

# FLORIDA HURRICANE CATASTROPHE FUND

25<sup>th</sup> ANNUAL PARTICIPATING  
INSURERS WORKSHOP

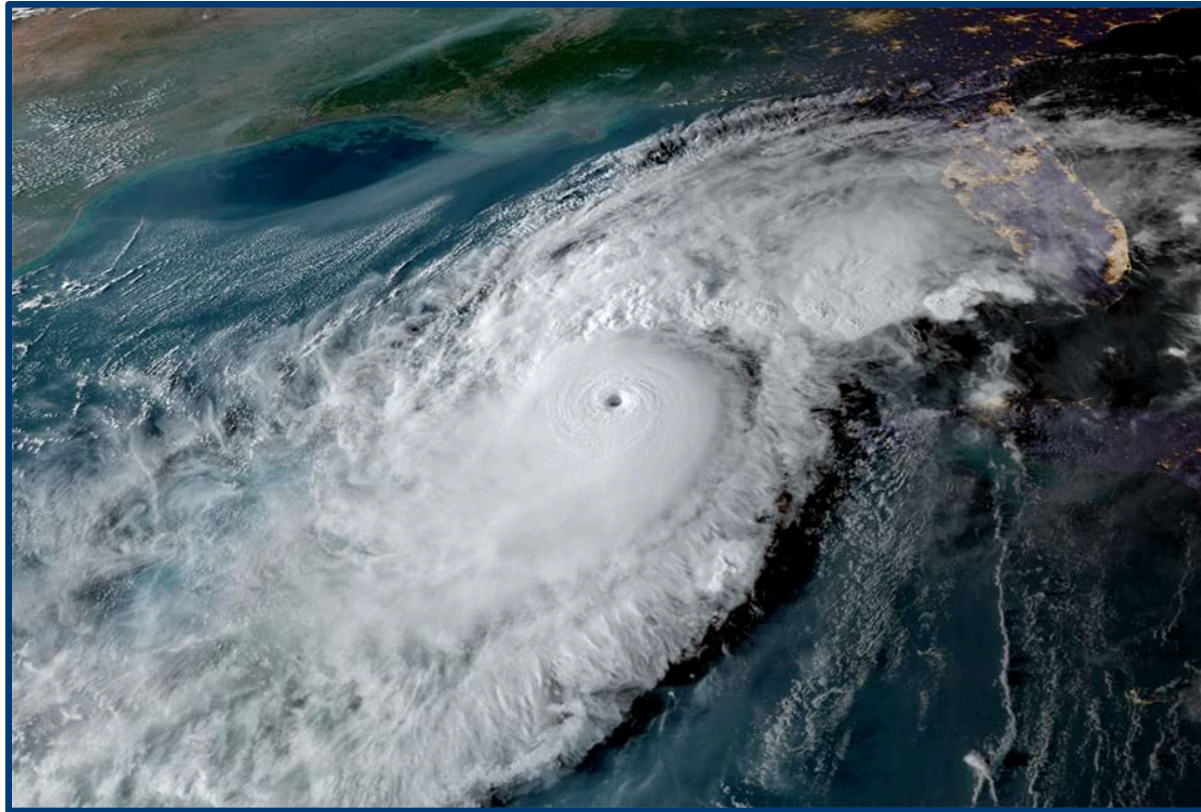
JUNE 5, 2025



Hurricane Milton, 2024

# WELCOME

Gina Wilson, Chief Operating Officer, Florida Hurricane Catastrophe Fund



*Photo credit: National Oceanic and Atmospheric Administration (NOAA)*

# AGENDA

- FHCF Status Update
- 2025 FHCF Reimbursement Premium Formula
- FHCF Reporting Changes
- Exposure and Claims Exams
- Final Remarks

## QUESTIONS

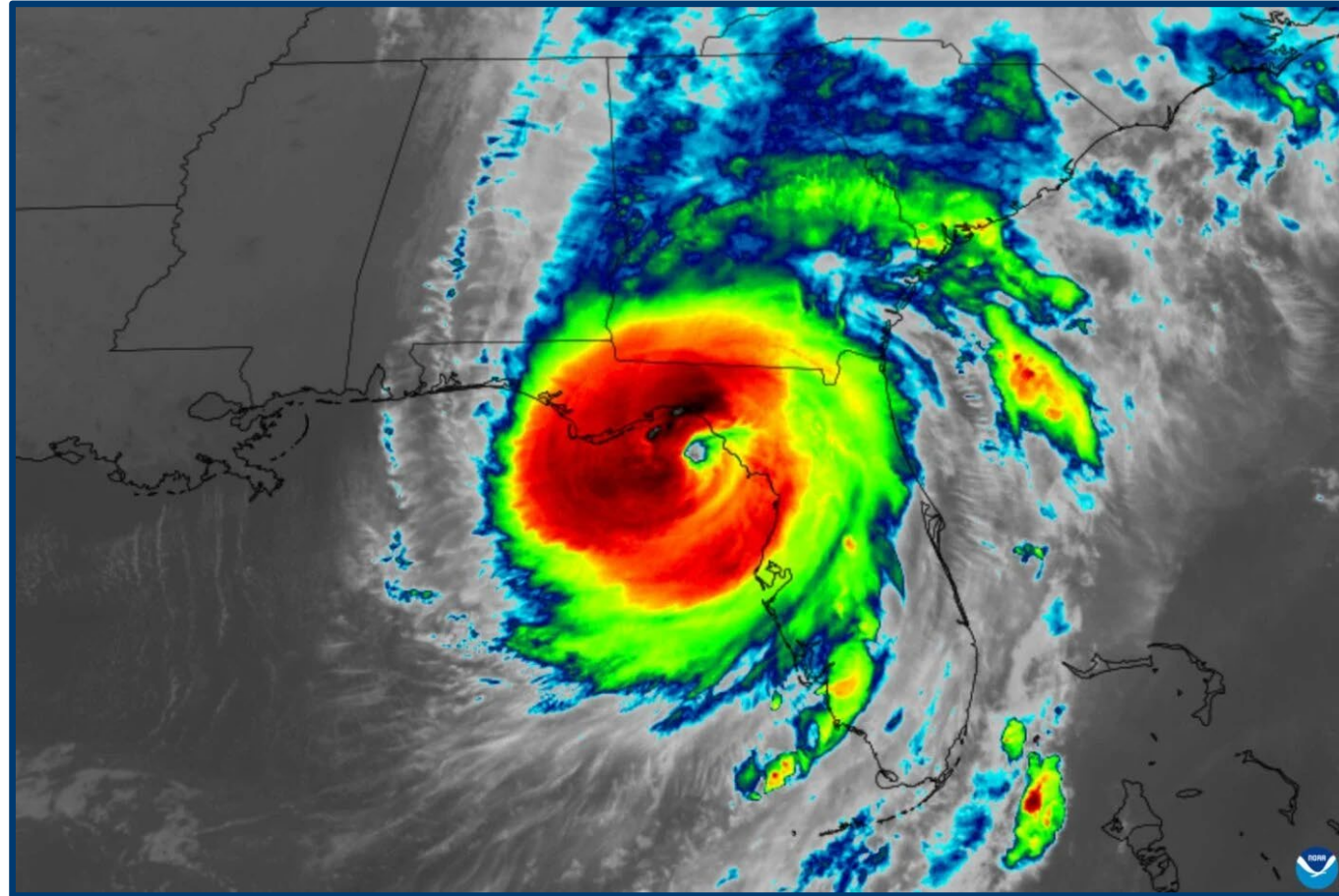
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Please use the question feature in the webinar Control Panel to submit questions during the webinar or email your questions to [FHCF@sbafla.com](mailto:FHCF@sbafla.com).

Questions will be answered after the break and at the end of the workshop.



# FHCF STATUS UPDATE



Hurricane Helene, 2024

# OVERVIEW OF THE FHCF

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- Created following Hurricane Andrew to provide stability and add capacity to the residential property insurance market
- Plays a key role in the Florida property insurance market
- Provides a stable and ongoing source of reimbursement to residential property insurers for a portion of their catastrophic hurricane losses
- Structured as a tax-exempt trust fund that is administered by the State Board of Administration of Florida
- Participation in the FHCF is mandatory for Florida residential property insurers, with some exceptions

# STATUTORY MISSION

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The FHCF's statutory mission is to 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 residential property insurance capacity.

## Key Data – Contract Year 2025-2026

Participating Insurers – 138

Average Coverage Level – 84.7%

Projected:

- Exposure Base – \$3.7 Trillion
  - *Projected increase of nearly \$165 Billion or 4.7%*
  - *Over 87% is residential homeowners*
- Industry Retention – \$11.27 Billion
  - *150% growth in exposure from 2004 to 2023*
- Premium – \$1.36 Billion



# 2025/2026 Contract Year

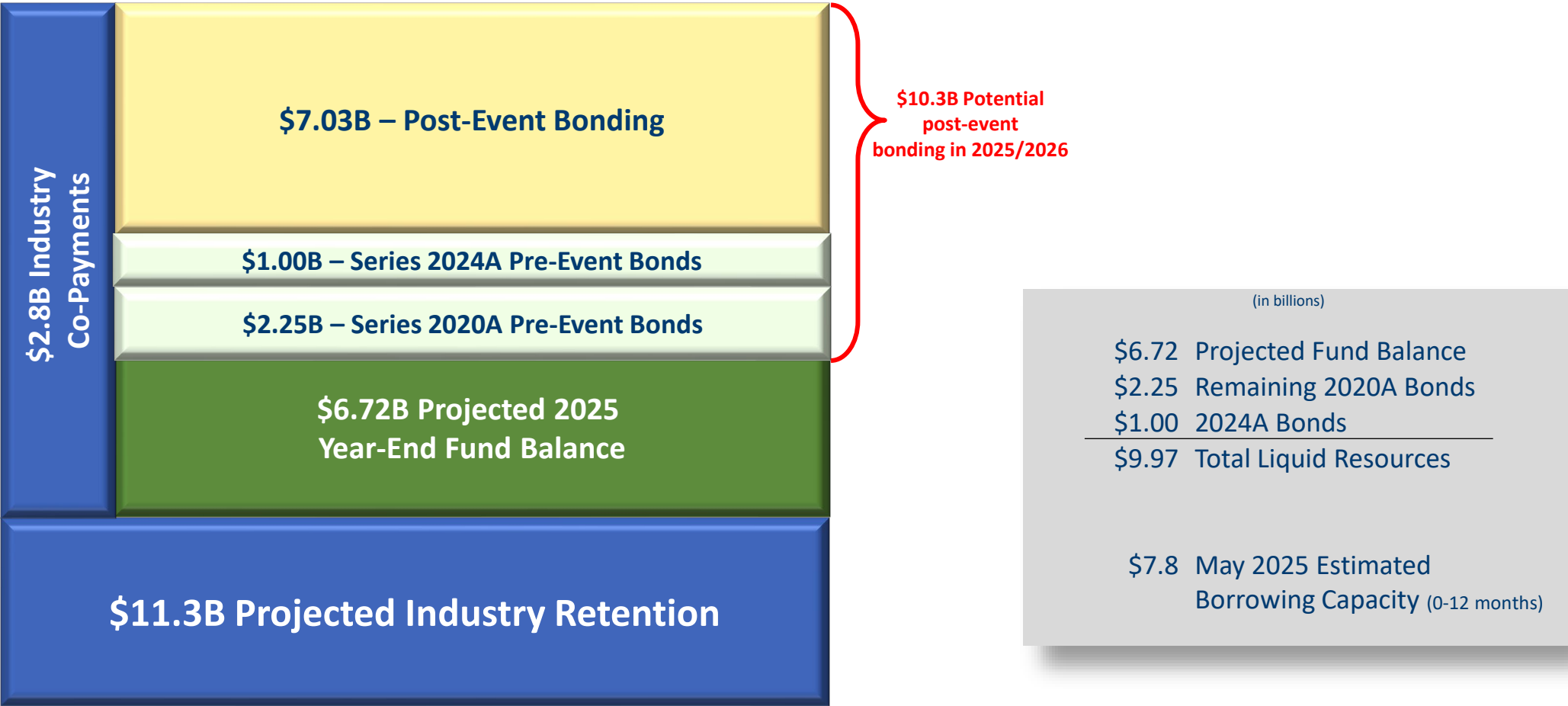
Preliminary Estimates

## Maximum Coverage Chart - \$17B FHCF Capacity

(Loss Adjustment Expense of 10% is included in the capacity)

as of April 21, 2025

*Projected Year-End Fund Balance is net of total losses incurred of \$8.5B for Hurricane Ian, \$1M for Hurricane Idalia, \$10M for Hurricane Helene and \$3B for Hurricane Milton*



• Relevant data is aggregated for all participating insurers. Each participating insurer has its own retention and maximum coverage level. All insurers would need to reach their maximum coverage limits in order to exhaust the last billion of FHCF Coverage. Insurers can trigger coverage below the industry retention.

# 2026/2027 Subsequent Season

Preliminary Estimates

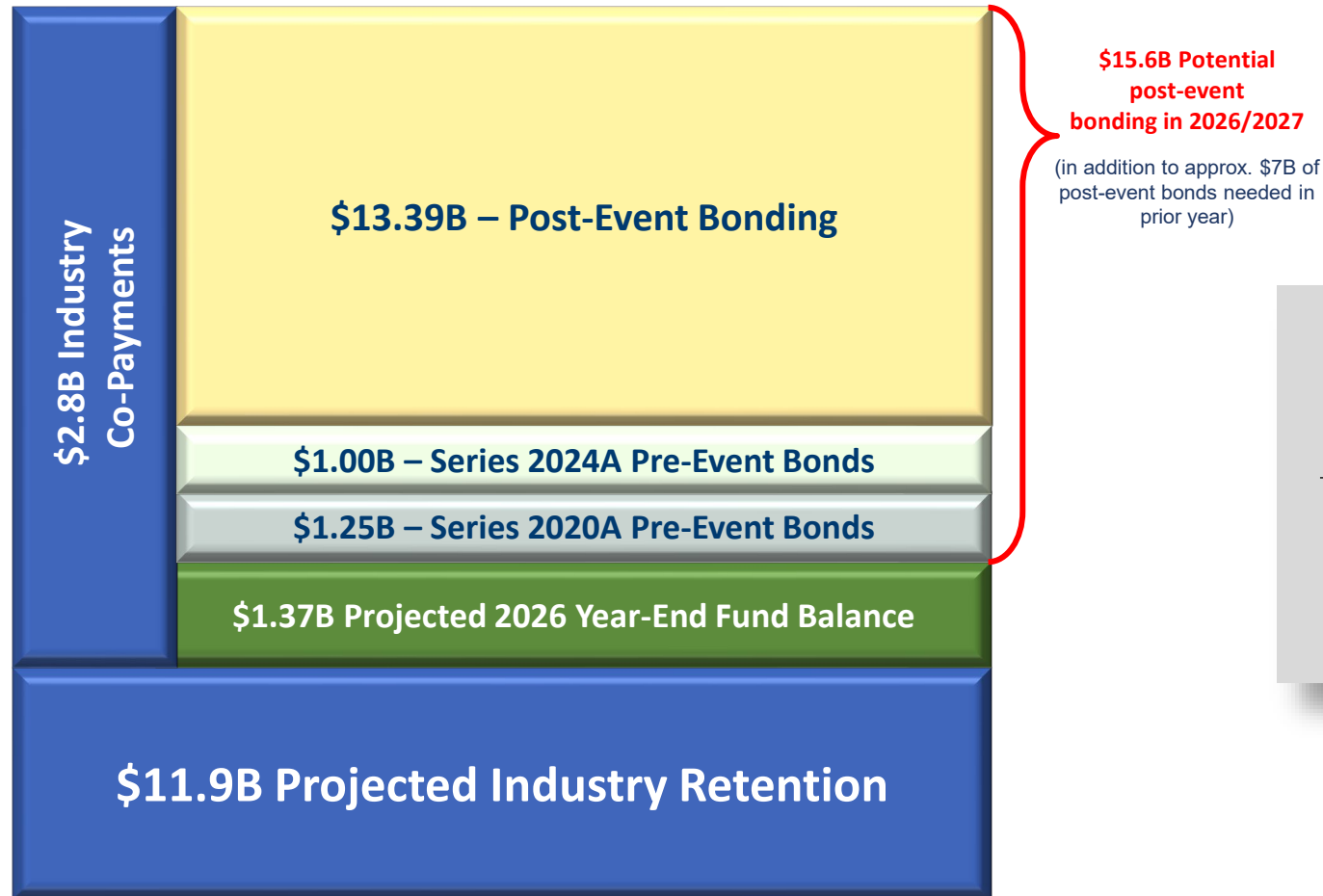
## Maximum Coverage Chart - \$17B FHCF Capacity

as of April 21, 2025

(Loss Adjustment Expense of 10% is included in the capacity)

*Preserved pre-event bonds after cash balance exhausted in Contract Year 2025/2026*

*Projected Year-End Fund Balance is net of total losses incurred of \$8.5B for Hurricane Ian, \$1M for Hurricane Idalia, \$10M for Hurricane Helene and \$3B for Hurricane Milton*



(in billions)

\$1.37	Projected Fund Balance
\$1.25	Remaining 2020A Bonds*
\$1.00	2024A Bonds
<hr/>	
\$3.62	Total Liquid Resources

\* Excludes \$1B principal payment due July 1, 2027

- Relevant data is aggregated for all participating insurers. Each participating insurer has its own retention and maximum coverage level. All insurers would need to reach their maximum coverage limits in order to exhaust the last billion of FHCF Coverage. Insurers can trigger coverage below the industry retention.

# 2026/2027 Subsequent Season

Preliminary Estimates

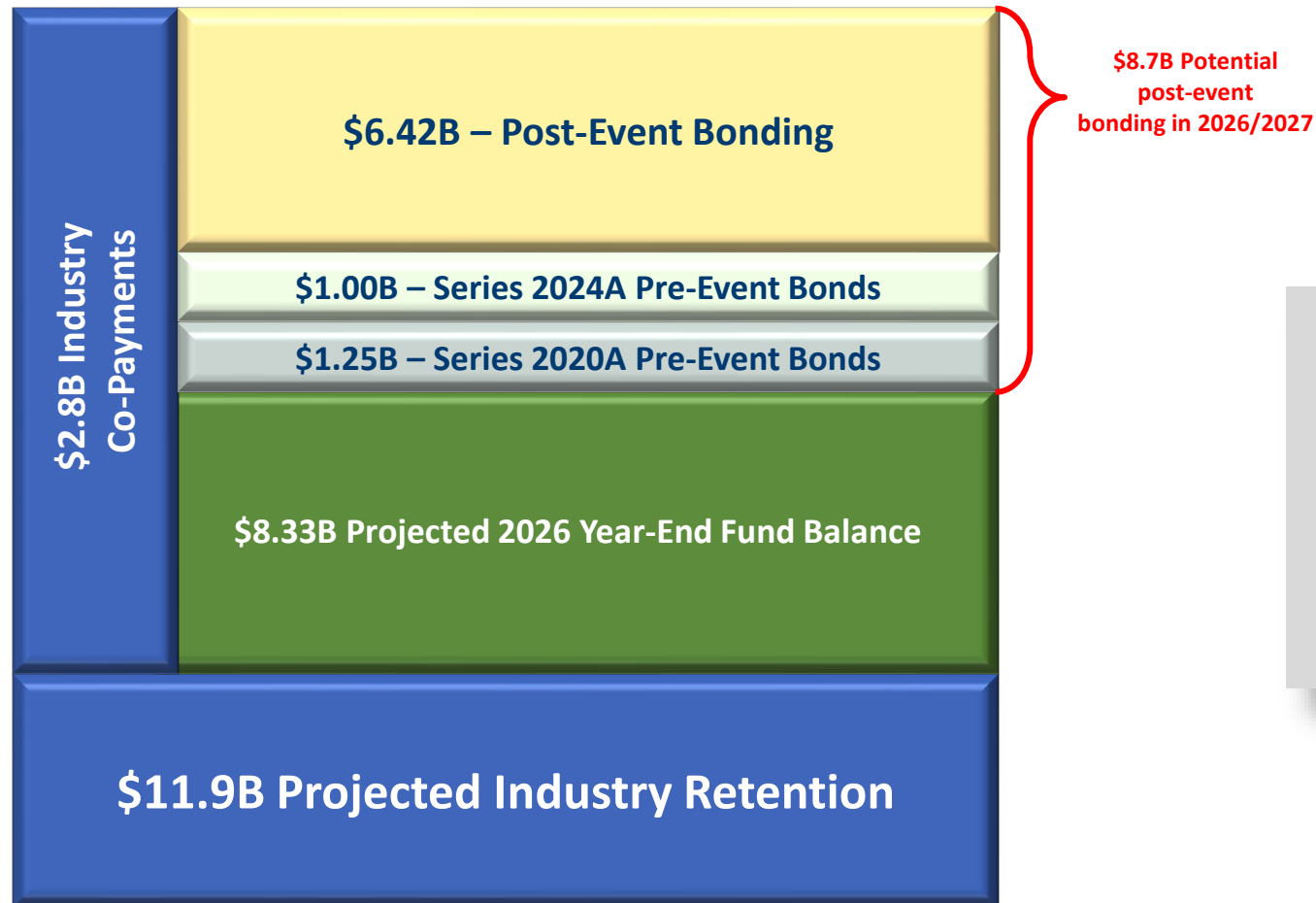
## Maximum Coverage Chart - \$17B FHCF Capacity

as of April 21, 2025

(Loss Adjustment Expense of 10% is included in the capacity)

Assumes no additional hurricanes in 2025 and no increase in reserves for hurricanes occurring in prior years

Projected Year-End Fund Balance is net of total losses incurred of \$8.5B for Hurricane Ian, \$1M for Hurricane Idalia, \$10M for Hurricane Helene and \$3B for Hurricane Milton



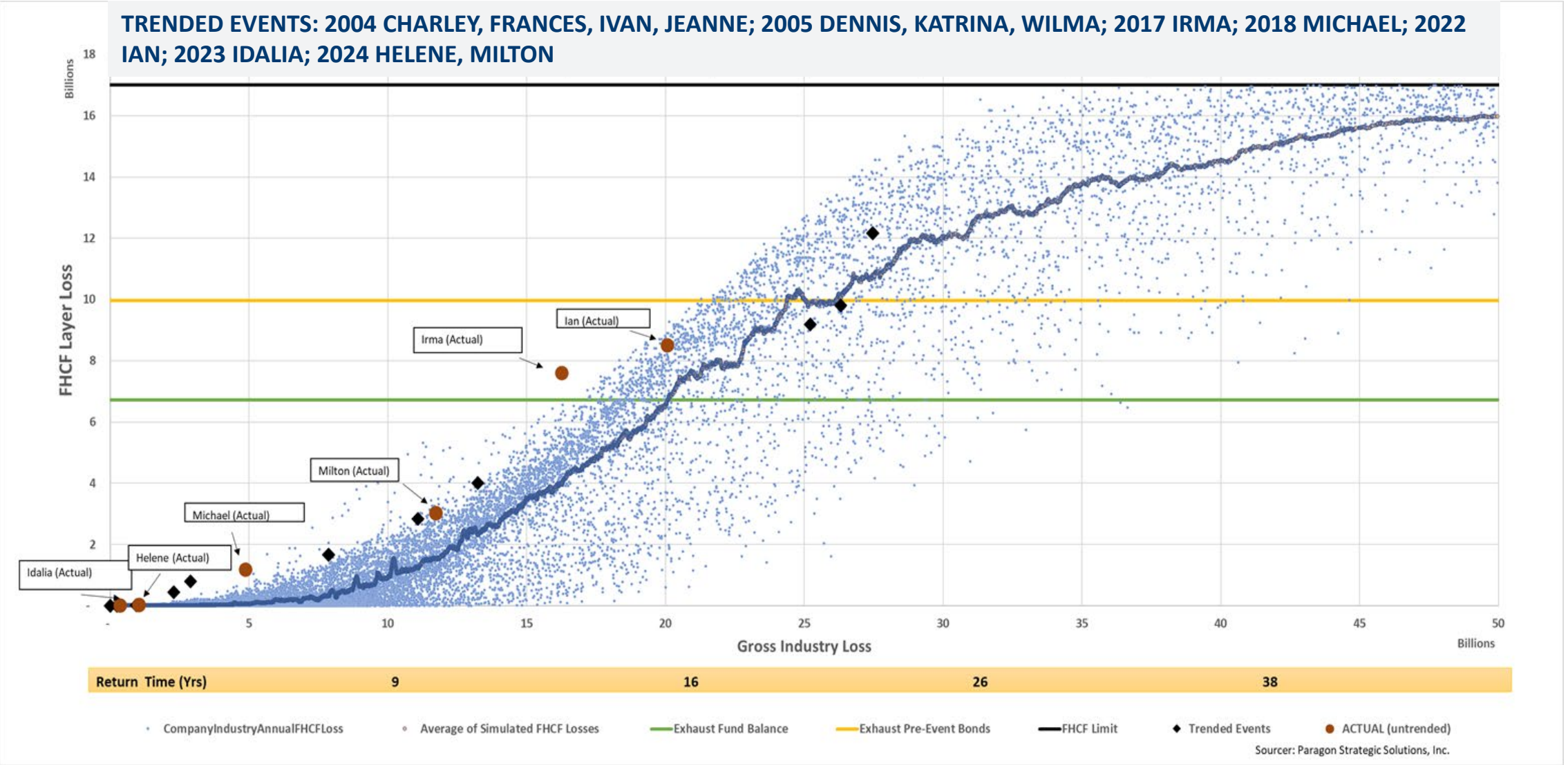
(in billions)

\$8.33	Projected Fund Balance
\$1.25	Remaining 2020A Bonds*
\$1.00	2024A Bonds
<hr/>	
\$10.58	Total Liquid Resources

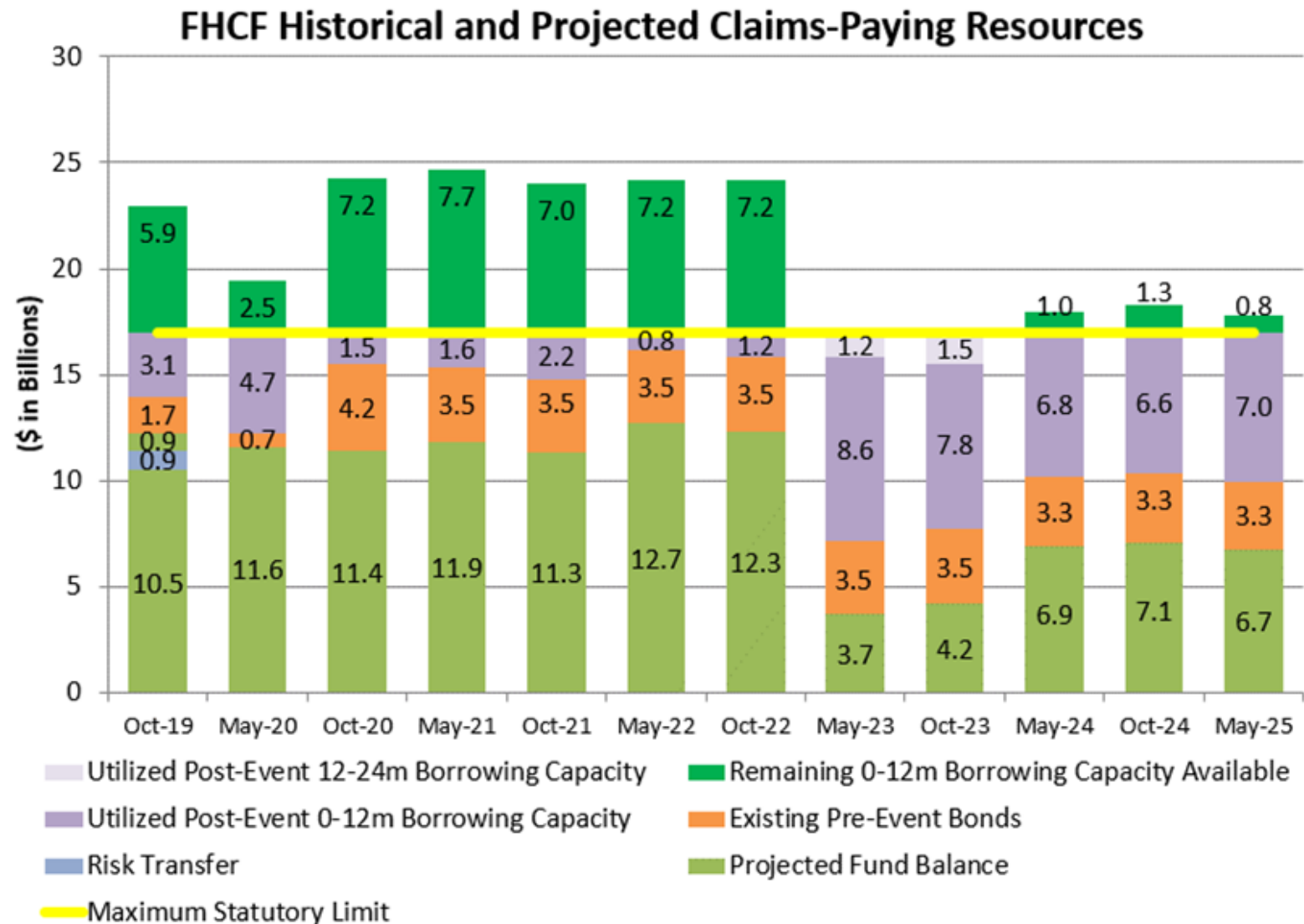
\* Excludes \$1B principal payment due July 1, 2027

- Relevant data is aggregated for all participating insurers. Each participating insurer has its own retention and maximum coverage level. All insurers would need to reach their maximum coverage limits in order to exhaust the last billion of FHCF Coverage. Insurers can trigger coverage below the industry retention.

# FHCF SIMULATED LOSSES



# HISTORICAL RESOURCES





# TWO TYPES OF FHCF FINANCING

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## Pre-Event Debt

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- Issued before a hurricane
- Taxable bonds only
- Primarily a source of liquidity to enable the FHCF to pay claims on a timely and sufficient basis
- \$14.0 billion issued to date

## Post-Event Debt

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- Issued following a hurricane that exhausts the cash balance
- Tax-exempt or taxable bonds may be used
- Primary source of revenue to repay the bonds: assessments on most property and casualty premiums
- Used to reimburse insurers for paid losses
- \$2.651 billion issued to date

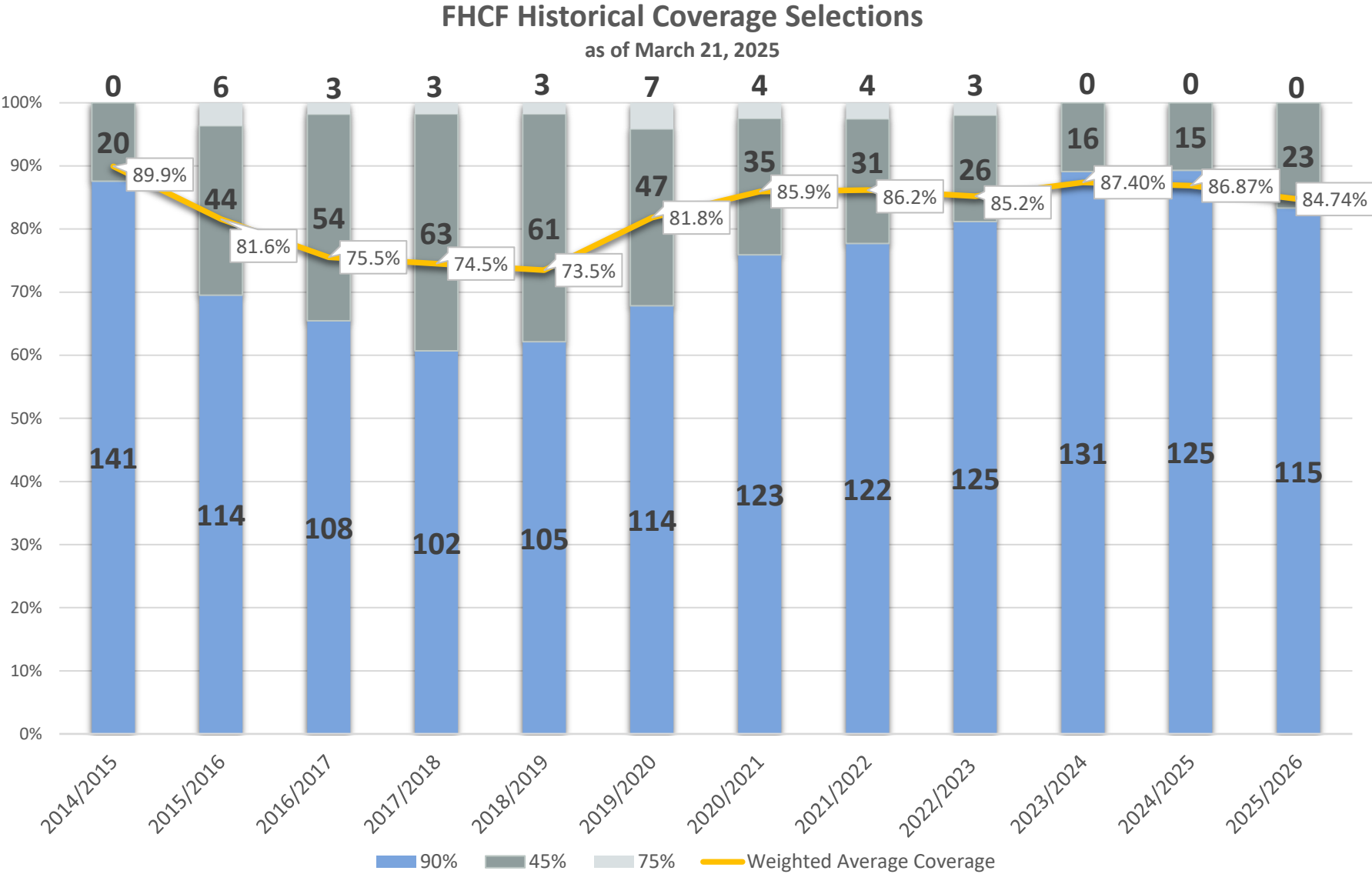
# OUTSTANDING DEBT

Staggered maturities:

- Reduce market access risk
- Enhance liquidity
- Manage rollover risk and interest rate risk

Maturity Date	Series 2020A Pre-Event Bonds	Series 2024A Pre-Event Bonds	TOTAL
	Principal (\$ millions)	Principal (\$ millions)	
7/1/2025	\$1,250		\$1,250
7/1/2027	\$1,000		\$1,000
7/1/2030	\$1,250		\$1,250
7/1/2034		\$1,000	\$1,000
Total	\$3,500	\$1,000	\$4,500

# COVERAGE SELECTIONS



# FHCF HURRICANE LOSSES

Summary of FHCF Losses					
as of 4/30/2025 (\$ billions)					
	Ian	Idalia	Helene	Milton	TOTAL
Projected <b>Industry</b> Ultimate Total Incurred Loss (prior to FHCF retention & co-pay)	\$19.94	\$0.36	\$1.05	\$11.42	<b>\$32.78</b>
Projected <b>FHCF</b> Ultimate Total Incurred Loss	\$8.50	\$0.001	\$0.01	\$3.00	<b>\$11.51</b>
Total Paid to Date	\$5.28	\$0.00	\$0.00	\$0.00	<b>\$5.28</b>
# of Insurers Paid to Date	78	0	1	1	

# PAID LOSSES BY HURRICANE as of 4/30/2025

	Name	Year	FHCF Paid	FHCF Ultimate Total Incurred	Reported Industry Paid in FL	% of Reported Paid In FL
1	Opal	10/4/1995	13,000,000	13,000,000	2,000,000,000	0.7%
2	Charley	8/13/2004	2,192,817,892	2,192,817,892	5,625,724,216	39.0%
3	Frances	9/5/2004	1,313,617,491	1,313,617,491	5,417,759,217	24.2%
4	Ivan	9/16/2004	283,602,146	283,602,146	2,427,257,517	11.7%
5	Jeanne	9/25/2004	69,262,522	69,262,522	2,388,968,705	2.9%
6	Dennis	7/10/2005	390,401	390,401	215,323,989	0.2%
7	Katrina	8/25/2005	149,992	149,992	387,786,477	0.0%
8	Wilma	10/23/2005	5,535,455,718	5,535,455,718	11,038,707,351	50.1%
9	Irma	9/10/2017	7,524,769,166	7,524,769,166	16,269,000,000	46.3%
10	Michael	10/10/2018	1,163,191,564	1,163,191,564	4,886,000,000	23.8%
11	Ian	9/28/2022	5,275,057,866	8,500,000,000	14,028,051,665	37.6%
12	Idalia	8/30/2023	-	1,000,000	235,992,287	0.0%
13	Helene	9/26/2024	42,832	10,000,000	377,683,654	0.0%
14	Milton	10/9/2024	139,456	3,000,000,000	2,203,318,462	0.0%
<b>Total</b>			<b>23,371,497,045</b>	<b>29,607,256,891</b>	<b>67,501,573,539</b>	

Does not reflect the total value of FL residential losses, as insurers do not report losses to the FHCF after they have reached their coverage limit.



# 2025 FHCF REIMBURSEMENT PREMIUM FORMULA

Andrew Rapoport, Managing Director and Actuary, Paragon Strategic Solutions  
Keith Sunvold, Senior Managing Director and Actuary, Aon



# OVERVIEW

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- 1 Actuarially Indicated Premium (Adequate, Not Excessive, Not Unfairly Discriminatory)
- 2 Losses (Peril, Models, Exposure, Coverage, Post-Model)
- 3 Expenses (Operating, Liquidity, Risk Transfer)
- 4 Mitigation
- 5 Cash Build-Up
- 6 Allocation of Premium
- 7 2025 Rates
- 8 Recap

# ACTUARIALLY INDICATED PREMIUM

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215.555, F.S.

(5)(a) Each reimbursement contract shall require the insurer to annually pay to the fund an **actuarially indicated premium** for the reimbursement.

(2)(a) “Actuarially indicated” means, with respect to premiums paid by insurers, ... an amount determined according to principles of actuarial science to be **adequate, but not excessive**, in the aggregate, to pay current and future obligations and expenses of the fund, ... and ... to **reflect each insurer’s relative exposure to hurricane losses**.

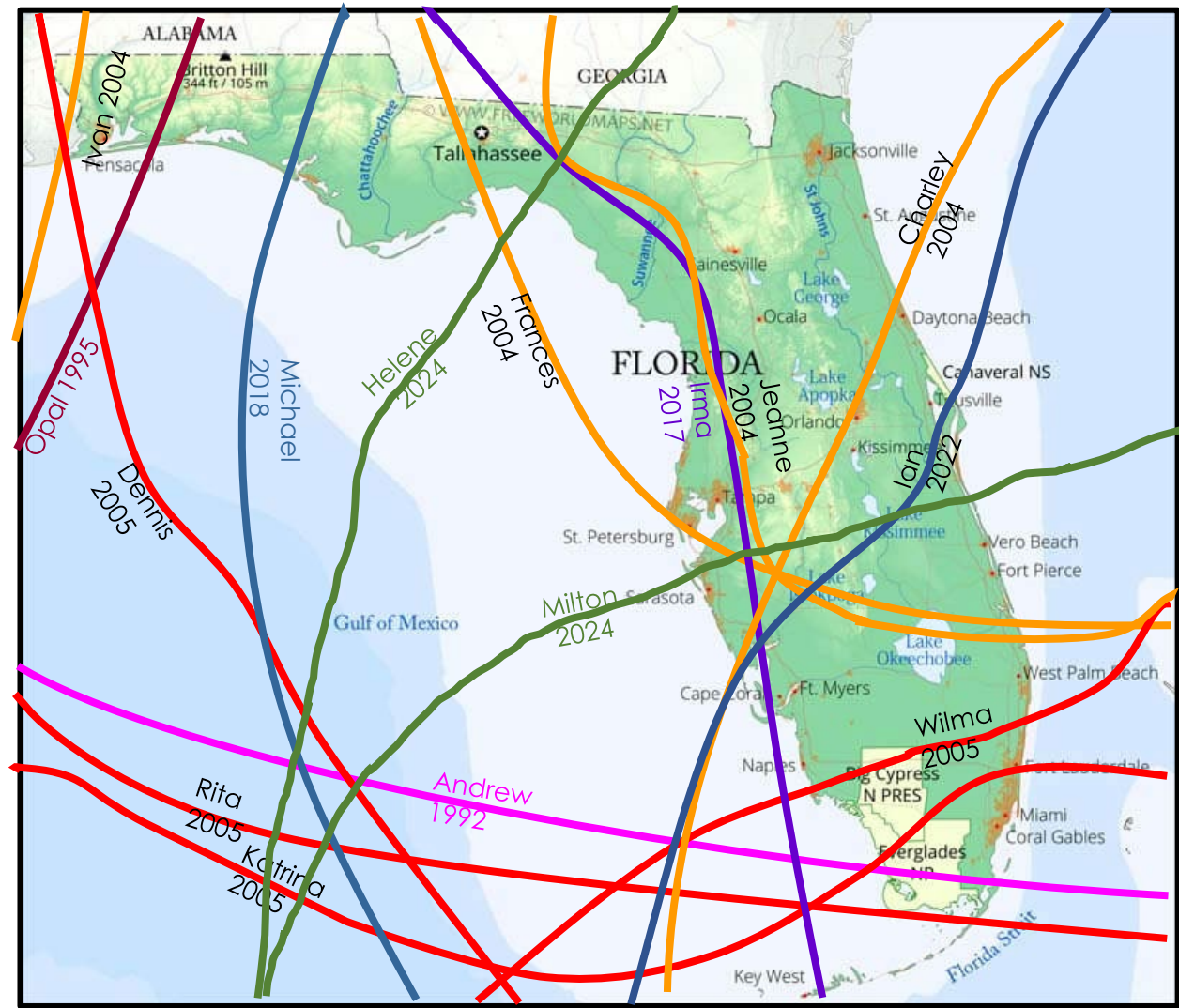
### Casualty Actuarial Society Statement of Principles Regarding Property and Casualty Insurance Ratemaking:

Principle 4 - A rate is **reasonable and not excessive, inadequate or unfairly discriminatory** if it is an actuarially sound estimate of all future costs associated with individual risk transfer.

- Peril
- Models
- Exposure
- Coverage
- Post-Model



# LOSSES: PERIL – HURRICANES: 1992-2024



# LOSSES: PERIL – HURRICANE DAMAGE



Wind



Projectiles



Roof tiles



Gravel from  
tops of  
buildings



Falling trees



Wind-driven rain



Storm surge

(Not covered by FHCF)

## Florida Commission on Hurricane Loss Projection Methodology

- Five Accepted Models Used in Ratemaking:



### Weighted Model Results:

- Median: 50%
- Ranks 2 & 4: 20%
- Highest & Lowest: 5%



# LOSSES: MODELS – EVENT PARAMETERS

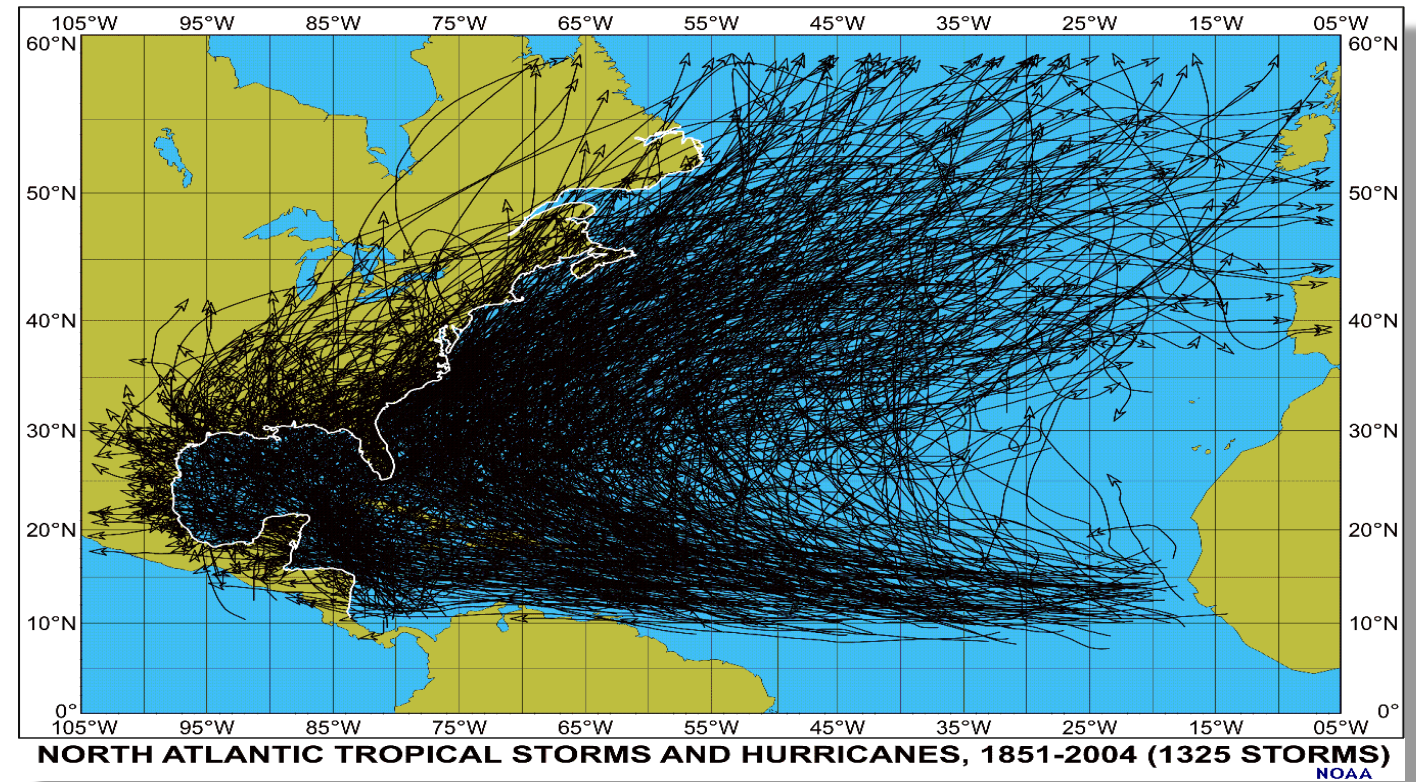
**Storm  
Landfall  
Frequency**

**Track**

**Minimum  
Central  
Pressure**

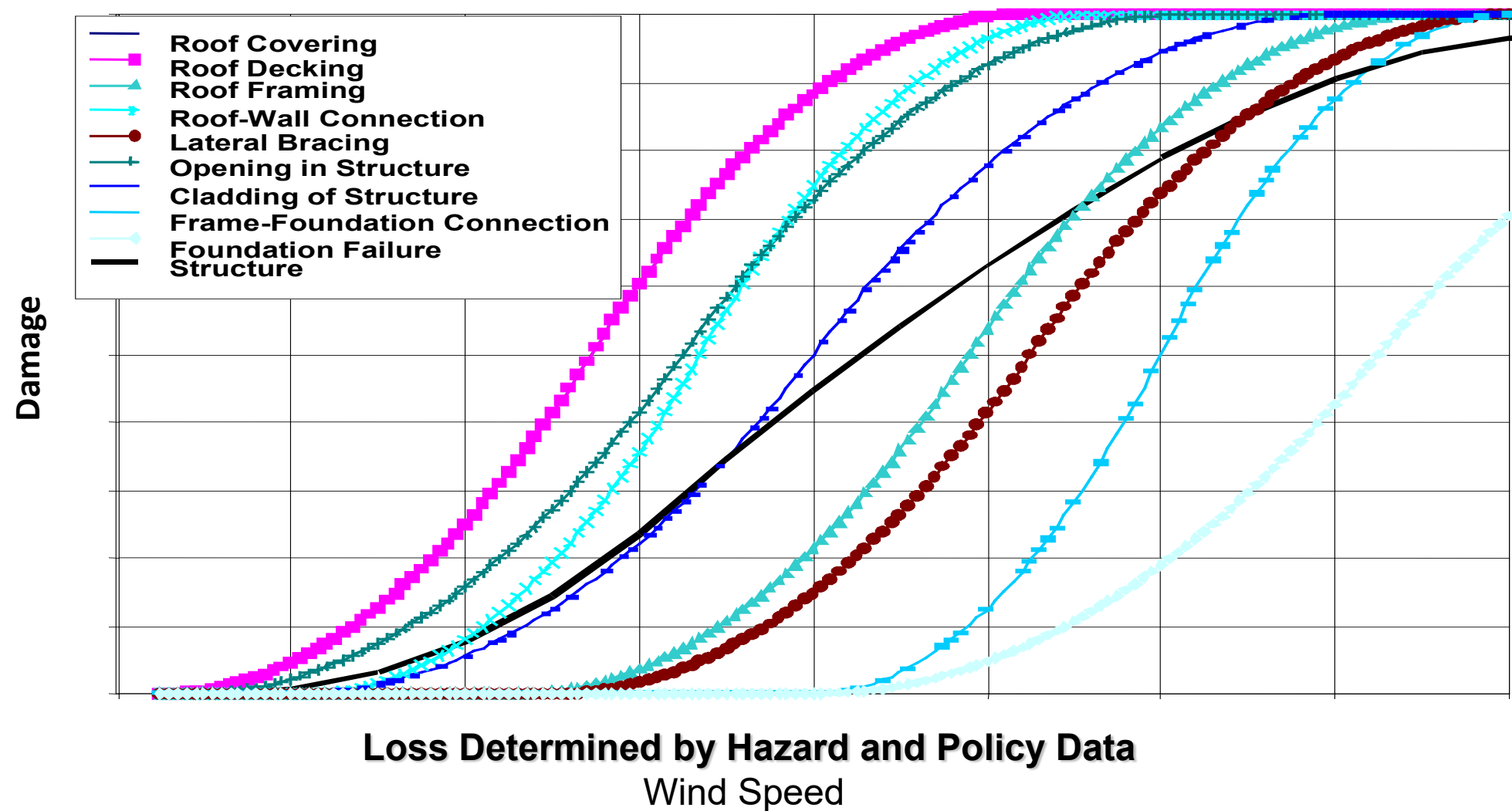
**Radius of  
Maximum  
Winds**

**Parameters are  
correlated but not  
perfectly so**



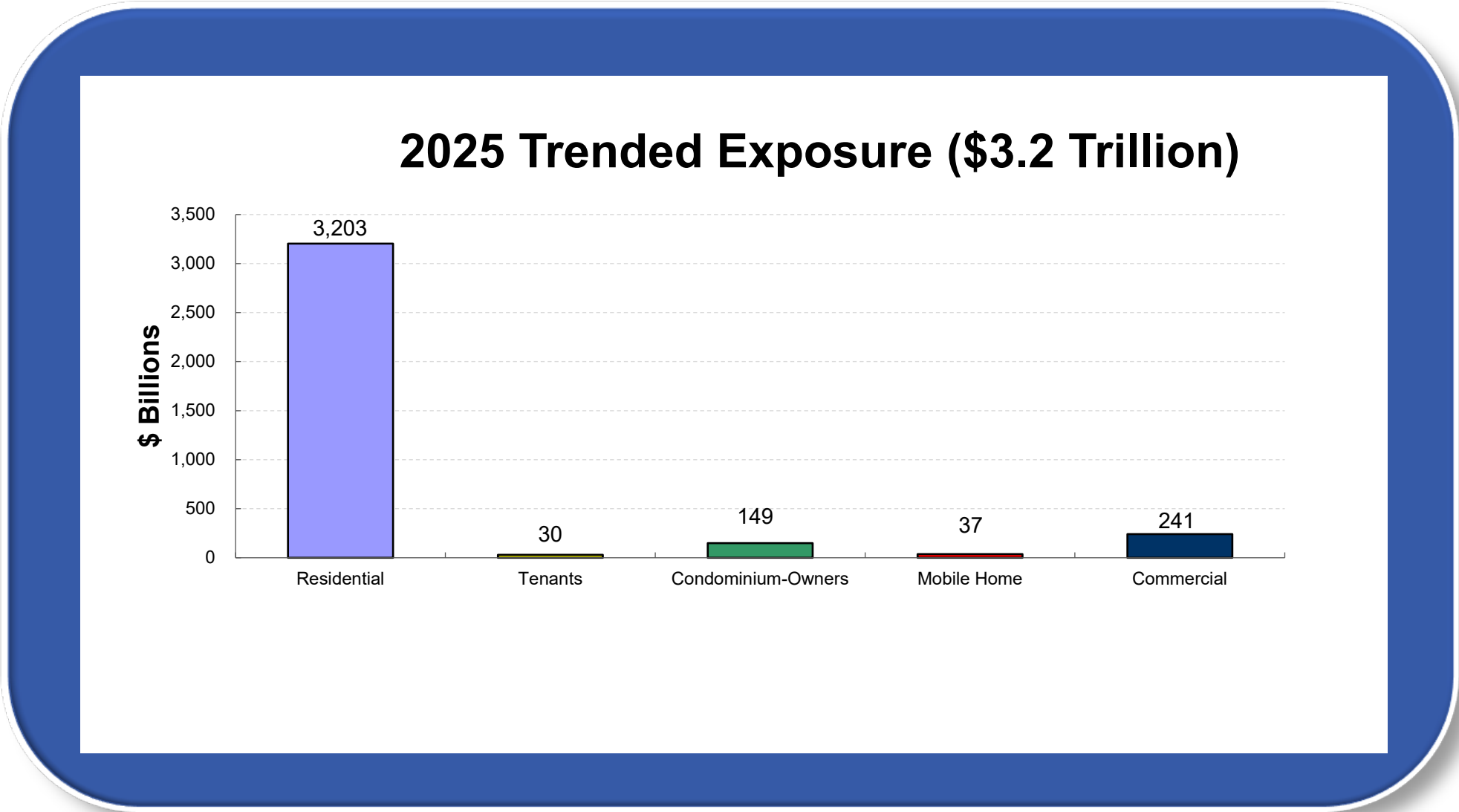


# LOSSES: MODELS – DAMAGE FUNCTIONS



# LOSSES: EXPOSURES – TRENDS (TO 2025)

Residential	Tenants	Condominium Unit Owners	Mobile Homes	Commercial Habitational
				
5.0%	3.0%	3.0%	3.0%	3.0%



## Limit

- Set by statute at \$17 billion until there are sufficient resources for two seasons, limited to annual growth in the cash balance

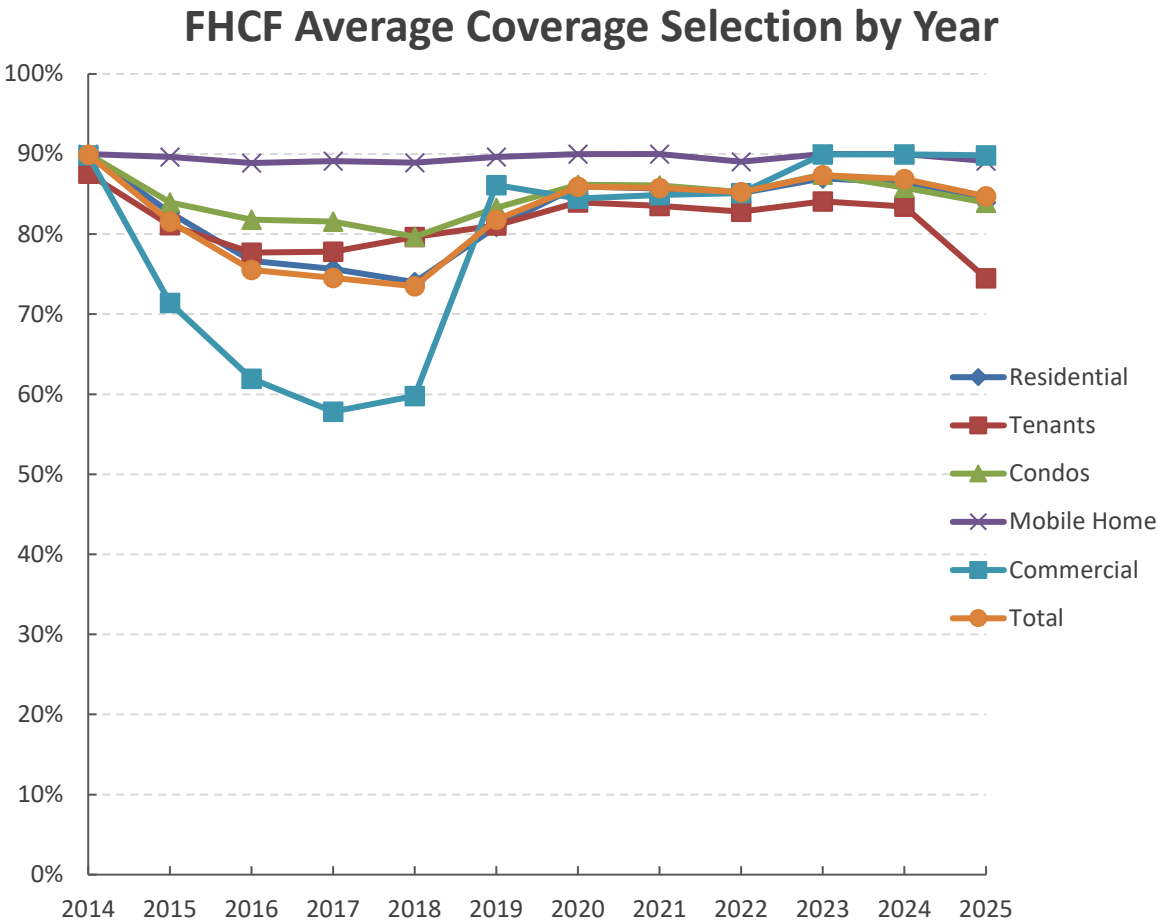
- Includes 10% of FHCF layer loss for loss adjustment expense (LAE)

## Industry Retention

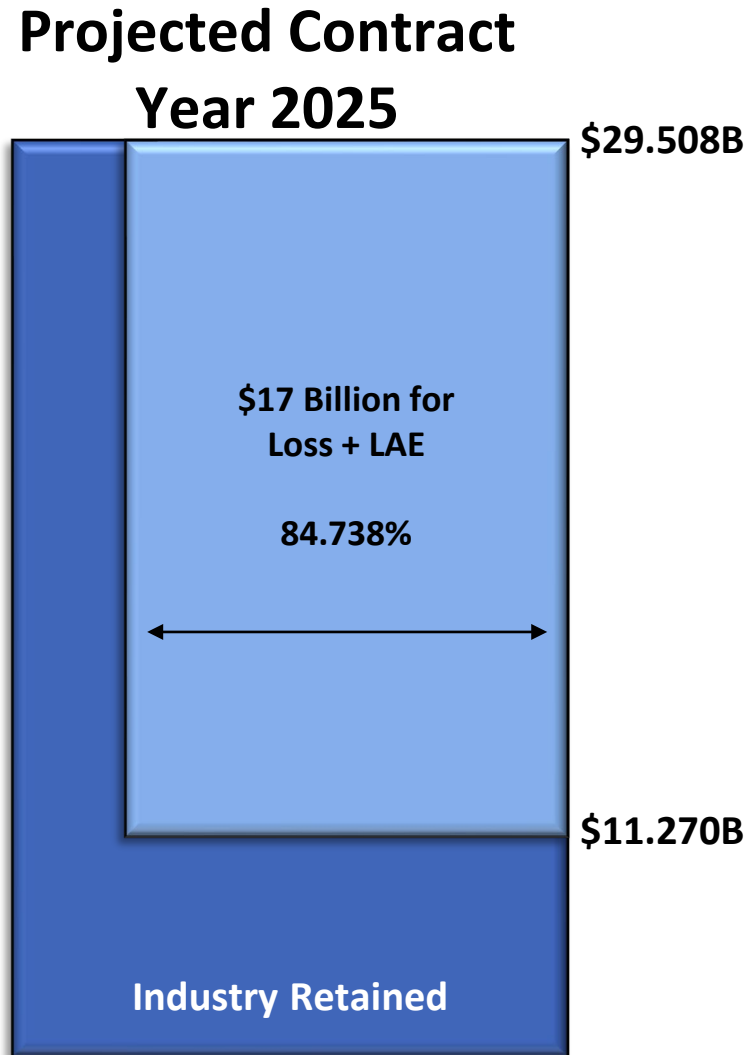
- Based on growth in reported exposures, projected to be \$11.270 billion for current Contract Year

# LOSSES: COVERAGE – INDUSTRY SELECTIONS

FHCF Coverage Selection Change by Type of Business							
		Residential	Tenants	Condos	Mobile Home	Commercial	Total
Actual	2014	90.0%	87.5%	90.0%	90.0%	89.8%	89.9%
Actual	2015	82.7%	81.1%	84.0%	89.7%	71.4%	81.6%
Actual	2016	76.7%	77.7%	81.8%	88.9%	61.9%	75.5%
Actual	2017	75.6%	77.8%	81.6%	89.1%	57.8%	74.5%
Actual	2018	74.0%	79.6%	79.7%	88.9%	59.8%	73.5%
Actual	2019	80.9%	81.1%	83.3%	89.6%	86.1%	81.8%
Actual	2020	86.0%	83.9%	86.2%	90.0%	84.4%	85.9%
Actual	2021	85.7%	83.5%	86.1%	90.0%	84.9%	85.8%
Actual	2022	85.1%	82.8%	85.3%	89.0%	85.1%	85.2%
Actual	2023	87.0%	84.1%	87.4%	90.0%	90.0%	87.4%
Actual	2024	86.4%	83.4%	85.8%	90.0%	89.9%	86.9%
Projected	2025	84.0%	74.5%	83.9%	89.1%	89.8%	84.7%
Projected 2025/Actual 2024		-2.84%	-10.72%	-2.19%	-0.96%	-0.13%	-2.45%



# LOSSES: COVERAGE – INDUSTRY



# LOSSES: COVERAGE – COMPANY

FHCF Industry Coverage: \$17.000B xs \$11.270B

- Retention drops to 33% on each company's 3<sup>rd</sup> largest event



Company Limit =  
FHCF Premium x Payout Multiple  
i.e., \$100M x 12.5122

Company Retention =  
FHCF Premium x Retention Multiple  
i.e., \$100M x 7.8099

## LOSSES: MODELED RESULTS – AVERAGE ANNUAL LOSS (\$B)

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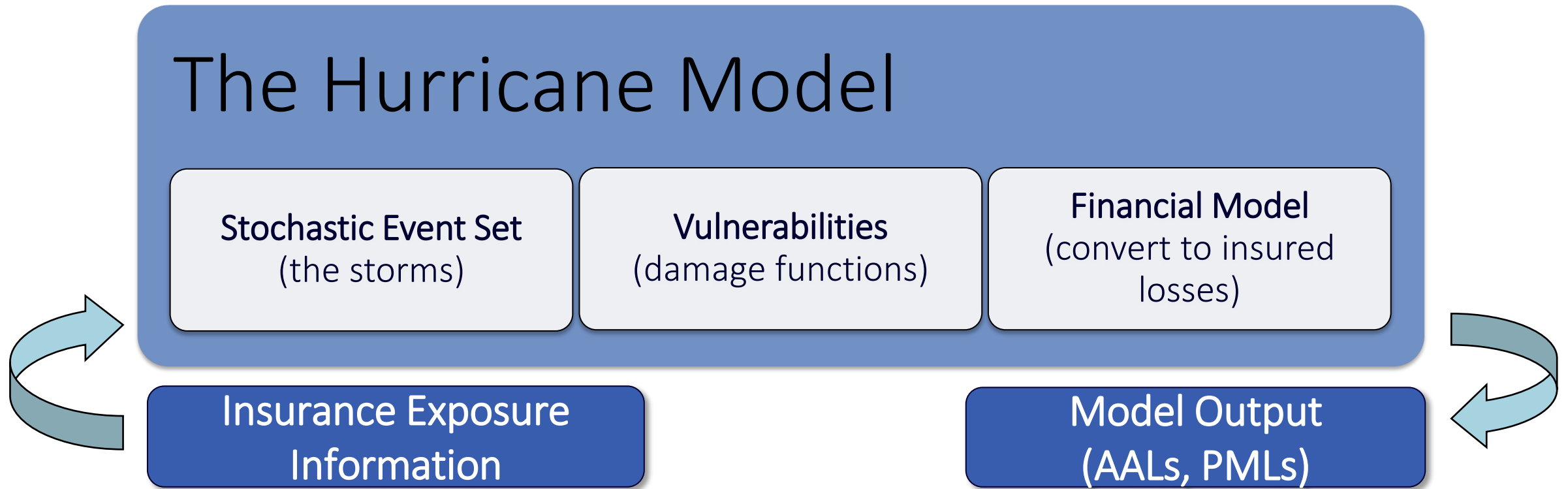
	<b><u>2024</u></b>	<b><u>2025</u></b>	<b><u>% Change</u></b>
Modeled Exposure	\$3,615	\$3,661	1.3%
Gross Losses	\$4.721	\$4.624	-2.1%
FHCF Layer Losses	\$1.117	\$0.999	-10.6%
Loss Cost per \$1,000	0.3090	0.2728	-11.7%



# LOSSES: MODELED RESULTS – RETURN TIMES

## Florida Hurricane Catastrophe Fund 2025 Ratemaking Formula Report FHCF Layer Loss Scenarios (Updated 4/29/2025)

<b>FHCF Layer Loss Scenario</b>	<b>FHCF Layer Loss (\$ in B)</b>	<b>Ground Up Losses for Average Verisk, RMS Portfolio Analysis (\$ in B)</b>	<b>Return Times (Yrs) for Aggregate Verisk, RMS Portfolio Analysis</b>
\$1.0 Billion FHCF Layer	1.000	10.131	8.9
\$5.0 Billion FHCF Layer	5.000	17.751	14.6
Projected Fund Balance Exhausted	6.723	20.382	16.8
Pre-Event 2020A and 2024A Bonds Exhausted	9.973	25.644	21.4
50 Year Event	16.000	48.076	50.0
100 Year Event	16.783	70.734	100.0
Maximum Statutory Limit	17.000	106.288	250.0



### Post-Model Adjustments

- Used to account for special insurance coverages and other factors not projected by models
- 2025 selection 5% or \$49.5 million

Operating

Liquidity

Risk Transfer

### Day to day expenses of FHCF



2025: \$12.4 million

# EXPENSES: LIQUIDITY

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Expense incurred to increase FHCF liquidity

Difference between interest payments to bondholders and investment income on bond proceeds



## 2025 Charges

2020A: \$12.7 million for \$2.25 billion  
2024A: \$23.3 million for \$1.0 billion



## Bonds Mature

2020A: 07/01/2027 - \$1.00 billion  
2020A: 07/01/2030 - \$1.25 billion  
2024A: 07/01/2034 - \$1.00 billion

# EXPENSES: RISK TRANSFER

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No risk transfer for 2025

Rates are produced assuming all mitigation is paid from investment income

- Per Florida Statute 215.555(7)(c)
- Funding can range from \$10 million to 35% of prior year's investment income
- No charge to premium
- For 2025, appropriation is \$10 million



# CASH BUILD-UP FACTOR





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2009 legislation phased in a Cash Build-up Factor

Fully phased in at 25% since 2013

2025 projected amount of \$271.7 million

## Rate Pages

-  Type of Business
-  Deductible
-  Construction
-  Territory

## Mitigation Factors



Year Built & Roof Age



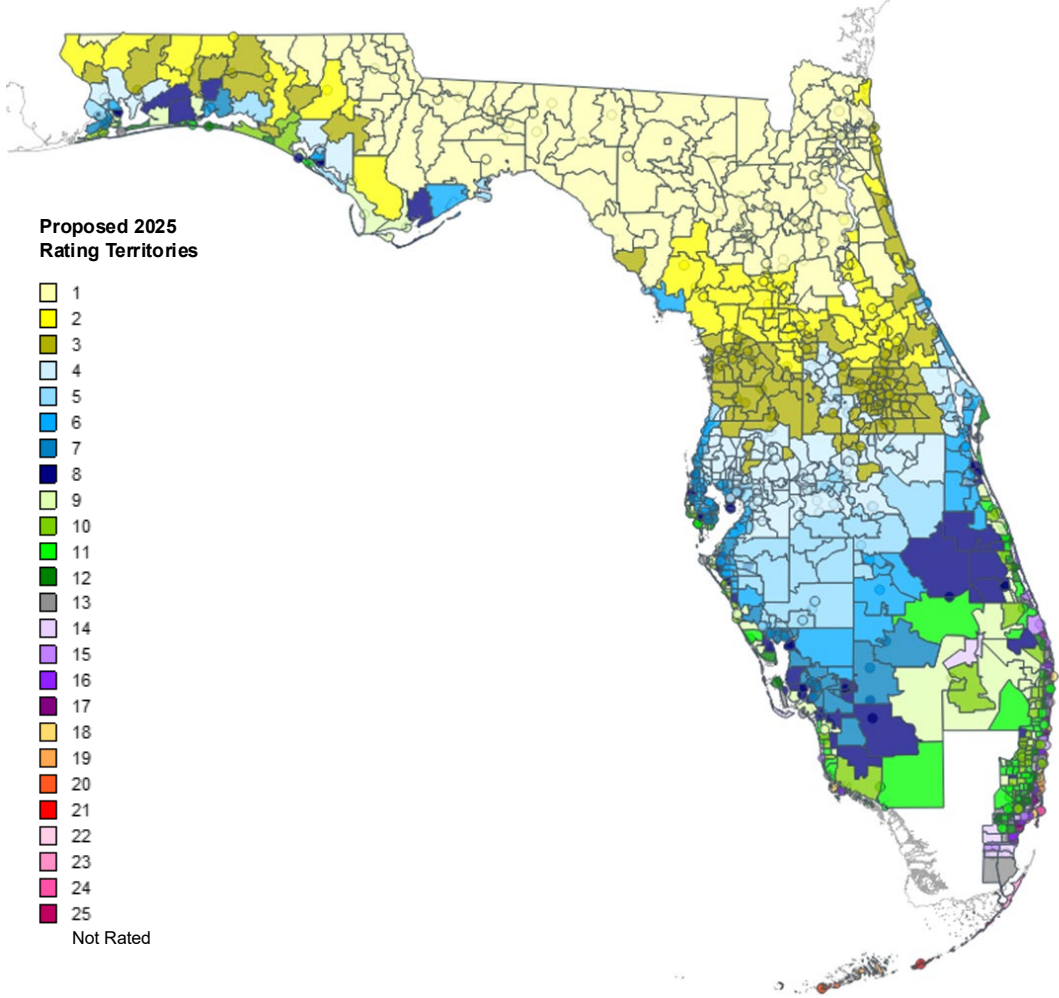
Opening Protection



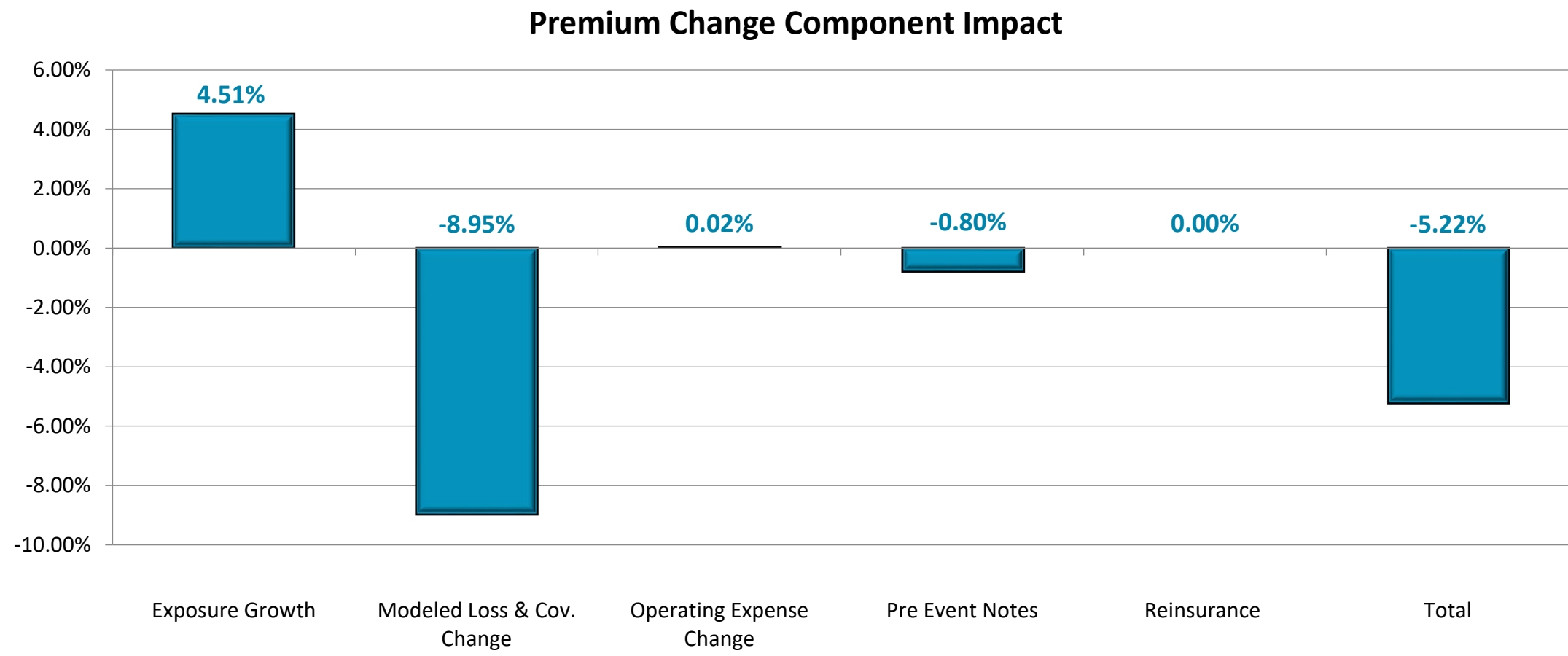
Roof Shape

## Total Insured Value

# ALLOCATION OF PREMIUM *(Continued)*

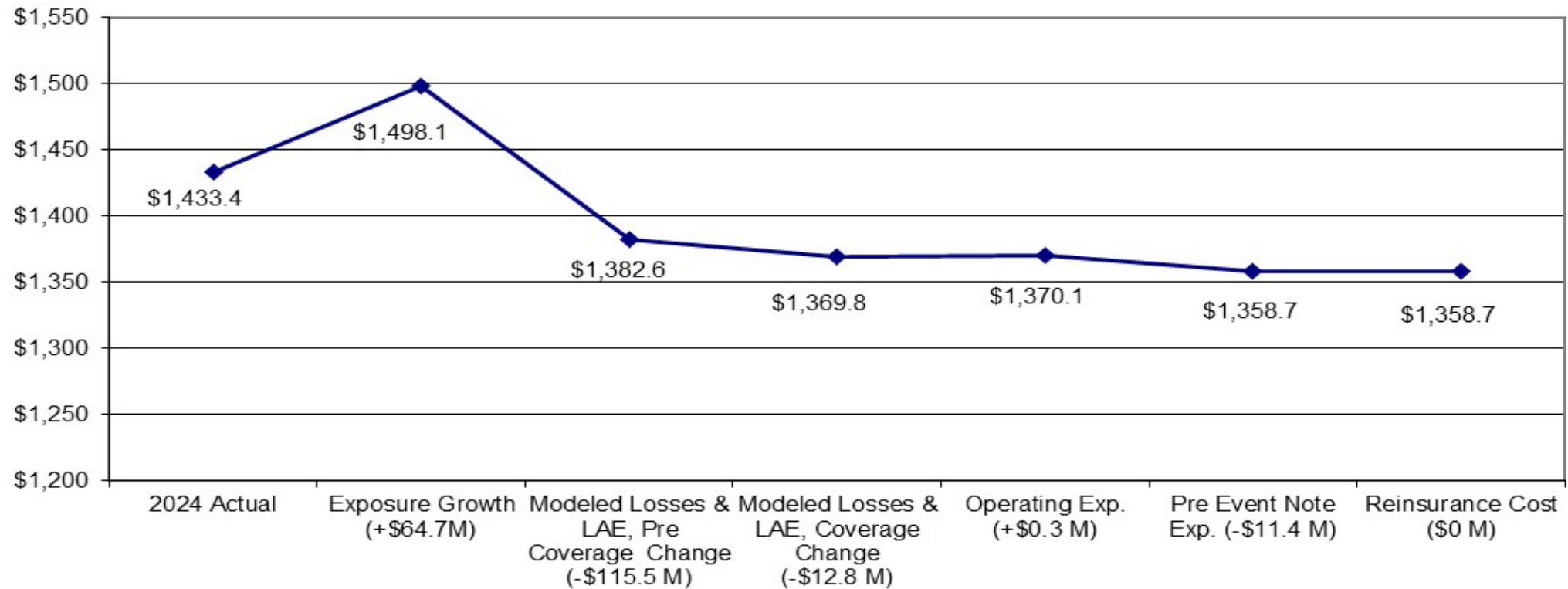


# % CHANGE – 2024 to 2025 Premiums



# \$ CHANGE – 2024 to 2025 Premiums

**Components of 2025 Premium Change -5.22%**



# 2025 RATES - RETENTION, LIMIT, COVERAGE

	2024 Actual	2025 Proposed
<b>FHCF Retention</b>	\$9.377 B	\$11.270 B
<b>FHCF Limit</b>	\$17.000 B	\$17.000 B
<b>FHCF Premium</b>	\$1.433 B	\$1.359 B
<b>Coverage</b>	86.870%	84.738%
<b>Payout Multiple</b>	11.8596 *	12.5122
<b>Retention Multiples for FHCF Coverage Selections</b>		
<b>90%</b>	6.3136	7.8099
<b>75%</b>	7.5763	9.3719
<b>45%</b>	12.6271	15.6198

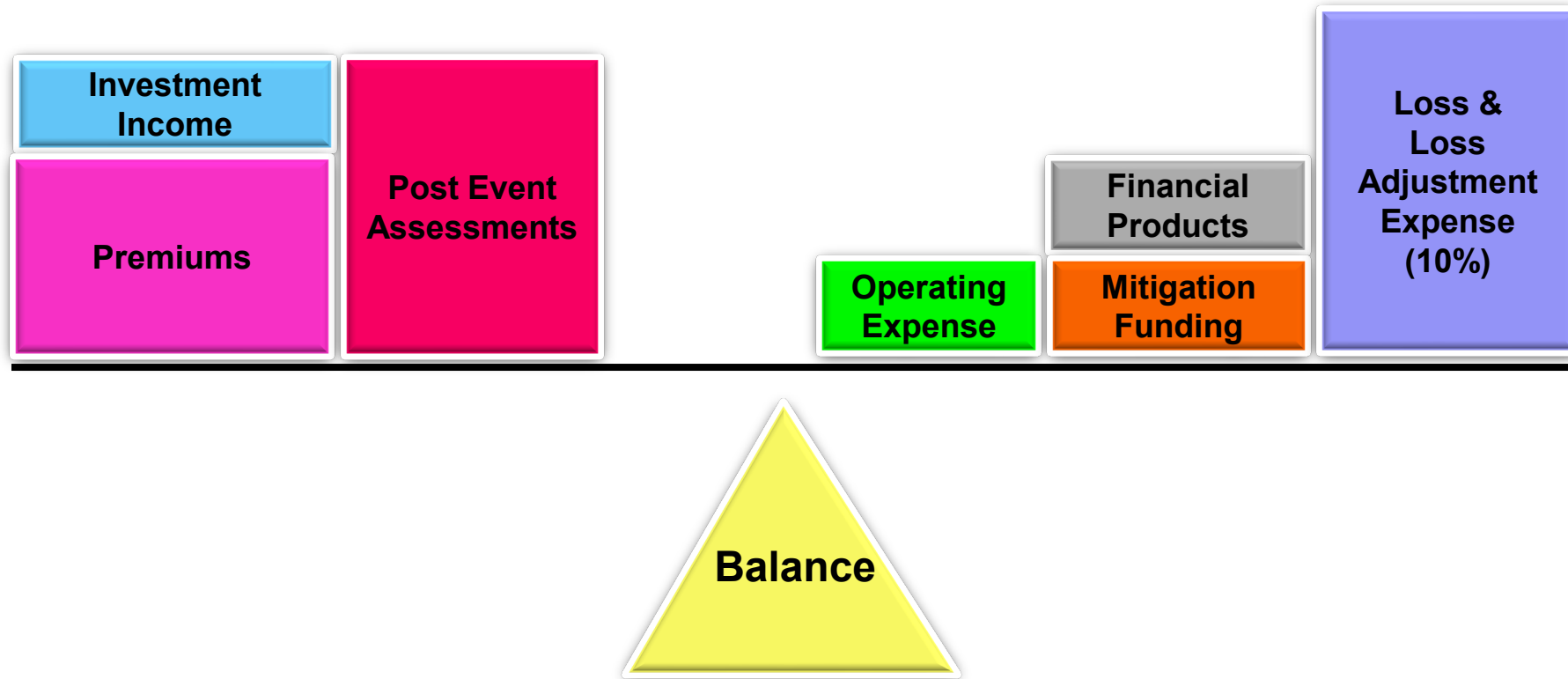
\*Payout multiple based on 12/31/2024 premium of \$1.433 B

## 2025 RATES – CHANGES BY TYPE OF BUSINESS

Coverage, Rate, Exposure and Premium Changes by Type of Business					
Type of Business	90% Rate	Coverage %	Avg. Rate	Exposure	Premium
Residential	-6.83%	-2.84%	-9.47%	5.00%	-4.95%
Tenants	-4.65%	-10.72%	-14.87%	3.00%	-12.32%
Condos	-6.45%	-2.19%	-8.49%	3.00%	-5.75%
Mobile Home	-9.92%	-0.96%	-10.78%	3.01%	-8.09%
Commercial	-8.40%	-0.13%	-8.52%	3.00%	-5.77%
<b>Total</b>	<b>-7.23%</b>	<b>-2.45%</b>	<b>-9.51%</b>	<b>4.75%</b>	<b>-5.22%</b>



## Where Does the FHCF Get Its Funds? Where Do They Go?



# 15 Minute Break



Hurricane Ian, 2022

# FHCF REPORTING CHANGES

Kathy Mackenthun, Managing Director, Paragon Strategic Solutions





# 2025 FHCF CONTRACT CHANGES

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- Minor changes due to Citizens combination of PLA/CLA and Coastal accounts
- Interest Rate Change
  - Interest rate for credits and charges will be the average rate earned by the SBA for the FHCF for the 6 months preceding the start of the contract year
  - Formerly first 4 months of the contract year
  - Additional 5% charge still applies to late payments

# 2025 FHCF DATA CALL CHANGES

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- Minor changes due to Citizens combination of PLA/CLA and Coastal accounts
- Roof Covering Clarifications:

Roof Covering	FHCF Code
Shingle/ <del>Asphalt</del> <u>(all materials except slate, concrete or metal)</u>	1
Tile <u>(includes cement fiber tiles, concrete tiles, and slate tiles)</u>	2
Metal <u>(any type of metal)</u>	3
Other or Unknown	4
Mobile Home	5

- Supplemental Instructions for Subscription Policies

Definition: Covered Policy where a single policy form is used by multiple companies to provide vertical layers of primary hurricane coverage on a percentage (quota share) basis.

- The sum of all subscribers' participation percentages on a single policy must total 100 percent
- Report full policy limits in exposure fields 8-11
- Report participation percentage in new *Subscription Percentage* field 26
- Lead subscriber must submit a supplemental listing of all covered Subscription Policies
- Separate construction mapping and/or mixed-occupancy single structures worksheet must be submitted



# 2025 FHCF DETAILED CLAIMS LISTING CHANGES

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- Addition of new *Line of Business* field 6
  - Enter Line of Business Code as detailed in FHCF Data Call:

Line of Business	Code
Fire and Allied Lines	1
Homeowners Multiple Peril	2
Farmowners Multiple Peril	3

Line of Business	Code
Commercial Multiple Peril	4
Mobile Homeowners	5
Inland Marine	6

- Addition of new *Subscription Policy Indicator* field 15
  - Enter a “Y” if subscription policy
  - Enter “N” if not a subscription policy

# EXPOSURE AND CLAIMS EXAMS

Tim Butler, Director of Examinations, FHCF



# PURPOSE

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- Test the accuracy and completeness of data submitted to the FHCF
- Educational
  - Not a typical regulatory examination or audit
  - Consultative in nature
- Examiners
  - Individual Contractors
    - Wendell McDavid
    - Mike Lamb
  - Examination Resources
  - Noble Consulting Services

# EXAMINATION CYCLE

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- Exposure Exams
  - Most of the Contract Year 2024 exams have been conducted and the remaining will wrap-up in late summer of this year
  - Contract Year 2025 exams will begin in the fall
- Claims Exams
  - Contract Year 2022 exams underway
  - Exams for companies receiving reimbursements
- Finding fewer issues than in past years
- Companies have responded well to exam findings

- Company expectations before the exam
  - Process begins with an emailed exam notice along with a request for pre-exam records
  - Email will explain what is needed and will give you the FHCF contact information
  - Be mindful of deadlines
  - Examiner will contact you prior to the official start date of the exam

- Expectations when the exam begins
  - Information requested by the examiner must be available on the first day of the exam
  - Proper staff should be available to respond to questions or additional requests
  - Examiner will review the information and discuss any issues with the company
  - A summary of findings is provided to the company prior to the examiner sending the exam package to the FHCF for review
  - Examiner may ask for error listings

- Wrap-Up
  - Examiner submits the exam to the FHCF for review
  - FHCF will email a findings letter including the exam report
  - Company's response to report due within 30 days
  - If a resubmission of the Data Call or an updated Proof of Loss is required, the FHCF will email a letter with instructions
  - If there is no requirement to resubmit the Data Call or update the Proof of Loss, the exam is closed
  - If required, once the resubmission/update is received and approved, the exam is closed

- Exposure Exams
  - Superior and reinforced concrete roof deck construction codes reported incorrectly
  - Fair rental value reported as additional living expense
  - Incorrect roof covering code
  - Incorrect age of roof
- Exams on policies assumed from Citizens
  - Transactions effective prior to June 30<sup>th</sup> posted after June 30<sup>th</sup> should not be included



- Claims Exams
  - Policies that exclude wind coverage (X-wind policies)
  - Losses not covered
    - Loss assessments
    - Fair rental value
    - Flood
    - Losses exceeding coverage limits
  - All other perils deductibles being applied rather than hurricane deductibles
  - Extra contractual obligations

- Age of Roof
  - Errors will be noted as regular errors rather than for informational purposes
  - If known, it must be reported
  - If unknown, it can be reported as the Year Built or unknown (FHCF code “0”)
- Roof Covering
  - If the roof covering is known, it must be reported

# FINAL REMARKS

Gina Wilson, Chief Operating Officer, FHCF

