

**State Board of Administration of Florida  
Florida Hurricane Catastrophe Fund**



**2019 Annual Report**

**FLORIDA HURRICANE CATASTROPHE FUND (FHCF)  
MISSION STATEMENT AND GOALS**

**Mission: Provide a stable and ongoing source of timely reimbursement to residential property insurers for a portion of their catastrophic hurricane losses for the purpose of protecting and advancing the state's interest in maintaining insurance capacity through the efficient and effective administration of the fund.**

To fulfill its mission, the FHCF has identified the following strategic goals:

1. Promote continued operating effectiveness and viability of the FHCF
2. Provide superior administrative services to the Florida Commission on Hurricane Loss Projection Methodology
3. Ensure maximum sustainability through superior people, processes, and technology
4. Educate, develop, and actively manage relationships with participating companies, service providers, and other interested parties

**AUDITED FINANCIAL STATEMENTS**

**The FHCF's audited financial statements for the fiscal year ended June 30, 2019 are available on the FHCF's website ([www.sbafla.com/fhcf/Home/AuditedFinancials.aspx](http://www.sbafla.com/fhcf/Home/AuditedFinancials.aspx)).** The website also includes prior audited financial statements.

KPMG LLP, the FHCF's independent auditor, has not been engaged to perform and has not performed, since the date of its report, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this annual report.



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2019 brought another highly active Atlantic Basin hurricane season, with 18 named storms, of which 6 became hurricanes. Florida was fortunate to not have a hurricane make landfall this year, but came close with Hurricane Dorian, a Category 5 hurricane, that devastated our neighbors in the Bahamas. Dorian is considered the worst natural disaster to strike in the country's history and caused catastrophic damage.

The Florida Hurricane Catastrophe Fund (FHCF) continues to pay reimbursements to participating insurers for Hurricane Irma and Hurricane Michael losses. During this year, participating insurers and the FHCF have been impacted by adverse loss development, particularly from Hurricane Irma. As of December 31, 2019, our actuaries have projected the FHCF's total incurred loss for Hurricane Irma to be \$6 billion, up from \$3.75 as of December 31, 2018. The projected loss for Hurricane Michael may increase as well as insurers continue to report updated loss information. However, the finances of the FHCF remain solid and the FHCF continues to be a force of stability and predictability in Florida's otherwise volatile insurance market.

The FHCF would like to thank the State Board of Administration (SBA) Trustees, SBA Executive Director Ash Williams, members of the FHCF Advisory Council, and our service providers and the staff of the FHCF for their continued support in enabling the FHCF to fulfill its mission. We appreciate your interest in the Florida Hurricane Catastrophe Fund and hope the information provided in this report is beneficial.

Anne T. Bert  
Chief Operating Officer,  
Florida Hurricane Catastrophe Fund

## WHAT IS THE FLORIDA HURRICANE CATASTROPHE FUND?

The Florida Hurricane Catastrophe Fund (FHCF) is a state trust fund that provides reimbursement to residential property insurers for a portion of their Florida catastrophic hurricane losses.

In the aftermath of Hurricane Andrew, which struck Florida in August 1992 causing over \$15 billion in insured losses and at least 11 insurer insolvencies, the Florida Legislature recognized that an unstable market for property insurance threatened the state's economy. Finding that there was a need for a state program to provide a "stable and ongoing" source of reimbursement to insurers, the Legislature created the FHCF to operate "exclusively for the purpose of protecting and advancing the state's interest in maintaining insurance capacity" in Florida.

The FHCF fulfills its statutory mission by providing reliable, dependable, and predictable coverage that is limited to genuinely catastrophic losses, and by striving to assure that reimbursements are paid promptly and in sufficient amounts.

The coverage provided by the FHCF is similar to private reinsurance (although there are also a number of significant differences). Historically, the FHCF has generated significant premium savings for Florida policyholders by making FHCF protection available to insurers, typically at a lower cost than the market price for comparable reinsurance.

The FHCF is able to provide coverage at a lower cost than private market prices because it does not include a profit factor or risk load in its rates and because it is exempt from federal taxes.



## HOW DOES THE FHCF WORK?

Participation in the FHCF is mandatory for Florida residential property insurers. Except for insurers with Florida exposures below a *de minimis* threshold, each insurer holding a certificate of authority to write residential property insurance is required by law to enter into an FHCF reimbursement contract.

The FHCF is designed to be self-supporting except in extraordinary circumstances. It charges each insurer an actuarially-determined premium for the coverage provided, but when the cash balance of the fund is not sufficient to meet its obligations, the FHCF can rely on the proceeds of revenue bonds backed by assessments on most types of Florida property and casualty insurance premiums. The FHCF also engages in financing and risk-transfer activities intended to improve liquidity and potentially minimize the need for assessments.

In general, the FHCF covers a percentage of the insurer's hurricane losses in excess of the insurer's

"retention" (similar to a deductible), up to a maximum payout. An insurer's coverage percentage is 90%, 75%, or 45%, as selected by the insurer when it executes its FHCF reimbursement contract. The insurer's retention is based on its share of the FHCF's total retention (\$7.4 billion for the 2019-2020 contract year), and the maximum payout is the insurer's share of the statutory coverage limit (currently \$17.0 billion).

Premiums, retentions, and coverage limits are based on each insurer's annual reporting of insured values by line of business, construction type, and ZIP Code and on hurricane loss projection models found acceptable by the Florida Commission on Hurricane Loss Projection Methodology.

The FHCF is exempt from federal taxes and is authorized to issue post-event revenue bonds on a tax-exempt basis.

### FHCF Operational Responsibilities

FHCF staff members are responsible for managing the in-house operations of the FHCF and overseeing the work of outside service providers.

FHCF staff responsibilities include financial and administrative operations, preparation for internal and external audits, development and management of exposure and claims examination programs, debt financing and related activities, and legal matters.

The FHCF contracts with service providers for administrative services, actuarial services, financial services, examination of insurers, legal services, and audit services.

The FHCF relies on staff of the State Board of Administration (SBA) for investment services, information technology services, and other administrative support.

The FHCF Advisory Council provides advice and information regarding implementation of the FHCF statute. The Advisory Council also reviews and discusses all proposed FHCF rules before they are submitted to the SBA Trustees for approval.

## COVERAGE, RETENTION, AND LIMITS

Insurers covering residential properties in Florida are required by law to enter into a reimbursement contract with the FHCF (except for insurers that are exempt by virtue of *de minimis* Florida exposures and non-admitted insurers). Under the contract, which runs from June 1 of a given year through May 31 of the following year, the FHCF promises to reimburse the insurer:

- For a **percentage** of the insurer's total residential losses from each hurricane...
- In excess of the insurer's **retention** (which is similar to a deductible)...
- Plus a **10% allowance** for loss adjustment expenses...
- Up to a **limit** that reflects the insurer's share of the FHCF's actual claims-paying capacity, not to exceed the insurer's share of the statutory maximum obligation (currently \$17 billion).

Every year, the insurer selects a coverage percentage, which may be 90%, 75%, or 45%. When FHCF post-event revenue bonds are outstanding, the insurer may not decrease its percentage selection from one year to the next.

Aggregate retention for the FHCF is determined according to a statutory formula. **For the 2019-2020 contract year, aggregate industry retention was**

**\$7.4 billion.** An insurer's retention is determined by multiplying its FHCF premium by a retention multiple that is calculated under the FHCF premium formula.

**The retention multiples for the 2019-2020 contract year were:**

Coverage Percentage	2019-2020 Retention Multiple
90%	5.6105
75%	6.7326
45%	11.2211

Similarly, an insurer's coverage limit is determined by multiplying its FHCF premium by a payout multiple calculated under the premium formula. **For the 2019-2020 contract year, the payout multiple was 14.3205, based on the aggregate FHCF premium of \$1,187,111,000 billed as of December 31, 2019.**

**Example:** For an insurer with an FHCF premium of \$1 million that selected the 90% coverage level, the retention for Contract Year 2019-2020 would have been \$5,610,500 and the coverage limit would have been \$14,320,500.

**See page 27** for historical data on participating insurers' coverage percentage selections.

## EXPOSURE REPORTING AND EXAMINATION PROGRAMS

FHCF participating insurers must report their exposures—that is, their insured values by ZIP Code, construction type, and line of business—each contract year. The report is as of June 30 of the contract year and must be filed no later than September 1 of the contract year.

The SBA Trustees annually adopt by rule the form for exposure reporting, known as the Data Call. Insurers report their exposures online through a system known as *FHCF WIRE*, which is maintained in-house by the SBA Information Technology staff working with FHCF staff.

The Data Call provides the information necessary for calculation of the FHCF premiums and rate structure and for determination of a particular insurer's premium, retention, and coverage limit.

The FHCF examines participating insurers' exposure data to verify the accuracy of their reporting. Each year, FHCF contract examiners review the exposures of insurers responsible for at least 99% of the FHCF's total premium revenues.

The FHCF also examines insurers' reported losses. After a participating insurer receives FHCF reimbursements, the FHCF conducts examinations to verify that the insurer did not over-report its reimbursable losses to the FHCF.

Contract Year 2019-2020 Exposure Concentration by County (\$ billion)		
County	Dollar Amount of FHCF Exposure	Percent of Total FHCF Exposure
Palm Beach	\$206.5	8.74%
Broward	\$167.8	7.11%
Miami-Dade	\$161.7	6.85%
Orange	\$156.4	6.62%
Hillsborough	\$148.3	6.28%
Lee	\$115.8	4.91%
Pinellas	\$103.0	4.36%
Duval	\$101.9	4.32%
Collier	\$89.5	3.79%
Brevard	\$74.5	3.15%
All Other Counties	\$1,036.0	43.9%
Totals*	\$2,361.4	100.0%

\*May not add due to rounding.

**See page 28** for historical data on premium adjustments resulting from exposure examinations.

## RATEMAKING

The FHCF statute provides for annual calculation of a premium formula for the FHCF by an independent actuarial consultant. After review by the FHCF Advisory Council, the premium formula for a particular contract year is submitted to the SBA Trustees for adoption by rule. A unanimous vote of the Trustees is required.

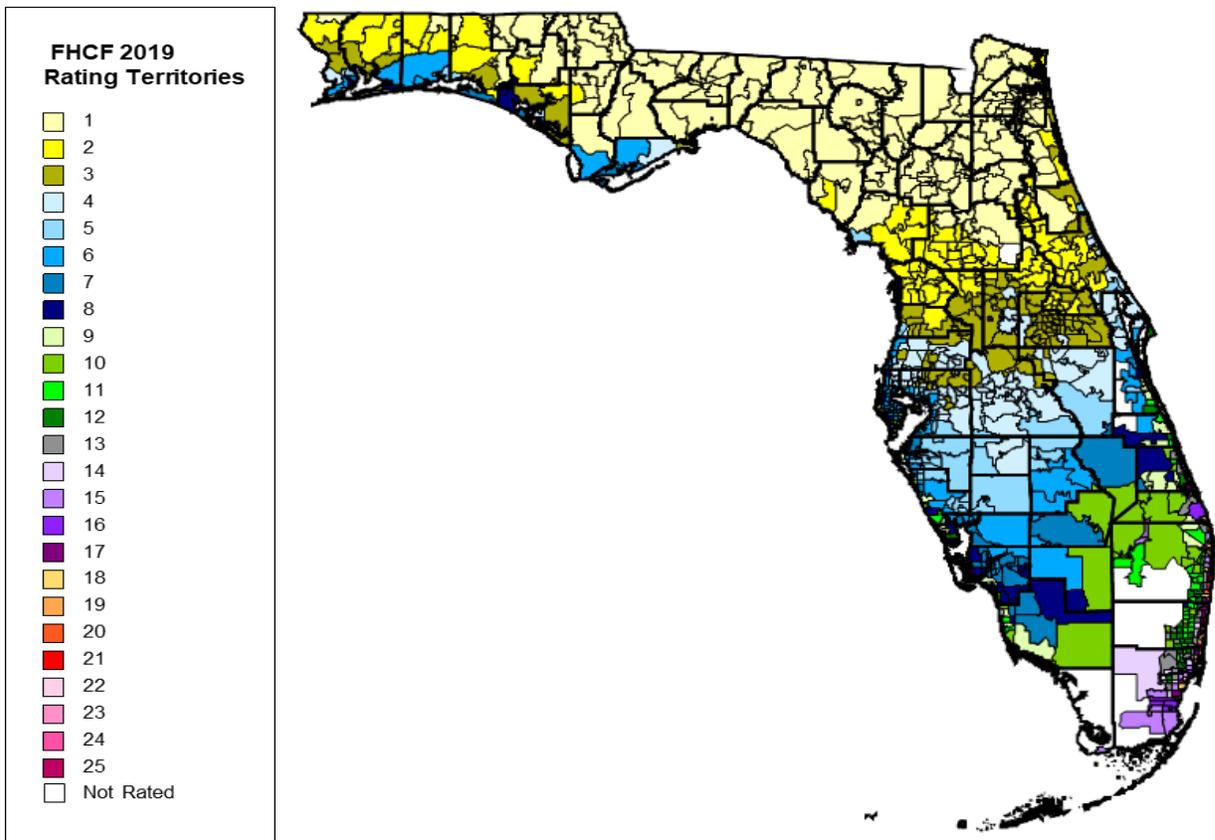
The FHCF statute requires the FHCF to charge an “actuarially indicated” premium. Under the statute, an “actuarially indicated” premium is “an amount determined according to the principles of actuarial science to be adequate, but not excessive, to pay current and future obligations and expenses” of the FHCF which “reflect[s] each insurer’s relative exposure to hurricane losses.”

Applying this statutory definition, the FHCF reimbursement premium is based on hurricane risk and FHCF expenses, and does not reflect volatile market swings or include a profit-and-contingency factor or risk load.

In 2009, in an effort to reduce the FHCF’s potential reliance on bonding, the Florida Legislature revised reimbursement premium calculations by adding a “cash build-up factor” to the base premium. The factor was phased in over a 5-year period and has remained at 25% since the 2013-2014 contract year.

The FHCF premium structure provides predictability for insurers by avoiding dramatic year-to-year changes and helps stabilize otherwise volatile markets.

**FHCF 2019 Rating Territories (Higher numbers reflect greater risk of hurricane loss)**



## FUNDING SOURCES

By statute, the FHCf's maximum potential obligation is capped at \$17 billion. Reimbursement premiums paid by participating insurers are the primary source of funding to cover the FHCf's reimbursement obligations.

**For the 2019-2020 contract year, reimbursement premiums were \$1.187 billion.** As of December 31, 2019, the FHCf had a fund balance of \$10.33 billion.

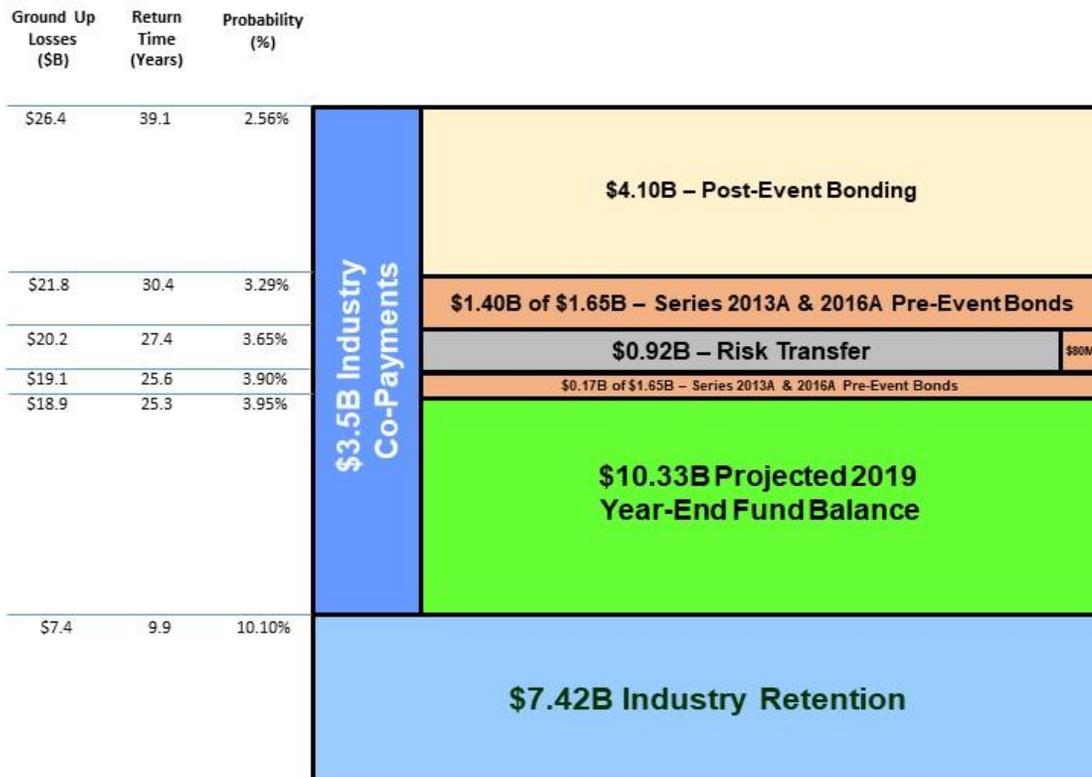
The year-end 2019 fund balance reflects projected losses from Hurricane Irma (2017) of \$6.00 billion and

from Hurricane Michael (2018) of \$1.45 billion. See page 12 for more information on projected losses.

In addition to premiums, other sources of liquidity to pay FHCf claims include investment income, proceeds from pre-event bonding, recoveries from reinsurance and other risk-transfer transactions, and proceeds from post-event revenue bonds.

This chart shows the FHCf's estimated claims-paying resources for the 2019-2020 contract year as of December 31, 2019:

**Estimated FHCf Coverage for the 2019-2020 Contract Year**  
 (\$17 Billion Statutory Limit, which includes a 10% allowance for loss adjustment expenses)



This chart reflects aggregated information available as of December 31, 2019, and is not drawn to scale. The probabilities in this chart are presented as if all participating insurers had uniform exposures and loss experience. In practice, each insurer's retention and coverage limits is unique to that insurer and based on its reported exposure and coverage selection. Each participating insurer therefore has its own unique probabilities of triggering and exhausting FHCf coverage. The probabilities in this chart are based on the aggregation of data for all participating insurers and are intended for illustrative purposes only.

## CLAIMS-PAYING CAPACITY

The FHCF does not constitute a full-faith-and-credit obligation of the State of Florida. Instead, the FHCF's potential obligation for a particular contract year is limited to its cash balance, risk transfer recoveries, and the amounts it is able to borrow.

The amount of FHCF post-event debt that the markets are willing to accept is therefore a critical factor in determining the FHCF's actual claims-paying capacity. In May and October of each year, the FHCF, in consultation with its financial advisors, calculates its claims-paying capacity, including projected cash balance and projected bonding capacity for the ensuing 12-month and 24-month periods.

**According to the October 2019 claims-paying capacity estimates, the FHCF's projected post-event bonding capacity for the first 12 months after an event is \$9.0 billion, with another \$7.8 billion of bonding capacity available for the following 12-month period, for a 24-month total estimated bonding capacity of \$16.8 billion.**

**See pages 25-26 for historical data on FHCF claims-paying capacity.**



## DEBT FINANCING AND RISK TRANSFER

After a hurricane, the FHCF will issue bonds when its projected reimbursement payments exceed its cash resources. These bonds can be either taxable or tax-exempt. The primary source of revenue to pay off the bonds is emergency assessments on most property/casualty insurance premiums; workers' compensation, medical malpractice, accident and health, and federal flood insurance premiums are currently exempt from assessment. The maximum assessment percentage is 6 percent with respect to losses attributable to any one year and 10 percent with respect to losses from multiple years.

**For the 2019-2020 contract year, the total amount of property/casualty direct written premium potentially subject to assessment (the "assessment base") was \$50.4 billion.**

The State Board of Administration Finance Corporation (formerly known as the Florida Hurricane Catastrophe Fund Finance Corporation) is a public benefits corporation created under section 215.555(6)(d), Florida Statutes, to issue bonds on behalf of the FHCF. After the 2005 hurricane season, the Finance Corporation issued \$2.65 billion in post-event revenue bonds to cover the difference between the FHCF's reimbursement needs and its cash resources. Emergency assessments of 1.0% (later increased to 1.3%) were levied to pay off the bonds. In June 2014, after sufficient funds were raised to provide for full payment of the bonds, the SBA Trustees adopted a resolution terminating the emergency assessments

with respect to policies issued or renewed on or after January 1, 2015.

Insurers depend on the FHCF for prompt payment of claims in sufficient amounts. One way the FHCF meets this liquidity need is by issuing "pre-event" debt. Although pre-event debt does not add to the FHCF's actual claims-paying capacity, the added liquidity provided through pre-event financing helps assure prompt payment and minimize market disruption.

Over the course of its history, the FHCF has issued \$9.5 billion in pre-event debt. After \$550 million in pre-event bonds matured on July 1, 2019, the FHCF had \$1.650 billion in pre-event debt outstanding, with staggered maturities that reduce market access risk and smooth costs. This chart shows the FHCF's current outstanding debt:

Maturity Date	Series 2013A Pre-Event Bonds	Series 2016A Pre-Event Bonds	Total Pre-Event Bonds
	Principal (\$ million)		
7/1/2020	\$1,000		\$1,000
7/1/2021		\$650	\$650
Total	\$1,000	\$650	\$1,650

The FHCF has also transferred a portion of its risk through the procurement of reinsurance. For the 2019-2020 contract year, the FHCF procured 92% of \$1 billion layer of reinsurance that attached at an FHCF loss of \$10.5 billion.

# HURRICANE LOSSES

## 2019 Hurricane Season

During the 2019 Atlantic Basin hurricane season, 18 named storms formed, of which 6 became hurricanes, and 3 became major hurricanes. One hurricane made landfall along the U.S. coastline. Category 1 Hurricane Barry struck Southern Louisiana on July 13, 2019. On September 1, 2019, Category 5 Hurricane Dorian struck the Bahamas and gave Florida a scare as it by-passed the Atlantic coastline.

Dorian is considered the worst natural disaster to strike in the country's history and caused catastrophic damage. Dorian's maximum sustained winds of 185 mph were the strongest on record for any hurricane in the Atlantic basin outside of the tropics and tracked only 25 miles in 24 hours, the second shortest straight-line distance tracked by an Atlantic major hurricane in a 24-hour period since 1950.

## Loss Projections

FHCF actuaries are estimating the FHCF's projected ultimate Hurricane Michael (2018) losses at \$1.45 billion.

FHCF losses for Hurricane Irma (2017) were estimated at \$5.0 billion in October 2019; FHCF actuaries subsequently increased the projected ultimate Hurricane Irma loss estimate to \$6.0 billion as of December 31, 2019. The \$10.3 billion FHCF year-end fund balance shown on page 9 reflects the revised loss projection.

## Hurricane Loss Reimbursement History

The FHCF has paid reimbursements to insurers for their hurricane losses from five hurricane seasons thus far: 1995, 2004, 2005, 2017, and 2018. This chart shows the amounts paid and the number of insurers affected:

Year	Covered Events	Number of Insurers Reimbursed by FHCF	Total FHCF Reimbursement Paid (\$ million)	Projected FHCF Ultimate Total Loss (\$ million)
1995	Erin, Opal	9	\$13	--
2004	Charley, Frances, Ivan, Jeanne	136	\$3,860	--
2005	Dennis, Katrina, Wilma	114	\$5,536	--
2017	Irma (as of 12/31/2019)	90	\$3,523	\$6,000
2018	Michael (as of 12/31/2019)	29	\$839	\$1,450

## HURRICANE LOSS MITIGATION FUNDING

The FHCF statute requires that the Legislature annually appropriate funds from the investment income of the FHCF for the purpose of reducing future hurricane losses and related activities. A minimum of \$10 million must be appropriated each year, up to a maximum of 35 percent of the prior audited year's investment income.

The allocation of a portion of FHCF funds to the broad public purpose of hurricane loss mitigation was one of the factors that the US Internal Revenue Service relied on in determining the tax-exempt status of the FHCF.

During the first six years that the mitigation funding requirement was in place (fiscal year 1997-1998

through fiscal year 2002-2003), varying amounts were appropriated and expended. Portions of the mitigation appropriation were subject to the Governor's line item veto in fiscal years 1997-1998 and 1999-2000. For fiscal years 2003-04 through 2017-18, the Legislature appropriated \$10 million in FHCF mitigation funding, consisting of \$3 million to retrofit public hurricane shelters and \$7 million to improve the wind resistance of residences and mobile homes. For fiscal year ending 2019, the Legislature continued this practice and also appropriated \$3.5 million for a statewide emergency notification system.

**See page 28** for historical data on mitigation appropriations from the FHCF.



## 2019 FHCF ACTIVITIES

FHCF activities in 2019 included:

- Four meetings of the FHCF Advisory Council.
- Staff support for the Florida Commission on Hurricane Loss Projection Methodology.
- Administration of the Insurance Capital Build-Up Incentive Program.
- Revision of rules relating to the FHCF reimbursement contract, premium formula, and insurer reporting and responsibilities.
- Publication of estimated claims-paying capacity reports and the annual report of probable maximum loss, financing options, and potential assessments.



The FHCF conducted its 19th annual Participating Insurers Workshop in Orlando on June 5-6, 2019. The keynote speaker was the Honorable Dennis Ross,

Member of the U.S. House of Representatives from Florida's 15<sup>th</sup> District 2011-2018 and Member of the Florida House of Representatives from the 63<sup>rd</sup> District 2000-2008.



Speakers addressed timely issues surrounding the latest hurricanes impacting Florida. Jay Adams of Citizens Property Insurance, and Tasha Carter, Director of Division of Consumer Services with the Florida Department of Financial Services, provided insights gained from Hurricanes Irma and Michael. Dr. Kurt Gurley with the University of Florida presented the results of a study on building performance during the recent U.S. hurricanes. Jay Mullen with Esri discussed advancements in technology and aerial imagery being utilized after catastrophes.



Other speakers at the workshop included Fred Karlinsky of the Greenberg Traurig law firm, David Sharp of the National Weather Service, Steve Martin of the Florida Division of Emergency Management, and Dr. Jack Nicholson of the Florida Catastrophic Storm Risk Management Center at Florida State University.

Educational opportunities for insurers at the workshop included "how-to" sessions with staff from the FHCF and the FHCF's Administrator and Actuarial Consultant, Paragon Strategic Solutions Inc.



# LAWS AND RULES

These are the major laws and rules governing the FHCF and its activities:

## Florida Statutes

Available online at

[www.flsenate.gov/Laws/Statutes](http://www.flsenate.gov/Laws/Statutes).

- **Section 215.555** is the basic FHCF statute
- **Section 215.557** provides for confidentiality of reports of insured values
- **Section 215.559** describes the Hurricane Loss Mitigation Program in the Division of Emergency Management
- **Section 215.5595** creates the Insurance Capital Build-Up Incentive Program
- **Section 627.0628** creates the Florida Commission on Hurricane Loss Projection Methodology

**See pages 20-23** for the history of major legislative changes affecting the FHCF.

## Florida Administrative Code

FHCF current and proposed rules are available on the FHCF website, [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf). These three rules are revised annually:

- **Rule 19-8.010, Reimbursement Contract**
- **Rule 19-8.028, Reimbursement Premium Formula**
- **Rule 19-8.029, Insurer Reporting Requirements and Responsibilities**

FHCF rules that are not annually revised include:

- **Rule 19-8.012, Procedures to Determine Ineligibility for Participation in the Florida Hurricane Catastrophe Fund and to Determine Exemption from Participation in the Florida Hurricane Catastrophe Fund due to Limited Exposure**
- **Rule 19-8.013, Revenue Bonds Issued Pursuant to Section 215.555(6), F.S.**



# STATE BOARD OF ADMINISTRATION OF FLORIDA



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## FHCF ADVISORY COUNCIL

The FHCF statute requires the SBA Trustees to appoint a nine-member FHCF Advisory Council “to provide the board [SBA] with information and advice in connection with its duties” under the FHCF statute. The Advisory Council is required to include an actuary, a meteorologist, an engineer, a representative of insurers, a representative of insurance agents, a representative of reinsurers, and three consumer representatives.

The practice of the FHCF is to present each proposed rule revision to the Advisory Council prior to bringing the proposal before the SBA Trustees. The Advisory Council also reviews claims-paying capacity reports.

Advisory Council meeting materials and agendas from 1998 to the present are available on the FHCF website, [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf).

<b>FHCF Advisory Council Members (as of December 31, 2019)</b>	
Chair, Alan B. Edwards, CLU, ChFC	Representing Insurance Agents
Vice Chair, John Auer, CPCU	Representing Insurers
Bryan F. Nelson	Representing Consumers
Donald D. Brown	Representing Reinsurers
M. Campbell Cawood, CFA	Representing Consumers
Kurtis Gurley, Ph.D.	Engineer
William Huffcut	Representing Consumers
Floyd Yager, FCAS, MAAA	Actuary
Vacant	Meteorologist

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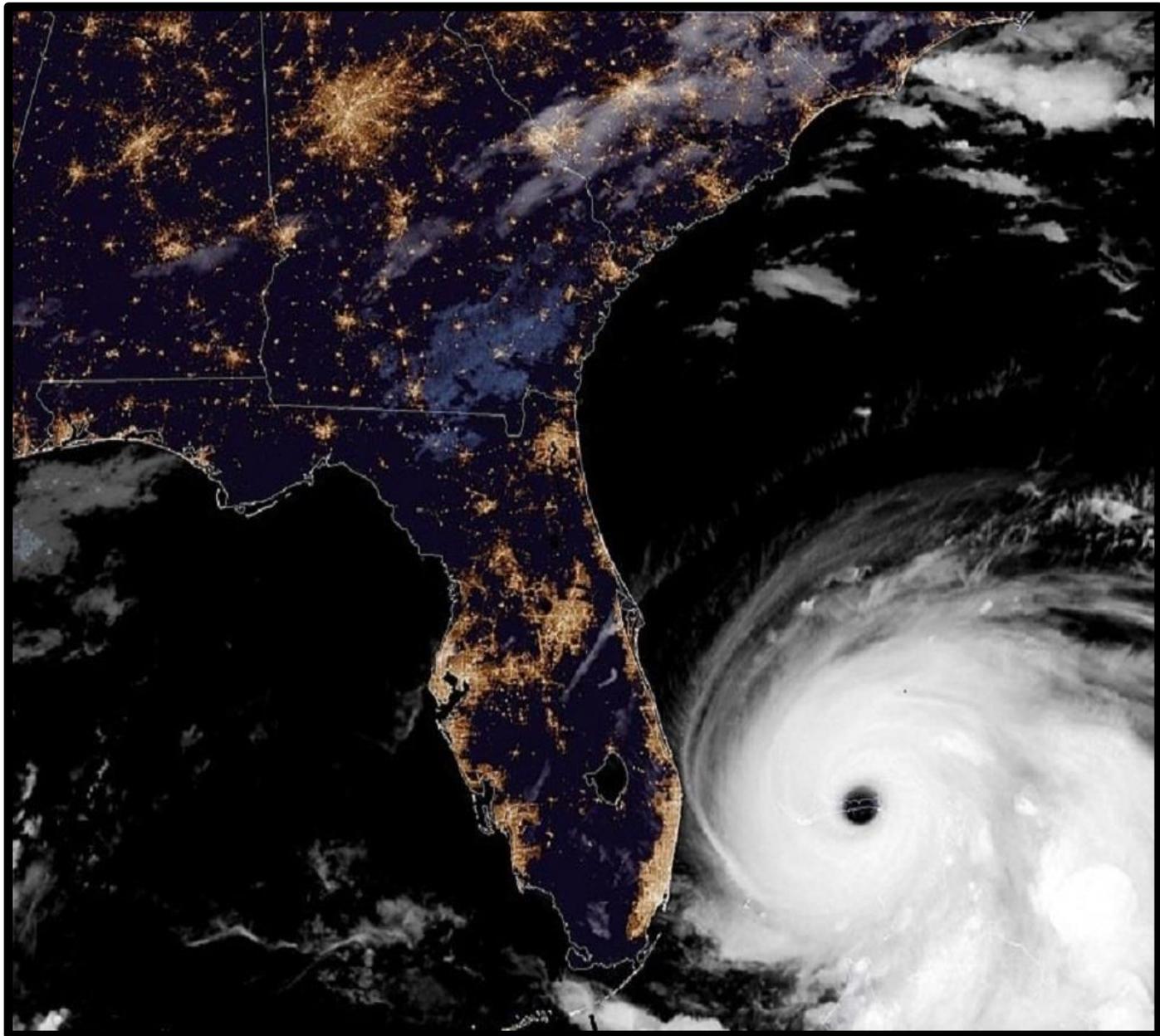
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# Historical and Statistical Information



## HISTORY OF MAJOR LEGISLATIVE CHANGES

The Florida Legislature adopted the original FHCf statute, section 215.555, Florida Statutes, in a November 1993 special legislative session (see Chapter 93-409, Laws of Florida). Since then, the Legislature has amended the FHCf statute many times.

- 1995
  - Tax-exempt status granted to the FHCf
  - Retention and Payout Multiples created
  - Three coverage options – 45%, 75%, and 90%
  - Non-residential commercial property insurance excluded
  - Exposure reporting date moved to September 1 for exposures existing as of June 30
  - Loss reimbursement preferences provided to limited apportionment companies
- 1996
  - FHCf Finance Corporation created
  - Provisions established for issuance of tax-exempt debt
  - "Property and Casualty" defined for purposes of emergency assessment
- 1998
  - Advances provided to limited apportionment companies and residual market mechanisms
- 1999
  - Subsequent season capacity created
  - Initial season capacity limited to \$11 billion
  - Emergency assessments set at 4% for debt service on storms occurring in one contract year and a 6% aggregate limit applied for emergency assessments for all years
  - Insurers' payout limited except for FRPCJUA and FWUA (now known as Citizens Property Insurance Corporation)
  - Authority obtained to examine insurers' records related to covered policies and losses
- 2002
  - Coverage for additional living expense (ALE) added
  - Coverage for certain collateral protection insurance policies added
  - Provision established for optional inclusion of a rapid cash build-up factor
- 2004
  - Capacity expanded by increasing emergency assessment authority sufficient to create \$15 billion of capacity and capacity to grow with exposure growth
  - A transitional option was available for those insurers who preferred to base their FHCf coverage on \$11 billion overall capacity and an industry retention of \$4.9 billion
  - The increase in assessment authority additionally allowed subsequent season capacity to expand to \$15 billion
  - Insurance industry aggregate retention reset to \$4.5 billion and designed to grow with exposure growth
  - Emergency assessment authority increased to 6% for debt service on storms occurring in one contract year with a 10% aggregate limit for all years
  - Emergency assessment base expanded to include surplus lines with provision for the insurer to collect the assessments from policyholders as premiums are paid
  - Emergency assessments may be used for debt service coverage and may also be used to refinance debt
  - Medical malpractice insurers excluded from emergency assessments for any covered event occurring prior to June 1, 2007
  - Exemption exposure limit increased to \$10 million
  - Selection of reinsurers broadened
  - Rulemaking authority added to allow for interest charges on late remittances

- Rulemaking authority added to allow for the exclusion of certain deductible buy-back and commercial residential excess policies
  - Mitigation appropriations based on the most recent fiscal year-end audited financial statements
  - Allocation of excess recoveries between Citizens Property Insurance Corporation accounts clarified
  - Flexibility provided for ALE coverage
  - Audit requirement language changed to reference "examination" in lieu of "audit"
- 2005
- Insurance industry aggregate retention reset to \$4.5 billion and set to grow with exposure growth
  - Full retention required for the insurer's two largest covered events and then only one-third of the full retention required for all other subsequent covered events
- 2006
- FHCF premiums to include a 25% rapid cash build-up factor
  - Option to purchase, for the 2006 Contract Year only, additional FHCF coverage up to \$10 million for limited apportionment companies with retention equal to 30% of the insurer's surplus at a premium of 50% of the coverage selected
- 2007
- Mandatory 25% rapid cash build-up factor for FHCF premiums repealed
  - Option to purchase additional FHCF coverage up to \$10 million for limited apportionment companies and certain other companies with retention equal to 30% of the insurer's surplus at a premium of 50% of the coverage selected extended for one year
  - Option to purchase, for the 2007, 2008, and 2009 Contract Years only, additional FHCF coverage below the mandatory FHCF coverage layer; the Temporary Emergency Additional Coverage Options (TEACO) allowed insurers to choose optional FHCF coverage based upon their share of an industry retention amount of \$3 billion, \$4 billion, or \$5 billion
  - Option to purchase, for the 2007, 2008, and 2009 Contract Years only, additional FHCF coverage above the mandatory FHCF coverage; each insurer could purchase its share of a \$12 billion Temporary Increase in Coverage Limits (TICL) option
  - SBA authorized with option to increase FHCF coverage limits by an additional \$4 billion
  - Definition of "covered policy" amended to include commercial self-insurance funds that include homeowners' associations, condominium associations, etc. and these entities will be considered insurers for purposes of FHCF emergency assessments
  - Provision allowing Citizens Property Insurance Corporation to choose placement of policies transferred from a liquidated insurer under Citizen's Reimbursement Contract with the FHCF or to accept an assignment of the liquidated insurer's Reimbursement Contract with the FHCF indefinitely extended
  - Medical malpractice insurers excluded from emergency assessments for any covered event occurring prior to June 1, 2010
- 2008
- Option to purchase additional FHCF coverage up to \$10 million for limited apportionment companies and certain other companies with retention equal to 30% of the insurer's surplus at a premium of 50% of the coverage selected extended for one year
- 2009
- Option to purchase additional FHCF coverage up to \$10 million for limited apportionment companies and certain other companies with retention equal to 30% of the insurer's surplus at a premium of 50% of the coverage selected extended for two and a half years to 2011
  - 2010 Contract Year set to begin June 1 and end December 31; thereafter, contract years to begin January 1 and end December 31
  - Temporary Increase in Coverage Limits (TICL) option reduced \$2 billion per year with a phase out over six years, and the TICL premium increased by a factor each year respectively of 2, 3, 4, 5, and 6 by the 2013 Contract Year
  - FHCF premiums to include a 5% cash build-up factor to increase by 5% per year until the 2013 Contract Year and 25% thereafter
  - SBA authorization to increase FHCF's optional coverage limits by an additional \$4 billion was repealed

- Provision that allows for situations where the total reimbursement of losses to insurers exceeds the estimated claims-paying capacity of the fund, factors or multiples will be reduced uniformly among all insurers to be reimbursed
  - May and October publications of FHCF estimated borrowing capacity and fund balance to include "estimated claims-paying capacity"
  - Authority obtained to require certain documents to be notarized
- 2010
- Contract year restored to begin June 1 and end May 31
  - Option to purchase additional FHCF coverage up to \$10 million for limited apportionment companies and certain other companies with retention equal to 30% of the insurer's surplus at a premium of 50% of the coverage selected was extended to expire on May 31, 2012
  - Reimbursement Contract to be adopted by February 1 and executed by March 1 of each contract year
  - FHCF capacity frozen at \$17 billion unless there is sufficient capacity for the current contract year and an excess of \$17 billion for the subsequent contract years
  - Aggregate retention reset to a base amount of \$4.5 billion, subject to annual adjustment based on the change in reported exposure between 2004 and the contract year 2 years prior to a given contract year
  - SBA must publish by January 1 the maximum capacity for mandatory coverage, the maximum capacity for any optional coverage, and the aggregate fund retention used to calculate the insurer's retention multiples
  - Medical malpractice insurers excluded from emergency assessments for any covered event occurring prior to June 1, 2013
- 2011
- Definition of "losses" amended to include all incurred losses, including certain fees, and to add specificity regarding exclusions (losses under liability coverages, losses caused by non-covered perils, losses resulting from a voluntary expansion of coverage, bad faith awards, punitive damages, amounts in excess of policy limits, and amounts paid as reimbursement for condominium association and similar loss assessments)
- 2013
- The name of the Florida Hurricane Catastrophe Fund Finance Corporation changed to the State Board of Administration Finance Corporation
  - Medical malpractice insurance excluded from emergency assessments for any covered event through May 31, 2016
  - Outdated language relating to \$10 million additional coverage and Temporary Emergency Additional Coverage Options (TEACO) removed
  - FHCF required to submit to the Legislature and Financial Services Commission an annual PML and financing options report for the upcoming hurricane season
- 2016
- Medical malpractice insurance excluded from emergency assessments for any covered event through May 31, 2019
- 2017
- Medical malpractice insurance permanently excluded from emergency assessments
- 2019
- Loss adjustment expense (LAE) increased from a 5% allowance to a 10% allowance for contracts and rates effective on or after June 1, 2019



## GENERAL STATISTICAL SUMMARY THROUGH DECEMBER 31, 2019

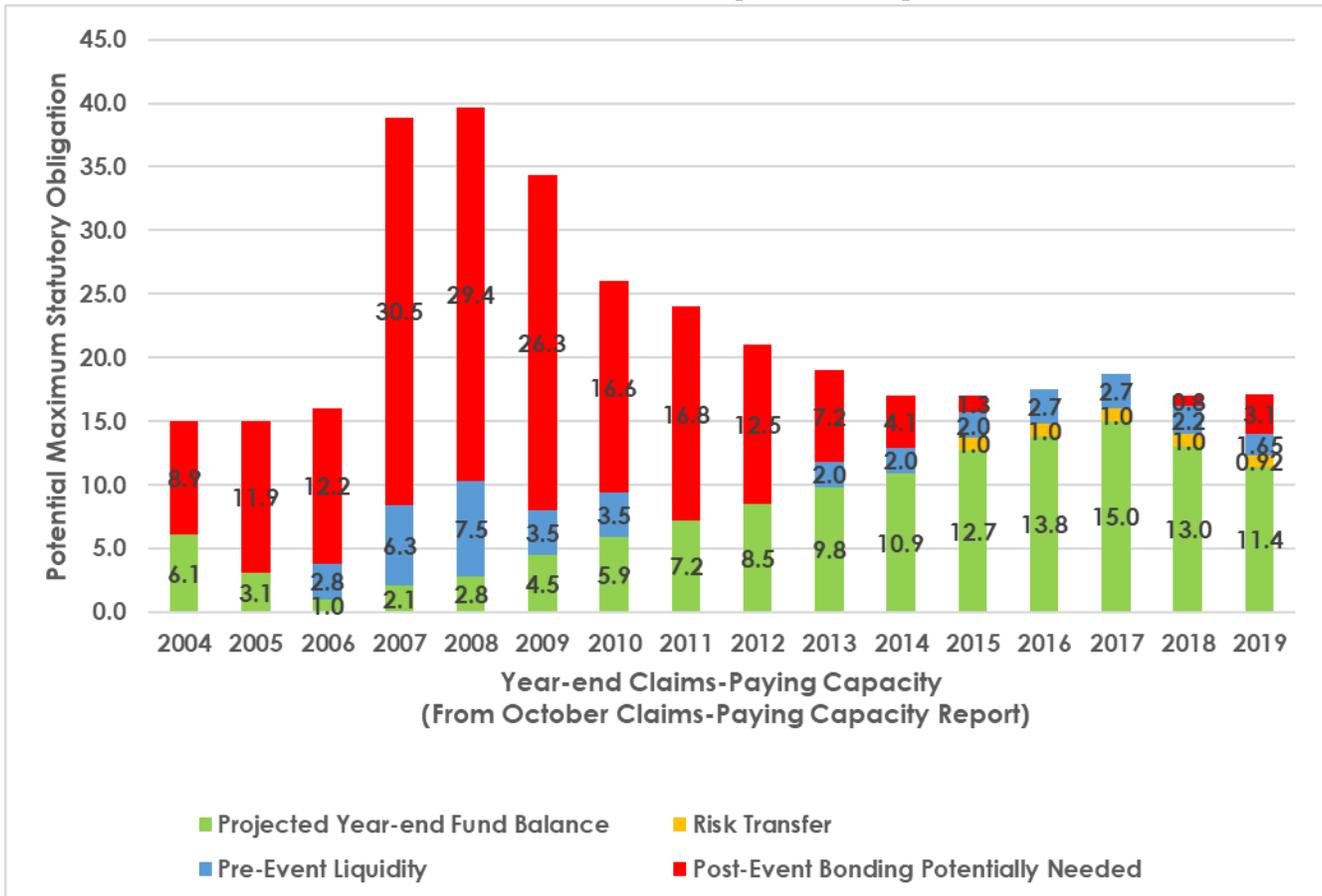
(\$ billion)

Contract Year	Number of Participating Insurers	Exposure	Reimbursement Premium	Projected Year-End Fund Balance	Aggregate Retention	Maximum FHCFC Obligation (Statutory Limit plus Optional Coverages as Selected by Insurers)
1995-96	290	747.3	0.4	0.9	3.1	N/A
1996-97	292	754.4	0.4	1.4	2.9	N/A
1997-98	307	760.4	0.5	2.0	3.1	N/A
1998-99	304	770.5	0.4	2.5	2.9	N/A
1999-00	288	798.8	0.4	3.1	3.1	11.0
2000-01	289	881.3	0.4	3.7	3.3	11.0
2001-02	279	922.1	0.5	4.3	3.4	11.0
2002-03	262	1,100.1	0.5	4.9	4.1	11.0
2003-04	240	1,192.5	0.5	5.5	4.4	11.0
2004-05a	49	49.8	0.6	6.1	4.6	11.0
2004-05b	187	1,270.8				15.0
2005-06	214	1,526.9	0.7	3.1	4.7	15.0
2006-07	213	1,791.7	1.1	1.0	5.6	15.5
2007-08	212	2,022.8	1.3	2.1	5.8	17.9
2008-09	200	2,115.5	1.3	2.8	6.4	27.8
2009-10	188	2,166.2	1.5	4.5	7.2	23.1
2010-11	175	2,164.5	1.3	5.9	6.9	18.8
2011-12	172	2,117.4	1.3	7.2	7.1	18.4
2012-13	170	2,076.2	1.3	8.5	7.1	17.0
2013-14	161	2,024.1	1.3	9.8	6.9	17.0
2014-15	161	2,046.0	1.3	11.0	7.1	17.0
2015-16	157	2,061.7	1.2	12.7	6.6	17.0
2016-17	158	2,129.6	1.1	13.8	6.9	17.0
2017-18	160	2,176.5	1.1	15.0	6.8	17.0
2018-19	165	2,275.2	1.1	13.0	7.2	17.0
2019-20	165	2,361.3	1.1	11.4	7.4	17.0

**Notes:**

The projected year-end fund balance is based on the claims-paying capacity estimate immediately prior to December 31 of the contract year and does not reflect subsequent adjustments. The premiums shown are as of December 31 of the contract year and do not reflect subsequent adjustments, except that premiums for the first three contract years are as of December 31, 2003. Premiums for contract years 2007-2008 through 2013-2014 include basic ("mandatory") FHCFC coverage as well as optional coverages. No optional coverages have been available for the 2014-2015 contract year or subsequent contract years. Data for the 2004-2005 contract year are split to reflect legislative changes that gave insurers a one-time choice between the coverage limit under the prior version of the statute and the amended version of the statute. The information for the 2019 contract year is based on the October 17, 2019 claims-paying capacity report.

## CLAIMS-PAYING RESOURCES 2004 – PRESENT (\$ billion)



**Notes:**

The data in this chart is from the October Claims-Paying Capacity Report for the specified year.

See page 11 for information on debt financing, including pre-event and post-event bonding.

The ability of the FHCF to issue post-event bonds in the needed amount depends on market conditions at the time. Post-event bonds require the levying of emergency assessments on most property/casualty insurance premiums.

Year-to-year fluctuations in the maximum obligation are due to legislative changes.

Pre-Event Liquidity includes pre-event bonding and a put option that applied only to the 2008 hurricane season.

The 2016 and 2017 claims-paying capacity estimates include \$0.5 billion and \$1.7 billion of pre-event liquidity in excess of the statutory single-season maximum obligation of \$17 billion, respectively.

For more detailed information, see the current and historic claims-paying capacity reports, available online at [www.sbafla.com/fhcf/BondingProgram/BondingCapacityAnalysisReports.aspx](http://www.sbafla.com/fhcf/BondingProgram/BondingCapacityAnalysisReports.aspx).

## ESTIMATED CLAIMS-PAYING CAPACITY

(\$ billion)

Contract Year	Estimated Borrowing Capacity Needed		Projected 12/31 Fund Balance	Pre-Event Debt and Other Liquidity Sources	Risk Transfer	Initial Season Estimated Claims-Paying Capacity
	May Estimate	October Estimate				
1995-96	4.0	---	0.9	---	---	4.9
1996-97	5.0	5.0	1.4	---	---	6.4
1997-98	5.5	6.0	2.0	---	---	8.0
1998-99	8.5	8.5	2.5	---	---	11.0
1999-00	8.7	7.9	3.1	---	---	11.0
2000-01	7.4	7.3	3.7	---	---	11.0
2001-02	6.7	6.7	4.3	---	---	11.0
2002-03	6.1	6.1	4.9	---	---	11.0
2003-04	5.5	5.5	5.5	---	---	11.0
2004-05	8.9	8.9	6.1	---	---	11.0/15.0
2005-06	12.1	12.0	3.1	---	---	15.0
2006-07	14.0	14.0	1.0	---	---	15.0
2007-08	26.0	25.8	2.1	---	---	27.9
2008-09	25.5	3.0	2.8	7.5	---	13.3
2009-10	8.0	11.0	4.5	3.5	---	19.0
2010-11	15.9	9.4	5.9	3.5	---	18.8
2011-12	11.3	8.0	7.2	0.0	---	15.2
2012-13	7.0	7.0	8.5	0.0	---	15.5
2013-14	5.2	5.2	9.8	2.0	---	17.0
2014-15	4.1	4.0	11.0	2.0	---	17.0
2015-16	0.0	0.1	12.7	3.2	1.0	17.0
2016-17	0.0	0.0	13.8	2.7	1.0	17.0
2017-18	0.0	0.0	15.0	2.7	1.0	17.0
2018-19	0.0	0.8	13.0	2.2	1.0	17.0
2019-20	3.1	3.1	11.4	1.650	.920	17.0

**Notes:**

Information in this chart is based on the FHCF's claims-paying capacity reports, available online at: [www.sbafla.com/fhcf/BondingProgram/BondingCapacityAnalysisReports.aspx](http://www.sbafla.com/fhcf/BondingProgram/BondingCapacityAnalysisReports.aspx). For contract year 1996-97 and subsequent years, "Initial Season Claims-Paying Capacity" reflects the October report.

Estimated Claims-Paying Capacity consists of projected cash, plus reinsurance purchased, plus the estimated borrowing capacity. Optional coverages as actually selected by insurers are included for the years in which the options were available. *This chart does not include any claims-paying capacity in excess of the applicable single-season statutory maximum obligation.*

Claims-paying capacity for the 2004-05 contract reflects the two contract options available in that contract year. Beginning in October 2008, claims-paying capacity estimates have been based on underwriters' estimates of the FHCF's actual ability to borrow, as distinguished from the FHCF's theoretical capacity assuming no market constraints.

The information for the 2019 contract year is based on the October 17, 2019 claims-paying capacity report.

## PARTICIPATING INSURERS' COVERAGE PERCENTAGE SELECTIONS

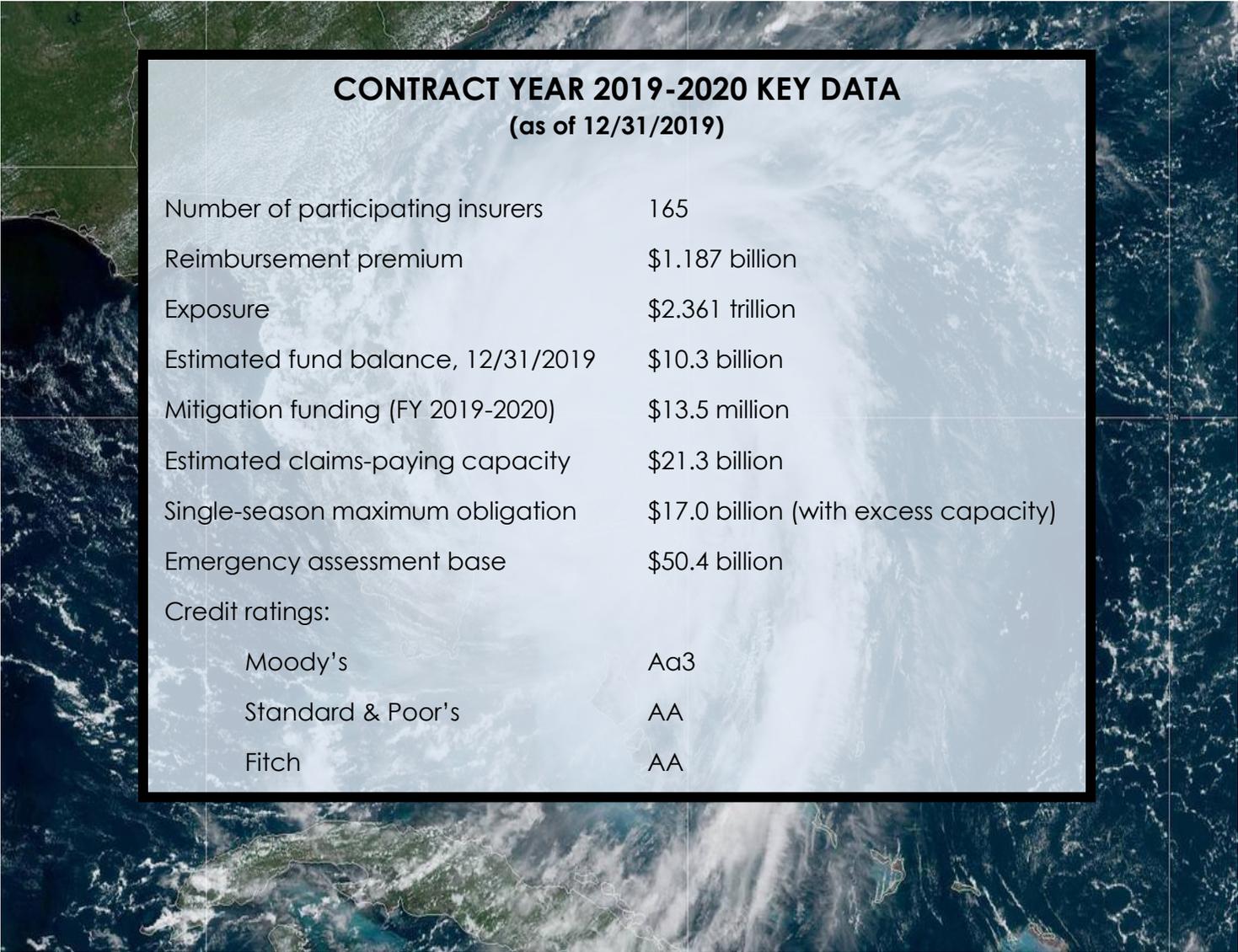
Contract Year	Total Number of Insurers	45% Coverage Selection			75% Coverage Selection			90% Coverage Selection		
		Number of Insurers	Percent of Insurers	Percent of Premium	Number of Insurers	Percent of Insurers	Percent of Premium	Number of Insurers	Percent of Insurers	Percent of Premium
1995-96	290	187	64.4%	12.2%	17	5.9%	2.8%	86	29.7%	85.0%
1996-97	292	177	60.6%	9.9%	16	5.5%	2.2%	99	33.9%	87.9%
1997-98	307	170	55.4%	7.0%	15	4.9%	2.0%	122	39.7%	91.0%
1998-99	304	148	48.7%	6.2%	8	2.6%	1.3%	148	48.7%	92.5%
1999-00	288	122	42.4%	5.2%	8	2.8%	1.2%	158	54.8%	93.6%
2000-01	289	122	42.2%	4.1%	5	1.7%	0.0%	162	56.1%	95.9%
2001-02	279	99	35.5%	2.1%	2	0.7%	0.0%	178	63.8%	97.9%
2002-03	262	65	24.8%	1.3%	2	0.8%	0.0%	195	74.4%	98.7%
2003-04	240	57	23.8%	1.6%	1	0.4%	0.0%	182	75.8%	98.5%
2004-05	236	49	20.8%	1.0%	1	0.4%	0.0%	186	78.8%	99.0%
2005-06	214	36	16.8%	0.5%	0	0.0%	0.0%	178	83.2%	99.5%
2006-07	213	36	16.9%	0.5%	0	0.0%	0.0%	177	83.1%	99.6%
2007-08	212	34	16.0%	0.2%	1	0.5%	0.1%	177	83.5%	99.7%
2008-09	200	27	13.5%	0.1%	0	0.0%	0.0%	173	86.5%	99.9%
2009-10	188	22	11.7%	0.1%	0	0.0%	0.0%	166	88.3%	99.9%
2010-11	175	20	11.4%	0.1%	0	0.0%	0.0%	155	88.6%	99.9%
2011-12	172	20	11.6%	0.1%	0	0.0%	0.0%	152	88.4%	99.9%
2012-13	170	20	11.8%	0.1%	0	0.0%	0.0%	150	88.2%	99.9%
2013-14	161	19	11.8%	0.1%	0	0.0%	0.0%	142	88.2%	99.9%
2014-15	161	20	12.4%	0.2%	0	0.0%	0.0%	141	87.6%	99.9%
2015-16	157	37	23.6%	7.9%	6	3.8%	12.2%	114	72.6%	79.9%
2016-17	158	48	30.4%	34.1%	3	1.9%	0.9%	107	67.7%	65.0%
2017-18	160	55	34.4%	19.6%	3	1.9%	5.8%	102	63.8%	74.6%
2018-19	165	58	35.1%	21.5%	3	1.8%	4.8%	104	63.0%	73.7%
2019-20	165	46	27.9%	9.1%	8	4.8%	7.4%	111	67.3%	83.6%

## FHCF FUNDING FOR HURRICANE LOSS MITIGATION

Fiscal Year	Amount Appropriated by the Florida Legislature	Amount Vetoed by the Governor	Amount Funded by the FHCF
1997-98	\$10,000,000	\$2,822,400	\$7,177,600
1998-99	\$12,500,000	\$0	\$12,500,000
1999-00	\$10,300,000	\$2,200,000	\$8,100,000
2000-01	\$12,200,000	\$0	\$12,200,000
2001-02	\$30,000,000	\$0	\$30,000,000
2002-03	\$19,075,309	\$0	\$19,075,309
2003-04	\$10,000,000	\$0	\$10,000,000
2004-05	\$10,000,000	\$0	\$10,000,000
2005-06	\$10,000,000	\$0	\$10,000,000
2006-07	\$10,000,000	\$0	\$10,000,000
2007-08	\$10,000,000	\$0	\$10,000,000
2008-09	\$10,000,000	\$0	\$10,000,000
2009-10	\$10,000,000	\$0	\$10,000,000
2010-11	\$10,000,000	\$0	\$10,000,000
2011-12	\$10,000,000	\$0	\$10,000,000
2012-13	\$10,000,000	\$0	\$10,000,000
2013-14	\$10,000,000	\$0	\$10,000,000
2014-15	\$10,000,000	\$0	\$10,000,000
2015-16	\$10,000,000	\$0	\$10,000,000
2016-17	\$10,000,000	\$0	\$10,000,000
2017-18	\$10,000,000	\$0	\$10,000,000
2018-19	\$13,500,000	\$0	\$13,500,000
2019-20	\$13,500,000	\$0	\$13,500,000
<b>TOTAL</b>	<b>\$271,075,309</b>	<b>\$5,022,400</b>	<b>\$266,052,909</b>

## EXPOSURE EXAMINATION ADJUSTMENTS

Contract Year	Total Number of Insurers	Additional Premium Due	Number of Insurers Paying Additional Premium	Refunds of Premium Made	Number of Insurers Receiving Refunds	Net Results
1994-95	379	\$7,832,038	40	\$10,572,916	33	\$(2,740,878)
1995-96	290	\$4,141,450	69	\$4,975,537	38	\$(834,087)
1996-97	292	\$3,095,482	30	\$2,389,171	23	\$706,311
1997-98	307	\$3,457,428	47	\$4,166,782	45	\$(709,354)
1998-99	304	\$9,763,879	58	\$4,724,820	30	\$5,039,059
1999-00	288	\$8,777,956	42	\$2,286,887	21	\$6,491,069
2000-01	289	\$592,574	23	\$2,173,803	46	\$(1,581,229)
2001-02	279	\$1,586,752	29	\$1,219,890	45	\$366,862
2002-03	262	\$1,225,832	22	\$1,542,389	27	\$(316,557)
2003-04	240	\$2,202,629	22	\$4,776,332	40	\$(2,573,703)
2004-05	236	\$1,832,211	32	\$1,885,217	31	\$(53,006)
2005-06	214	\$4,976,369	36	\$19,495,395	34	\$(14,519,026)
2006-07	213	\$5,436,707	27	\$7,408,582	15	\$(1,971,875)
2007-08	212	\$1,012,171	8	\$28,516,498	27	\$(27,504,327)
2008-09	200	\$5,140,583	9	\$8,777,723	14	\$(3,637,140)
2009-10	188	\$13,889,685	16	\$6,852,452	13	\$7,037,233
2010-11	175	\$6,315,468	10	\$2,219,538	13	\$4,095,930
2011-12	172	\$4,386,459	15	\$11,924,343	9	\$(7,537,884)
2012-13	170	\$1,028,926	8	\$1,615,631	9	\$(586,705)
2013-14	161	\$2,265,403	7	\$6,414,120	11	\$(4,418,717)
2014-15	161	\$348,001	3	\$18,555,350	12	\$(18,207,349)
2015-16	157	\$1,534,420	5	\$527,134	5	\$1,007,286
2016-17	158	\$1,508,130	8	\$3,541,472	8	\$(2,291,824)
2017-18	160	\$1,856,563	16	\$1,280,399	12	\$576,164
2018-19	165	\$4,439,211	6	\$3,795,286	9	\$643,925



**CONTRACT YEAR 2019-2020 KEY DATA**  
**(as of 12/31/2019)**

Number of participating insurers	165
Reimbursement premium	\$1.187 billion
Exposure	\$2.361 trillion
Estimated fund balance, 12/31/2019	\$10.3 billion
Mitigation funding (FY 2019-2020)	\$13.5 million
Estimated claims-paying capacity	\$21.3 billion
Single-season maximum obligation	\$17.0 billion (with excess capacity)
Emergency assessment base	\$50.4 billion
Credit ratings:	
Moody's	Aa3
Standard & Poor's	AA
Fitch	AA

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**FLORIDA HURRICANE CATASTROPHE FUND**  
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