00% | 60 | 5.00% | 4.60% |
| 20 | 2043 | 4.03% | 60 | 5.00% | 4.63% |
| 21 | 2044 | | | | |
| 22 | 2045 | | | | |
| 23 | 2046 | | | | |
| 24 | 2047 | | | | |
| 25 | 2048 | 4.18% | 60 | 5.25% | 4.78% |
| 26 | 2049 | | | | |
| 27 | 2050 | | | | |
| 28 | 2051 | | | | |
| 29 | 2052 | | | | |
| 30 | 2053 | 4.22% | 65 | 5.25% | 4.87% |

Notes:

(1) Assumes 10-year par call on 7/1/2033

(2) Based on July Interpolated MMD on 9/26/2023

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2. Please provide a 30-year taxable scale using the Treasury curve at the close of business Tuesday, September 26th. This scale should be the one that you believe reflects a "market" scale given the FHCF's strong credit with no capacity constraints. Please use serial bonds and 15, 20, 25, and/or 30-year term bonds, as needed, over a 30-year amortization period (7/1/24 - 7/1/53) with par-ish coupons throughout when writing the scale. Again, base the scale on an uninsured financing given again the FHCF's current underlying ratings of Aa3/AA/AA (Moody's / S&P / Fitch).

| FHCF Pricing Views: 30-Year Taxable Scale[1] | | | | | |
|---|---|---|---|---|---|
| **Year** | **Maturity** | **UST (9/26/2022)** | **Spread (bps)** | **Coupon** | **Yield** |
| 1 | 2024 | 5.13% | 55 | 5.68% | 5.68% |
| 2 | 2025 | 5.13% | 65 | 5.78% | 5.78% |
| 3 | 2026 | 4.84% | 90 | 5.74% | 5.74% |
| 4 | 2027 | 4.62% | 100 | 5.62% | 5.62% |
| 5 | 2028 | 4.62% | 110 | 5.72% | 5.72% |
| 6 | 2029 | 4.62% | 115 | 5.77% | 5.77% |
| 7 | 2030 | 4.62% | 125 | 5.87% | 5.87% |
| 8 | 2031 | 4.56% | 130 | 5.86% | 5.86% |
| 9 | 2032 | 4.56% | 135 | 5.91% | 5.91% |
| 10 | 2033 | 4.56% | 140 | 5.96% | 5.96% |
| 11 | 2034 | 4.56% | 145 | 6.01% | 6.01% |
| 12 | 2035 | 4.56% | 148 | 6.04% | 6.04% |
| 13 | 2036 | 4.56% | 151 | 6.07% | 6.07% |
| 14 | 2037 | 4.56% | 154 | 6.10% | 6.10% |
| 15 | 2038 | 4.56% | 157 | 6.13% | 6.13% |
| 16 | 2039 | | | | |
| 17 | 2040 | | | | |
| 18 | 2041 | | | | |
| 19 | 2042 | | | | |
| 20 | 2043 | 4.70% | 145 | 6.15% | 6.15% |
| 21 | 2044 | | | | |
| 22 | 2045 | | | | |
| 23 | 2046 | | | | |
| 24 | 2047 | | | | |
| 25 | 2048 | | | | |
| 26 | 2049 | | | | |
| 27 | 2050 | | | | |
| 28 | 2051 | | | | |
| 29 | 2052 | | | | |
| 30 | 2053 | 4.70% | 155 | 6.25% | 6.25% |

Notes:
(1) Assumes Make-Whole Call

3. Please provide us with your firm's opinion on the potential tax-exempt and/or taxable post-event market capacity over the next 0-12 and 12-24 months at rates that are at or above the current "market" scale, as needed. In addition, please include and describe briefly in your response if there is any overlap in tax-exempt / taxable capacity.

| FHCF Post-Event Market Capacity ($ in Billions) | | | |
|---|---|---|---|
| Time Period | Tax-Exempt | Taxable | Total |
| 0-12 Months | 3.5 to 5.0 | 5.0 to 7.0 | 8.5 to 12.0 |
| 12-24 Months | 2.0 to 4.0 | 3.0 to 5.0 | 5.0 to 9.0 |

There is no overlap in tax-exempt and taxable capacity.

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Tel: (727) 631-1201
john.generalli@wellsfargo.com

WELLS FARGO

To: Florida Hurricane Catastrophe Fund

From: Wells Fargo Corporate and Investment Banking

Date: October 3, 2023

Re: Florida Hurricane Catastrophe Fund Bonding Capacity Estimate for October 2023

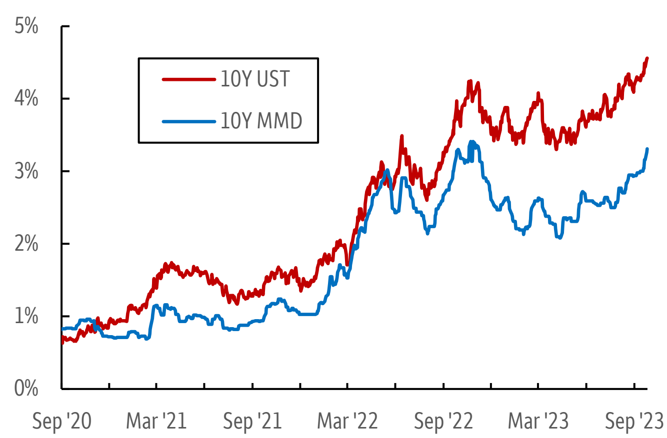
Wells Fargo Corporate and Investment Banking ("Wells Fargo") is pleased to provide the Florida Hurricane Catastrophe Fund ("FHCF") with our estimate of FHCF's bonding capacity for October 2023. On the following pages, please find our estimate of current market tax-exempt and taxable scales and spreads along with our estimate of bonding capacity for the 0-12 and 12-24 month periods. Feel free to contact any member of the Wells Fargo team if we can provide additional information or address any questions regarding these estimates.

We estimate that FHCF could issue between $10.0 and $14.0 billion in combined tax-exempt and taxable bonds over a 24-month time horizon. While we have observed continued market volatility in the municipal and treasury markets, our capacity estimate remains unchanged from our last estimate in April 2023. The scales that we include on the following pages for taxable and tax-exempt FHCF bonds reflect market conditions as of September 26th, 2023 and assume a $3 billion issuance amortized in discrete $100 million amounts over 30 years. We believe this level of issuance falls well within the market's current capacity for FHCF's debt. However, amidst the recent market volatility, interest rate benchmarks and spreads have increased since our last bonding capacity estimate.

Wells Fargo appreciates the opportunity to present our estimate of FHCF's current bonding capacity. We will continue to monitor market conditions and keep you apprised of market developments that may impact FHCF's bonding capacity.

***Recent Rate Movements.*** Since FHCF's Series 2020A pricing on September 2, 2020, the benchmark 10-year US Treasury has risen 390 basis points, and it currently sits at 4.56%.[1] Tax-exempt rates have increased as well, with 10-year MMD increasing by 248 basis points over the same period to close at 3.31% on September 26th 2023.[1] As shown in the chart to the right, interest rate benchmarks have increased by a considerable amount since FHCF's last financing.

**Historical 10Y UST and MMD Since September 2020**[1]




***The Bond Market Looks for the Next Fed Indication after Months of Turbulence.*** Since our previous update in April, rates have continued their upward momentum, even as the Fed rate hikes have slowed. The Federal Open Market Committee (FOMC) held the target range for the federal funds rate at 5.25%-5.50% at its latest meeting in September. While rates were left unchanged, the Committee maintained a "hawkish" bias. The median dot for the end of 2023 remains at 5.625% (i.e., the median of a 5.50%-5.75% fed funds target range). Twelve of the 19 members of the FOMC think it would be appropriate to hike rates by 25 bps by the end of this year. Looking ahead, the median dot for 2024 stood at 4.625% in June, which indicated 100 bps of rate cuts next year would likely be appropriate—that dot rose to 5.125% the week of the 22nd. In short, the message from the FOMC is 'higher for longer'. Wells Fargo's Economics Group forecasts the Fed Funds Target Rate at 5.50% through the end of 2023.[2]

***Municipal Fund Outflows to Date.*** Offering insight into investor sentiment regarding the tax-exempt space, municipal funds have seen a small $7.7 billion net outflow of investor assets year-to-date, compared to the $125.4 billion of net outflows observed in 2022.[3]

[1] Sources: US Treasury and Thomson Reuters TM3, from September 2, 2020 to September 26, 2023.
[2] Source: Wells Fargo & Company reports and forecasts published September 7, 2023, September 22, 2023, and September 29, 2023.
[3] Source: Lipper, A Thomson Reuters Company, as of September 27, 2023.

1. ***Please provide a 30-year tax-exempt scale for the FHCF using the MMD at the close of business Tuesday, September 26th. This scale should be the one that you believe reflects a "market" scale given the FHCF's strong credit with no capacity constraints. Please use serial bonds and 15, 20, 25, and/or 30-year term bonds, as needed, over a 30-year amortization period (7/1/24 - 7/1/53) with par-ish coupons throughout, as needed, when writing the scale. Base your scale on an uninsured financing given the FHCF's strong current underlying ratings of Aa3/AA/AA (Moody's / S&P / Fitch).***

Please note that the tax-exempt scale shown below assumes that the bonds would be issued with a 10-year par call option. Bond prices shown in the table assume a delivery date of December 15, 2023 and term bond maturities in 2048 and 2053.

| Florida Hurricane Catastrophe Fund<br>Indicative Tax-Exempt Scale<br>Market Rates as of COB September 26, 2023 | | | | | | |
|---|---|---|---|---|---|---|
| Maturity | I-MMD Index | Spread (bps) | Coupon | Yield-to-Worst | Price ($) | Yield-to-Maturity |
| 7/1/2024 | 3.62% | +50 | 5.25% | 4.12% | 100.600 | - |
| 7/1/2025 | 3.56% | +53 | 5.25% | 4.09% | 101.717 | - |
| 7/1/2026 | 3.42% | +55 | 5.25% | 3.97% | 103.066 | - |
| 7/1/2027 | 3.31% | +57 | 5.25% | 3.88% | 104.494 | - |
| 7/1/2028 | 3.27% | +59 | 5.25% | 3.86% | 105.741 | - |
| 7/1/2029 | 3.27% | +61 | 5.25% | 3.88% | 106.773 | - |
| 7/1/2030 | 3.26% | +63 | 5.25% | 3.89% | 107.789 | - |
| 7/1/2031 | 3.28% | +65 | 5.25% | 3.93% | 108.544 | - |
| 7/1/2032 | 3.30% | +67 | 5.25% | 3.97% | 109.196 | - |
| 7/1/2033 | 3.30% | +70 | 5.25% | 4.00% | 109.834 | - |
| 7/1/2034 | 3.36% | +74 | 5.25% | 4.10% | 109.005 | 4.18% |
| 7/1/2035 | 3.47% | +78 | 5.25% | 4.25% | 107.776 | 4.38% |
| 7/1/2036 | 3.60% | +80 | 5.25% | 4.40% | 106.564 | 4.56% |
| 7/1/2037 | 3.72% | +82 | 5.25% | 4.54% | 105.447 | 4.70% |
| 7/1/2038 | 3.82% | +84 | 5.50% | 4.66% | 106.410 | 4.88% |
| 7/1/2039 | 3.86% | +86 | 5.50% | 4.72% | 105.935 | 4.95% |
| 7/1/2040 | 3.90% | +88 | 5.50% | 4.78% | 105.463 | 5.01% |
| 7/1/2041 | 3.95% | +90 | 5.50% | 4.85% | 104.916 | 5.07% |
| 7/1/2042 | 4.00% | +90 | 5.50% | 4.90% | 104.527 | 5.12% |
| 7/1/2043 | 4.03% | +90 | 5.50% | 4.93% | 104.295 | 5.15% |
| 7/1/2044 | 4.06% | - | - | - | - | - |
| 7/1/2045 | 4.10% | - | - | - | - | - |
| 7/1/2046 | 4.14% | - | - | - | - | - |
| 7/1/2047 | 4.17% | - | - | - | - | - |
| 7/1/2048 | 4.18% | +95 | 5.00% | 5.13% | 98.194 | - |
| 7/1/2049 | 4.18% | - | - | - | - | - |
| 7/1/2050 | 4.19% | - | - | - | - | - |
| 7/1/2051 | 4.20% | - | - | - | - | - |
| 7/1/2052 | 4.21% | - | - | - | - | - |
| 7/1/2053 | 4.22% | +95 | 6.00% | 5.17% | 106.188 | 5.57% |

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2. ***Please provide a 30-year taxable scale using the Treasury curve at the close of business Tuesday, September 26th. This scale should be the one that you believe reflects a "market" scale given the FHCF's strong credit with no capacity constraints. Please use serial bonds and 15, 20, 25, and/or 30-year term bonds, as needed, over a 30-year amortization period (7/1/24-7/1/53) with par-ish coupons throughout when writing the scale. Again, base the scale on an uninsured financing given again the FHCF's current underlying ratings of Aa3/AA/AA (Moody's/S&P/Fitch).***

Please note that the indicative taxable scale shown below assumes that the bonds would be issued with a 10-year par call option. Bond prices shown in the table assume a delivery date of December 15, 2023 and term bond maturities in 2043 and 2053.

| Florida Hurricane Catastrophe Fund<br>Indicative Taxable Scale<br>Market Rates as of COB September 26, 2023 | | | | | | |
|---|---|---|---|---|---|---|
| Maturity | UST | Spread (bps) | Coupon | Yield | Price ($) | Yield-to-Maturity |
| 7/1/2024 | 5.04% | +80 | 5.84% | 5.84% | 100.000 | -- |
| 7/1/2025 | 5.04% | +75 | 5.79% | 5.79% | 100.000 | -- |
| 7/1/2026 | 4.84% | +100 | 5.84% | 5.84% | 100.000 | -- |
| 7/1/2027 | 4.62% | +125 | 5.87% | 5.87% | 100.000 | -- |
| 7/1/2028 | 4.62% | +130 | 5.92% | 5.92% | 100.000 | -- |
| 7/1/2029 | 4.62% | +140 | 6.02% | 6.02% | 100.000 | -- |
| 7/1/2030 | 4.62% | +145 | 6.07% | 6.07% | 100.000 | -- |
| 7/1/2031 | 4.56% | +155 | 6.11% | 6.11% | 100.000 | -- |
| 7/1/2032 | 4.56% | +160 | 6.16% | 6.16% | 100.000 | -- |
| 7/1/2033 | 4.56% | +165 | 6.21% | 6.21% | 100.000 | -- |
| 7/1/2034 | 4.56% | +175 | 6.31% | 6.31% | 100.000 | -- |
| 7/1/2035 | 4.56% | +185 | 6.41% | 6.41% | 100.000 | -- |
| 7/1/2036 | 4.56% | +195 | 6.51% | 6.51% | 100.000 | -- |
| 7/1/2037 | 4.56% | +200 | 6.56% | 6.56% | 100.000 | -- |
| 7/1/2038 | 4.56% | - | - | - | - | -- |
| 7/1/2039 | 4.70% | - | - | - | - | -- |
| 7/1/2040 | 4.70% | - | - | - | - | -- |
| 7/1/2041 | 4.70% | - | - | - | - | -- |
| 7/1/2042 | 4.70% | - | - | - | - | -- |
| 7/1/2043 | 4.70% | +200 | 6.70% | 6.70% | 100.000 | -- |
| 7/1/2044 | 4.70% | - | - | - | - | -- |
| 7/1/2045 | 4.70% | - | - | - | - | -- |
| 7/1/2046 | 4.70% | - | - | - | - | -- |
| 7/1/2047 | 4.70% | - | - | - | - | -- |
| 7/1/2048 | 4.70% | - | - | - | - | -- |
| 7/1/2049 | 4.70% | - | - | - | - | -- |
| 7/1/2050 | 4.70% | - | - | - | - | -- |
| 7/1/2051 | 4.70% | - | - | - | - | -- |
| 7/1/2052 | 4.70% | - | - | - | - | -- |
| 7/1/2053 | 4.70% | +220 | 6.90% | 6.90% | 100.000 | -- |

3. ***Please provide us with your firm's opinion on the potential tax-exempt and/or taxable post-event conservative market capacity over the next 0-12 and 12-24 months at rates that are at or above the current "market" scale, as needed. In addition, please include and describe briefly in your response if there is any overlap in tax-exempt / taxable capacity.***

The capacity estimates shown in the table below assume FCHF would issue debt at higher interest rates than the current "market" tax-exempt and taxable scales that we have provided in our response to questions 1 and 2.

| FHCF Post-Event Market Capacity | | | |
|---|---|---|---|
| **Time Period** | **Tax-Exempt** | **Taxable** | **Total** |
| 0-12 Months | $3.0 - $4.0 billion | $3.0 - $4.0 billion | $6.0 - $8.0 billion |
| 12-24 Months | $2.0 - $3.0 billion | $2.0 - $3.0 billion | $4.0 - $6.0 billion |

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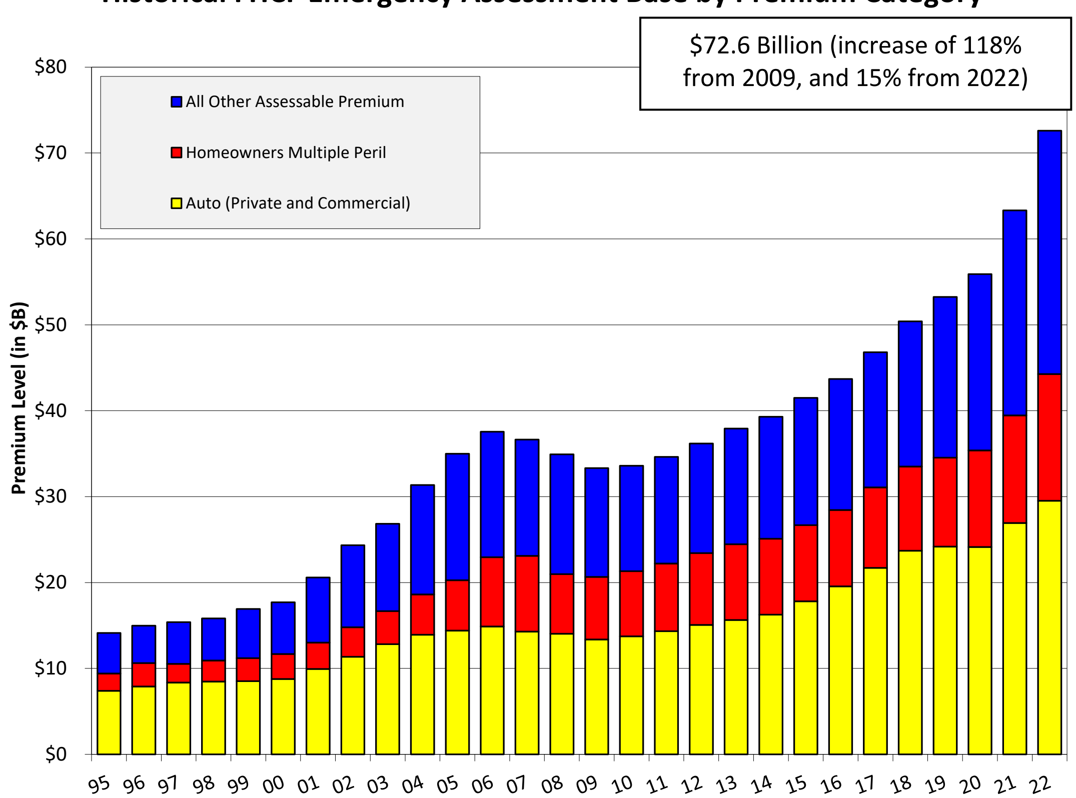
**2Q23**

# Appendix B – The FHCF's Emergency Assessment Base

According to Section 215.555(6)(b)1., Florida Statutes, *"(i)f the board determines that the amount of revenue produced under subsection (5) is insufficient to fund the obligations, costs, and expenses of the fund and the corporation, including repayment of revenue bonds and that portion of the debt service coverage not met by reimbursement premiums, the board shall direct the Office of Insurance Regulation to levy, by order, an* ***emergency assessment on direct premiums for all property and casualty lines of business in this state, including property and casualty business of surplus lines insurers regulated under part VIII of chapter 626, but not including any workers' compensation premiums or medical malpractice premiums. As used in this subsection, the term "property and casualty business" includes all lines of business identified on Form 2, Exhibit of Premiums and Losses, in the annual statement required of authorized insurers by s. 624.424 and any rule adopted under this section, except for those lines identified as accident and health insurance and except for policies written under the National Flood Insurance Program****."*

In numerical terms, this gives the FHCF an ability to assess against a base which, as of the end of 2022 (the last official measurement date), totaled approximately $72.6 billion. The chart below and table on the following page show the evolution of the FHCF's assessment base over time, both by type of coverage and admitted market and surplus lines.

**Historical FHCF Emergency Assessment Base by Premium Category**



## Historical FHCF Emergency Assessment Base ($MM)

## Admitted Market, Surplus Lines, and the dollar value of a 6% emergency assessment

| Calendar Year | Admitted Lines DWP* | Surplus Lines and NIMA Clearinghouse DWP | Total Aggregate Premium | 6% Emergency Assessment | % Premium Change from Prior Year |
|---|---|---|---|---|---|
| 1995 | $13,783 | - | $13,783 | - | |
| 1996 | $14,994 | - | $14,994 | - | 8.79% |
| 1997 | $15,402 | - | $15,402 | - | 2.72% |
| 1998 | $15,817 | - | $15,817 | - | 2.70% |
| 1999 | $16,036 | - | $16,036 | - | 1.38% |
| 2000 | $16,780 | - | $16,780 | - | 4.64% |
| 2001 | $19,195 | - | $19,195 | - | 14.39% |
| 2002 | $22,150 | - | $22,150 | - | 15.39% |
| 2003 | $24,411 | $2,435 | $26,845 | $1,611 | 21.20% |
| 2004 | $28,649 | $2,695 | $31,344 | $1,881 | 16.76% |
| 2005 | $31,714 | $3,275 | $34,989 | $2,099 | 11.63% |
| 2006 | $33,346 | $4,208 | $37,554 | $2,253 | 7.33% |
| 2007 | $32,545 | $4,101 | $36,646 | $2,199 | -2.42% |
| 2008 | $30,830 | $4,095 | $34,926 | $2,096 | -4.69% |
| 2009 | $29,454 | $3,859 | $33,313 | $1,999 | -4.62% |
| 2010 | $29,888 | $3,715 | $33,603 | $2,016 | 0.87% |
| 2011 | $30,943 | $3,696 | $34,640 | $2,078 | 3.09% |
| 2012 | $32,323 | $3,862 | $36,185 | $2,171 | 4.46% |
| 2013 | $33,726 | $4,206 | $37,933 | $2,276 | 4.83% |
| 2014 | $35,085 | $4,216 | $39,302 | $2,358 | 3.61% |
| 2015 | $36,957 | $4,550 | $41,507 | $2,490 | 5.61% |
| 2016 | $39,069 | $4,623 | $43,693 | $2,622 | 5.26% |
| 2017 | $41,844 | $4,973 | $46,817 | $2,809 | 7.15% |
| 2018 | $44,858 | $5,547 | $50,405 | $3,024 | 7.66% |
| 2019 | $47,033 | $6,205 | $53,238 | $3,194 | 5.62% |
| 2020 | $48,827 | $7,066 | $55,892 | $3,354 | 4.99% |
| 2021 | $54,253 | $9,065 | $63,318 | $3,799 | 13.29% |
| 2022 | $61,027 | $11,568 | $72,595 | $4,356 | 14.65% |

*Source: Office of Insurance Regulation ("OIR") and Florida Surplus Lines Service Office ("FSLSO")*
*DWP is as of 12/31 and is based on companies reporting to the OIR on behalf of the FHCF and is subject to change as company/agent adjustments are reported. In 2004, the Florida legislature excluded medical malpractice for 3 years and included surplus lines. Medical malpractice has since been permanently exempted.*
*2011-2016 DWP numbers have been adjusted to reflect unassessable premiums written in assessable lines of business. However, beginning in 2017, this allowed adjustment figure is unavailable. The average reduction to DWP related to these adjustments was approximately 0.90%.*
*Average direct written premium increase (geometric mean) from 2000-2022 is 6.99%.*

## 2022 Admitted Market Lines Premiums ($MM)

| Line of Business | 2022 Total Assessable Premium |
|---|---|
| Fire | $856.7 |
| Allied Lines | $3,000.9 |
| Multiple Peril Crop | $205.0 |
| Private crop | $0.6 |
| Farmowners Multiple Peril | $23.6 |
| Homeowners Multiple Peril | $13,805.9 |
| Commercial multiple peril (liability portion) | $794.6 |
| Commercial multiple peril (non-liability portion) | $1,104.0 |
| Mortgage Guaranty | $444.5 |
| Ocean Marine | $544.8 |
| Inland Marine | $1,994.6 |
| Financial Guaranty | $7.2 |
| Earthquake | $7.5 |
| Other liability - occurrence | $4,899.0 |
| Other liability - claims-made | $1,104.9 |
| Products Liability | $134.4 |
| Private Flood | $131.5 |
| Private passenger auto no-fault (personal injury protection) | $5,300.9 |
| Other Private Passenger Auto Liability | $12,626.5 |
| Commercial auto no-fault (personal injury protection) | $142.2 |
| Other Commercial Auto Liability | $3,955.0 |
| Private Passenger Auto Physical Damage | $7,394.0 |
| Commercial Auto Physical Damage | $607.8 |
| Aircraft (All Perils) | $228.2 |
| Fidelity | $74.0 |
| Surety | $552.7 |
| Burglary and Theft | $22.8 |
| Boiler and Machinery | $81.4 |
| Credit | $142.1 |
| Warranty | $839.6 |
| Aggregate write-ins for other lines of business | $0.0 |
| **Totals** | **$61,026.8** |

*Source: Florida Office of Insurance Regulation, Market Research Unit*

## 2022 Surplus Lines Premiums ($MM)

| Coverage Code | | 2022 Surplus Lines Premiums ($MM) |
|---|---|---|
| 1000 | Commercial Property | $4,192.5 |
| 1001 | Builders Risk | $228.9 |
| 1002 | Business Income | $0.9 |
| 1003 | Apartments (Commercial) | $9.1 |
| 1004 | Boiler and Machinery | $0.9 |
| 1005 | Commercial Package (Property & Casualty) | $606.5 |
| 1006 | Condominium Package (Commercial) | $100.5 |
| 1007 | Crop Hail | $0.2 |
| 1008 | Difference In Conditions | $10.8 |
| 1009 | Earthquake | $0.9 |
| 1010 | Flood | $58.2 |
| 1011 | Glass (Commercial) | $0.0 |
| 1012 | Mortgagee Impairment | $0.8 |
| 1013 | Windstorm &/or Hail | $253.9 |
| 1014 | Mold Coverage - Commercial | $1.4 |
| 1015 | Sinkhole Coverage - Commerical | $0.0 |
| 1016 | Excess Flood - Commercial | $26.1 |
| 1017 | Collateral Protection | $32.5 |
| 1018 | Fire | $0.0 |
| 1100 | Bankers Blanket Bond | $2.2 |
| 1101 | Blanket Crime Policy | $1.4 |
| 1102 | Employee Dishonesty | $0.0 |
| 1103 | Identity Theft | $0.0 |
| 1104 | Deposit Forgery | $0.0 |
| 1105 | Miscellaneous Crime | $2.6 |
| 1200 | Accident & Health | $0.0 |
| 1201 | Credit Insurance | $7.9 |
| 1202 | Animal Mortality | $0.1 |
| 1203 | Mortgage Guaranty | $0.9 |
| 1204 | Worker's Compensation-Excess Only | $0.0 |
| 1205 | Product Recall | $10.5 |
| 1206 | Kidnap/Ransom | $0.1 |
| 1207 | Surety | $52.5 |
| 1208 | Weather Insurance | $0.6 |
| 1209 | Prize Indemnification | $1.2 |
| 1210 | Travel Accident | $0.0 |
| 1211 | Terrorism | $23.1 |
| 1212 | Fidelity | $2.3 |
| 1213 | Deductible Buyback – Property | $46.3 |
| 2000 | Homeowners-HO-1 | $33.6 |
| 2001 | Homeowners-HO-2 | $1.1 |
| 2002 | Homeowners-HO-3 | $531.8 |
| 2003 | Tenant Homeowners-HO-4 | $20.6 |
| 2004 | Homeowners-HO-5 | $111.9 |
| 2005 | Condo Unit-Owners HO-6 | $145.4 |
| 2006 | Homeowners-HO-8 | $47.9 |
| 2007 | Dwelling Builders Risk | $36.7 |
| 2008 | Dwelling Flood | $85.6 |
| 2009 | Dwelling Property | $150.7 |
| 2010 | Farmowners Multi-Peril | $3.2 |
| 2011 | Mobile Homeowners | $38.7 |
| 2012 | Windstorm | $54.2 |
| 2013 | Mold Coverage - Residential | $0.1 |
| 2014 | Sinkhole Coverage - Residential | $0.0 |
| 2015 | Excess Flood - Residential | $31.1 |
| 3000 | Marine Operators Legal Liability - Taxable | $2.5 |
| 3001 | Marine Liabilities Package - Taxable | $20.6 |
| 3002 | Ocean Marine-Hull &/or Protection & Indemnity | $26.5 |
| 3003 | Ocean Cargo Policy | $37.5 |
| 3004 | Ship Repairers Legal Liability | $0.0 |
| 3005 | Stevedores Legal Liability | $51.6 |
| 3006 | Personal & Pleasure Boats & Yachts | $2.0 |
| 3007 | Ocean Marine Builder's Risk | $0.0 |
| 3008 | Longshoremen (Jones Act) | $0.0 |
| 3010 | Marine Operators Legal Liability - Non Taxable | $0.0 |
| 3011 | Marine Liabilities Package - Non Taxable | $56.2 |
| 4000 | Inland Marine (Commercial) | $10.5 |
| 4001 | Inland Marine (Personal) | $35.0 |
| 4002 | Motor Truck Cargo | $5.7 |
| 4003 | Jewelers Block | $0.0 |
| 4004 | Furriers Block | $4.5 |
| 4005 | Contractors Equipment | $1.0 |
| 4006 | Electronic Data Processing | $1,711.2 |
| 5000 | Commercial General Liability | $161.3 |
| 5001 | Commercial Umbrella Liability | $99.2 |
| 5002 | Directors & Officers Liability (Profit) | $10.3 |
| 5003 | Directors & Officers Liability (Non-Profit) | $1.6 |
| 5004 | Educator Legal Liability | $21.2 |
| 5005 | Employment Practices Liability | $846.6 |
| 5006 | Excess Commercial General Liability (Not Umbrella) | $15.6 |
| 5007 | Excess Personal Liability (Not Umbrella) | $10.3 |
| 5008 | Liquor Liability | $8.4 |
| 5009 | Owners & Contractors Protective | $13.1 |
| 5010 | Personal Umbrella | $31.1 |
| 5011 | Personal Liability | $93.2 |
| 5012 | Pollution & Environment Liability | $25.6 |
| 5013 | Product & Completed Operations Liability | $10.1 |
| 5014 | Public Officials Liability | $2.3 |
| 5015 | Police Professional Liability | $2.2 |
| 5016 | Media Liability | $8.3 |
| 5017 | Railroad Protective Liability | $0.0 |
| 5018 | Asbestos Removal & Abatement | $0.2 |
| 5019 | Guard Service Liability | $12.3 |
| 5020 | Special Events Liability | $201.2 |
| 5021 | Miscellaneous Liability | $268.1 |
| 5022 | Cyber Liability | $0.0 |
| 6001 | Miscellaneous Medical Professionals | $0.0 |
| 6002 | Nursing Home Professional Liability | $0.0 |
| 6003 | Physician/Surgeon | $0.0 |
| 7000 | Architects & Engineers Liability | $28.7 |
| 7001 | Insurance Agents & Brokers E&O | $18.1 |
| 7002 | Lawyers Professional Liability | $59.3 |
| 7003 | Miscellaneous E&O Liability | $269.1 |
| 7004 | Real Estate Agents E&O | $6.4 |
| 7005 | Software Design Computer E & S | $7.2 |
| 8000 | Commercial Auto Liability | $173.2 |
| 8001 | Commercial Auto Excess Liability | $20.9 |
| 8002 | Commercial Auto Physical Damage | $53.3 |
| 8003 | Dealers Open Lot | $30.5 |
| 8004 | Garage Liability | $52.1 |
| 8005 | Garage Keepers Legal | $1.2 |
| 8006 | Private Passengers Auto-Physical Damage Only | $0.9 |
| 8007 | Personal Excess Auto Liability | $0.7 |
| 9000 | Commercial Aircraft Hull &/or Liability | $34.4 |
| 9001 | Airport Liability | $3.1 |
| 9002 | Aviation Cargo | $5.3 |
| 9003 | Aviation Product Liability | $27.1 |
| 9004 | Hanger Keepers Legal Liability | $0.1 |
| 9005 | Personal & Pleasure Aircraft | $0.2 |
| | **Totals** | **$11,568** |

*Source: FSLSO*

*Based on policies with a submitted (filed) date from 1/1/22 to 12/31/22.*

## *Disclaimer*

*The analysis or information presented herein is based upon projections and have limitations. No representation is made that any results indicated will be achieved. Changes to any prices, levels, or assumptions contained herein may have a material impact on results. Any estimates or assumptions contained herein represent our best judgment as of the date indicated and are subject to change.*