

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



## **2021 Annual Report**



## Gina Wilson

### Chief Operating Officer

It is my privilege to present the Florida Hurricane Catastrophe Fund (FHCF) annual report for the calendar year ending December 30, 2021. This report provides information on the financial status and operational activities of the FHCF during the past year, along with background on the FHCF and its performance over the years.

For the third consecutive year, the state of Florida was fortunate to not have a direct hit from a hurricane; however, the FHCF continues to pay reimbursements to participating insurers for Hurricane Irma (2017) and Hurricane Michael (2018) losses. Expected payouts by the FHCF for these events has continued to increase due to adverse loss development from Hurricane Irma. As of December 31, 2021, our actuaries have projected the FHCF's total incurred loss for Hurricane Irma to be \$7.8 billion, up from \$7.3 billion as of December 31, 2020. The projected loss for Hurricane Michael could change, but at this point, it has remained at \$1.45 billion since our initial estimates. Despite these losses, the FHCF continues to meet its obligations and closes out this year in a strong financial position.

The FHCF would like to thank the State Board of Administration (SBA) Trustees, Ash Williams, who retired as Executive Director of the SBA in September 2021, for his long-standing support of the FHCF and its mission, Lamar Taylor, the Interim Executive Director of the SBA, members of the FHCF Advisory Council, our service providers, and the staff of the FHCF.

We appreciate your interest in the Florida Hurricane Catastrophe Fund and hope the information provided in this report is beneficial.

A handwritten signature in blue ink that reads "Gina Wilson". The signature is fluid and cursive, with the first name "Gina" being more prominent than the last name "Wilson".

## MISSION

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 insurance capacity through the efficient and effective administration of the fund.

## CONTRACT YEAR 2021-2022 KEY DATA\*

• Exposure	\$2.6612 trillion
• Estimated fund balance, 12/31/2021	\$11.3 billion
• Number of participating insurers	155
• Reimbursement premium	\$1.219 billion
• Mitigation funding (FY 2020-2021)	\$13.5 million
• Estimated claims-paying capacity	\$20.5 billion
• Single-season maximum obligation	\$17.0 billion (with excess capacity)
• Emergency assessment base	\$55.9 billion
• Credit ratings:	
Moody's	Aa3
Standard & Poor's	AA
Fitch	AA

\*As of December 31, 2021

**Audited Financial Statements** – The FHCF's audited financial statements for the fiscal year ended June 30, 2021, are available on the FHCF's website at [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.

## 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. 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 (\$8.2 billion for the 2021-2022 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.

## FINANCIAL RESOURCES

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

**For the 2021-2022 contract year, reimbursement premiums were \$1.219 billion.** As of December 31, 2021, the FHCF had a fund balance of \$11.3 billion.

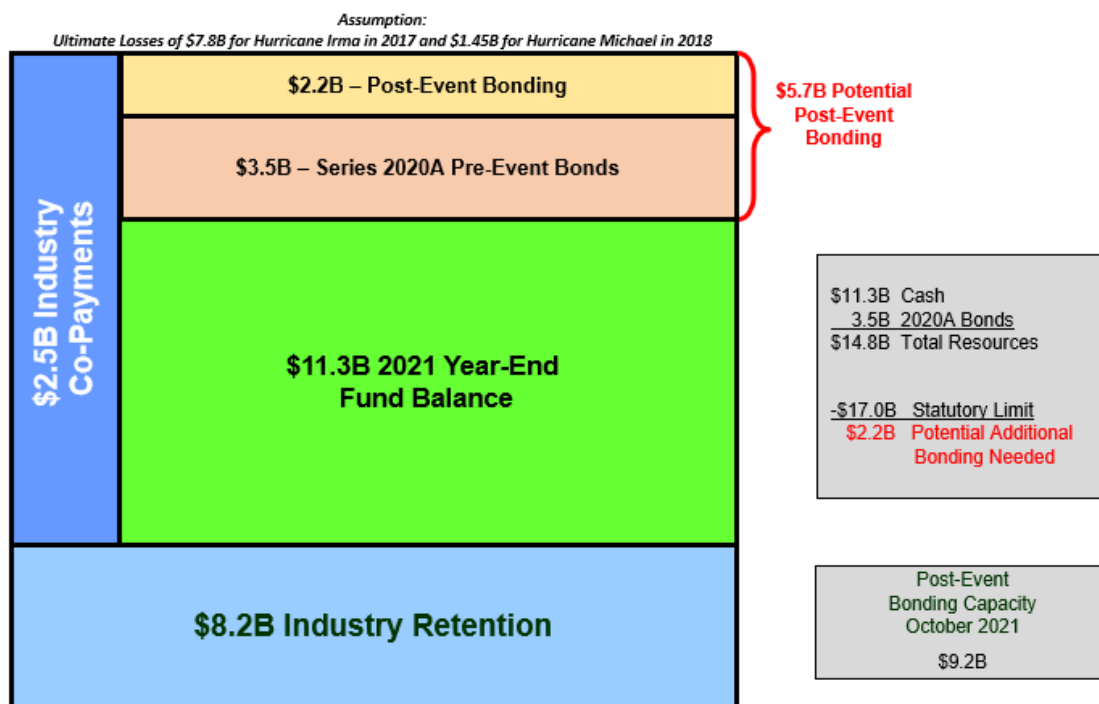
The year-end 2021 fund balance is net of projected losses from Hurricane Irma (2017) of \$7.8 billion and

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 can include, when applicable, investment income, proceeds from pre-event bonding, recoveries from reinsurance and other risk-transfer transactions, and proceeds from post-event revenue bonds.

The following chart shows the FHCF's estimated claims-paying resources for the 2021-2022 contract year as of December 31, 2021.

**Estimated FHCF Coverage for the 2021-2022 Contract Year**  
(**\$17 Billion Statutory Limit, which includes a 10% allowance for loss adjustment expenses**)



- 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.

This chart reflects aggregated information available as of December 31, 2021, and is not drawn to scale.

## PARTICIPATION

Under the reimbursement 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 2021-2022 contract year, aggregate industry retention was \$8.2 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 2021-2022 contract year were:**

Coverage Percentage	2021-2022 Retention Multiple
90%	6.4106
75%	7.6927
45%	12.8212

Similarly, an insurer's coverage limit is determined by multiplying its FHCF premium by a payout multiple calculated under the premium formula. **For the 2021-2022 contract year, the payout multiple was 13.9428 based on the aggregate FHCF premium of \$1,219,269,788 billed as of December 31, 2021.**

**Example:** For an insurer with an FHCF premium of \$1 million that selected the 90% coverage level, the retention for Contract Year 2021-2022 would have been \$6,410,600 and the maximum payout would have been \$13,942,800.

**Refer to page 23** for historical data on participating insurers' coverage percentage

## EXPOSURE REPORTING AND EXAMINATION PROGRAMS

In order to determine the FHCF premium for each participating insurer, information necessary for the premium calculation is submitted to the FHCF in an electronic format known as the Data Call file. The Data Call file, adopted annually by rule, contains insured values under covered policies by ZIP Code for policies written by each insurer as of June 30, along with several rating factors such as line of business, construction type, deductible amounts, and windstorm mitigation features.

Insurers submit the file to the FHCF through an online system known as *WIRE*, no later than September 1 each year.

The FHCF has developed an examination program to review the information submitted in the Data Call file. Examinations are conducted by examiners who the FHCF contracts with for the purpose of evaluating the accuracy and completeness of the data. Additionally, the program is intended to assist participating insurers with the preparation of the Data Call file. **For 2021, 93 exposure examinations were conducted.**

In addition to the Data Call examinations, the FHCF has developed a program to review the information submitted by participating insurers that have received loss reimbursements. The subject of each claims examination is the Proof of Loss form submitted to the FHCF by the insurers when covered losses are incurred. The Proof of Loss Report, adopted annually by rule, contains loss information related to a specific covered event along with a request for reimbursement for covered losses paid by the insurer.

The purpose of the exams is to review the accuracy of loss data reported and verify that the insurer did not over-report its reimbursable losses to the FHCF.

**The FHCF performed 33 claims examinations in 2021.**

Contract Year 2021-2022 Exposure Concentration by County (\$ billion)		
County	Dollar Amount of FHCF Exposure	Percent of Total FHCF Exposure
Palm Beach	\$227.7	8.56%
Miami-Dade	\$181.7	6.83%
Broward	\$181.4	6.82%
Orange	\$171.6	6.45%
Hillsborough	\$168.3	6.33%
Lee	\$130.2	4.89%
Duval	\$114.0	4.28%
Pinellas	\$112.8	4.24%
Collier	\$102.5	3.85%
Brevard	\$83.0	3.12%
All Other Counties	\$1,188.0	44.64%
Totals*	\$2,661.2	100.0%

\*May not add due to rounding.



## 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.

Insurers annually select an FHCF coverage percentage of 90%, 75%, or 45%. **For the Contract Year 2021-2022, there was a slight shift to a higher coverage option and thus, the average coverage percentage increased to 86.157% compared to the 2020-2021 average of 85.941%. The overall impact to the FHCF rates was an average decrease of 4.49% after adjusting for insurer coverage selection changes.**

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 five-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.

## 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, in consultation with its financial advisors, the FHCF calculates its claims-paying capacity, including projected cash balance and projected bonding capacity for the ensuing 12-month and 24-month periods.

It is important to consider the FHCF's capacity for the initial and subsequent season as the ability to provide coverage after a major hurricane season is critical to market stability.

**According to the October 2021 claims-paying capacity estimates, the FHCF's projected post-event bonding capacity for the first 12 months after an event is \$9.2 billion, with another \$9.7 billion of bonding capacity available for the following 12-month period, for a 24-month total estimated bonding capacity of \$18.9 billion.**

**Refer to page 22 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 six percent with respect to losses attributable to any one year and 10 percent with respect to losses from multiple years.

**For the 2021-2022 contract year, the total amount of property/casualty direct written premium potentially subject to assessment (the “assessment base”) was \$64.3 billion.**

The State Board of Administration Finance Corporation is a public benefits corporation created under section 215.555(6)(d), Florida Statutes, to issue bonds on behalf of the FHCF.

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.

The following chart shows the FHCF's current outstanding debt.

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

*Numbers may not add due to rounding*

Annually, the FHCF evaluates opportunities available in the global risk transfer and capital markets to maximize its claims-paying capacity for initial and subsequent season. In prior years, the FHCF chose to participate in a private risk transfer placement; however, considering hardening conditions in the market in 2021, the FHCF chose not to purchase reinsurance.

## HURRICANE LOSSES

### 2021 Hurricane Season

The 2021 hurricane season was an active one with 21 named storms; seven were hurricanes and of those seven hurricanes, four were major hurricanes. This represents the third highest number of hurricanes on record in a single season and the first time on record that two consecutive hurricane seasons exhausted the list of 21 storm names.

### Loss Projections

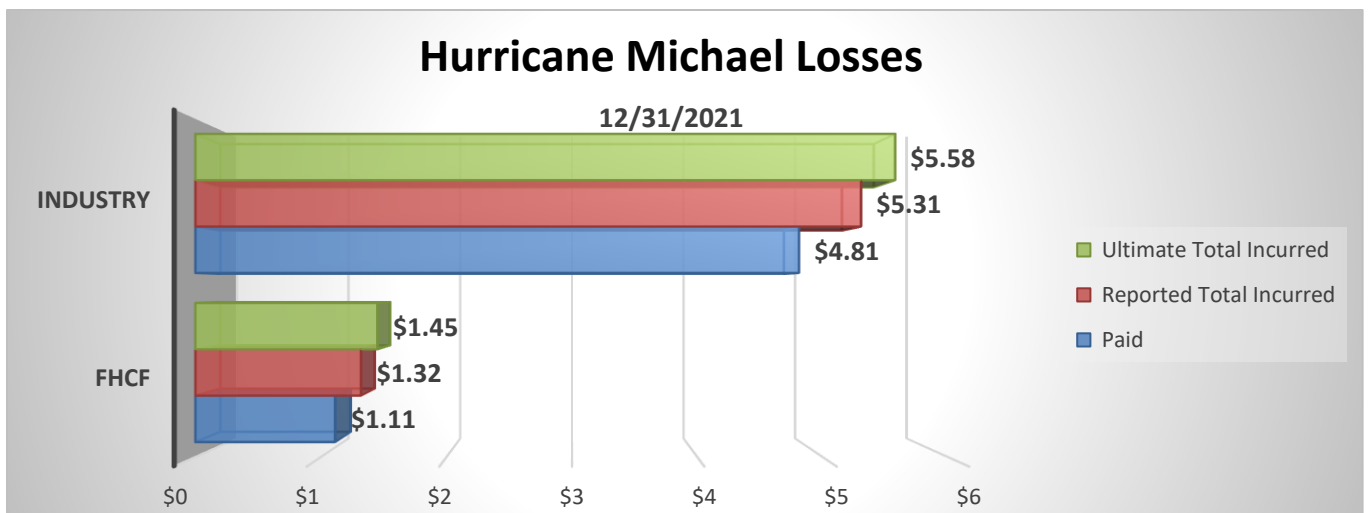
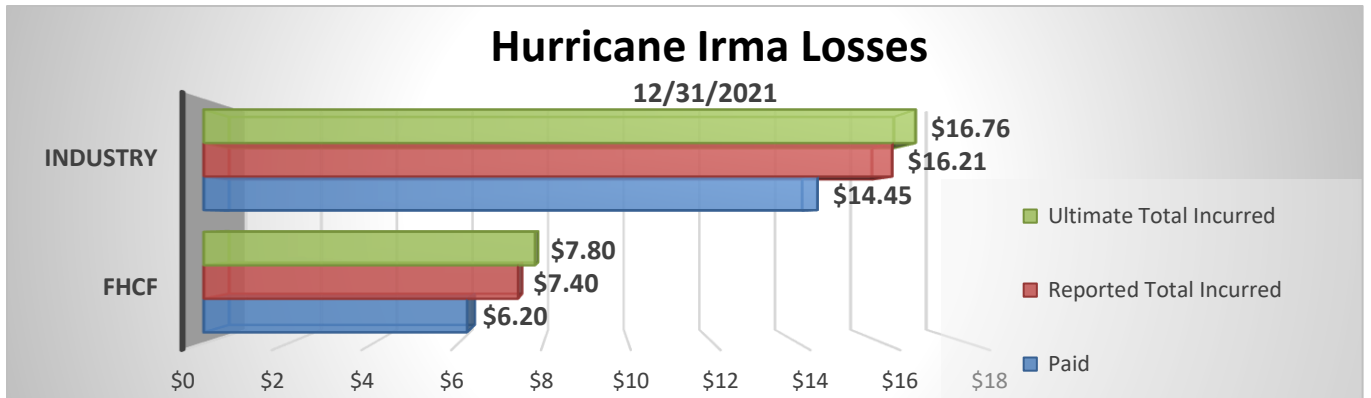
FHCF losses for Hurricane Irma (2017) were estimated at \$7.3 billion as of December 31, 2020; FHCF actuaries subsequently increased the projected ultimate Hurricane Irma loss estimate to

\$7.8 billion as of June 30, 2021. The \$11.3 billion FHCF year-end balance shown on page nine is net of the revised loss projection.

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

### Hurricane Loss Reimbursement History

**As of December 31, 2021, the FHCF has reimbursed 99 insurers for Hurricane Irma losses and 34 insurers for Hurricane Michael losses.** The following chart reflects industry losses and the amounts paid by the FHCF.





## 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 U.S. Internal Revenue Service relied on in determining the tax-exempt status of the FHCF.

**For the 2021-2022 contract year, the Legislature appropriated \$13,500,000 million, for a total amount funded since its inception of \$279,552,905.55.**





## LAWS AND RULES

Laws and rules governing the FHCF and its activities

### Florida Statutes

[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

**Refer to pages 18-20** for the history of legislative changes impacting the FHCF.

### Florida Administrative Code

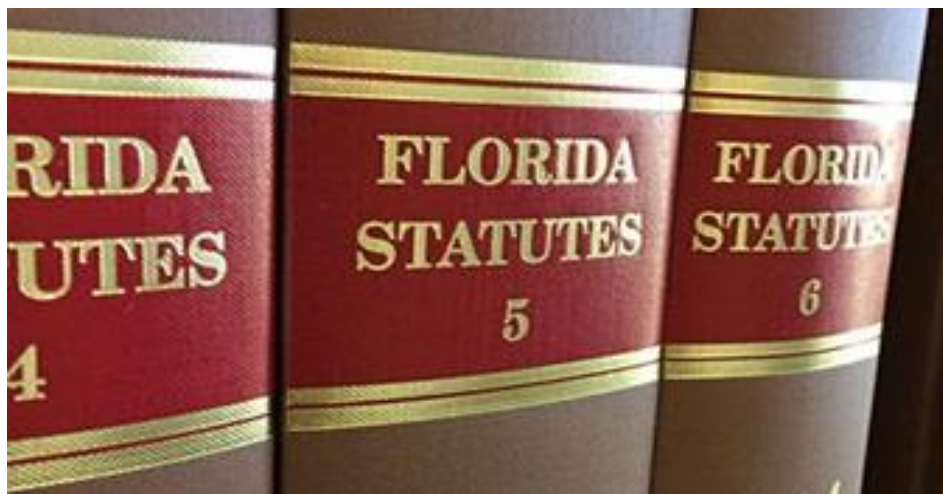
[www.sbafla.com/fhcf](http://www.sbafla.com/fhcf)

The following 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 Trustees



The Honorable Ron DeSantis  
Governor



The Honorable Ashley Moody  
Attorney General



The Honorable Jimmy Patronis  
Chief Financial Officer

## State Board of Administration



Interim Chief Executive Director and Chief Investment Officer  
Lamar Taylor\*

\*As of October 1, 2021

## 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 are available on the FHCF website, [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf).

FHCF Advisory Council Members (as of December 31, 2021)	
John F. Auer, CPCU	Representing Insurers
Chair, Kurtis R. Gurley, Ph.D.	Engineer
Bryan F. Nelson	Representing Consumers
Donald D. Brown	Representing Reinsurers
M. Campbell Cawood, CFA	Representing Consumers
Alan B. Edwards, CLU, ChFC, CFP	Representing Insurance Agents
Vice Chair, William H. Huffcut	Representing Consumers
Floyd M. Yager, FCAS, MAAA	Actuary
Vacant	Meteorologist

# Historical Information



## HISTORY OF LEGISLATIVE CHANGES

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

- |      |  |
|------|--|
| 1995 | <ul style="list-style-type: none"><li>• Tax-exempt status granted to the FHCF</li><li>• Retention and Payout Multiples created</li><li>• Three coverage options – 45%, 75%, and 90%</li><li>• Non-residential commercial property insurance excluded</li><li>• Exposure reporting date moved to September 1 for exposures existing as of June 30</li><li>• Loss reimbursement preferences provided to limited apportionment companies</li></ul>  |
| 1996 | <ul style="list-style-type: none"><li>• FHCF Finance Corporation created</li><li>• Provisions established for issuance of tax-exempt debt</li><li>• "Property and Casualty" defined for purposes of emergency assessment</li></ul>   |
| 1998 | <ul style="list-style-type: none"><li>• Advances provided to limited apportionment companies and residual market mechanisms</li></ul>  |
| 1999 | <ul style="list-style-type: none"><li>• Subsequent season capacity created</li><li>• Initial season capacity limited to \$11 billion</li><li>• 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</li><li>• Insurers' payout limited except for FRPCJUA and FWUA (now known as Citizens Property Insurance Corporation)</li><li>• Authority obtained to examine insurers' records related to covered policies and losses</li><li>• Coverage for collateral protection insurance policies excluded</li></ul>  |
| 2002 | <ul style="list-style-type: none"><li>• Coverage for additional living expense (ALE) added</li><li>• Coverage for collateral protection insurance policies added under "covered policies" if certain conditions are met</li><li>• Provision established for optional inclusion of a rapid cash build-up factor</li></ul>   |
| 2004 | <ul style="list-style-type: none"><li>• Capacity expanded by increasing emergency assessment authority sufficient to create \$15 billion of capacity and capacity to grow with exposure growth</li><li>• 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</li><li>• The increase in assessment authority additionally allowed subsequent season capacity to expand to \$15 billion</li><li>• Insurance industry aggregate retention reset to \$4.5 billion and designed to grow with exposure growth</li><li>• Emergency assessment authority increased to 6% for debt service on storms occurring in one contract year with a 10% aggregate limit for all years</li><li>• Emergency assessment base expanded to include surplus lines with provision for the insurer to collect the assessments from policyholders as premiums are paid</li><li>• Emergency assessments may be used for debt service coverage and may also be used to refinance debt</li><li>• Medical malpractice insurers excluded from emergency assessments for any covered event occurring prior to June 1, 2007</li><li>• Exemption exposure limit increased to \$10 million</li><li>• Selection of reinsurers broadened</li><li>• Rulemaking authority added to allow for interest charges on late remittances</li></ul> |



	<ul style="list-style-type: none"> <li>• Rulemaking authority added to allow for the exclusion of certain deductible buy-back and commercial residential excess policies</li> <li>• Mitigation appropriations based on the most recent fiscal year-end audited financial statements</li> <li>• Allocation of excess recoveries between Citizens Property Insurance Corporation accounts clarified</li> <li>• Flexibility provided for ALE coverage</li> <li>• Audit requirement language changed to reference "examination" in lieu of "audit"</li> </ul>
2005	<ul style="list-style-type: none"> <li>• Insurance industry aggregate retention reset to \$4.5 billion and set to grow with exposure growth</li> <li>• 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</li> </ul>
2006	<ul style="list-style-type: none"> <li>• FHCF premiums to include a 25% rapid cash build-up factor</li> <li>• 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</li> </ul>
2007	<ul style="list-style-type: none"> <li>• Mandatory 25% rapid cash build-up factor for FHCF premiums repealed</li> <li>• 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</li> <li>• 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</li> <li>• 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</li> <li>• SBA authorized with option to increase FHCF coverage limits by an additional \$4 billion</li> <li>• 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</li> <li>• 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</li> <li>• Medical malpractice insurers excluded from emergency assessments for any covered event occurring prior to June 1, 2010</li> </ul>
2008	<ul style="list-style-type: none"> <li>• 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</li> </ul>
2009	<ul style="list-style-type: none"> <li>• 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</li> <li>• 2010 Contract Year set to begin June 1 and end December 31; thereafter, contract years to begin January 1 and end December 31</li> <li>• 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</li> <li>• FHCF premiums to include a 5% cash build-up factor to increase by 5% per year until the 2013 Contract Year and 25% thereafter</li> <li>• SBA authorization to increase FHCF's optional coverage limits by an additional \$4 billion was repealed</li> <li>• 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</li> </ul>

- 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 two 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, 2021

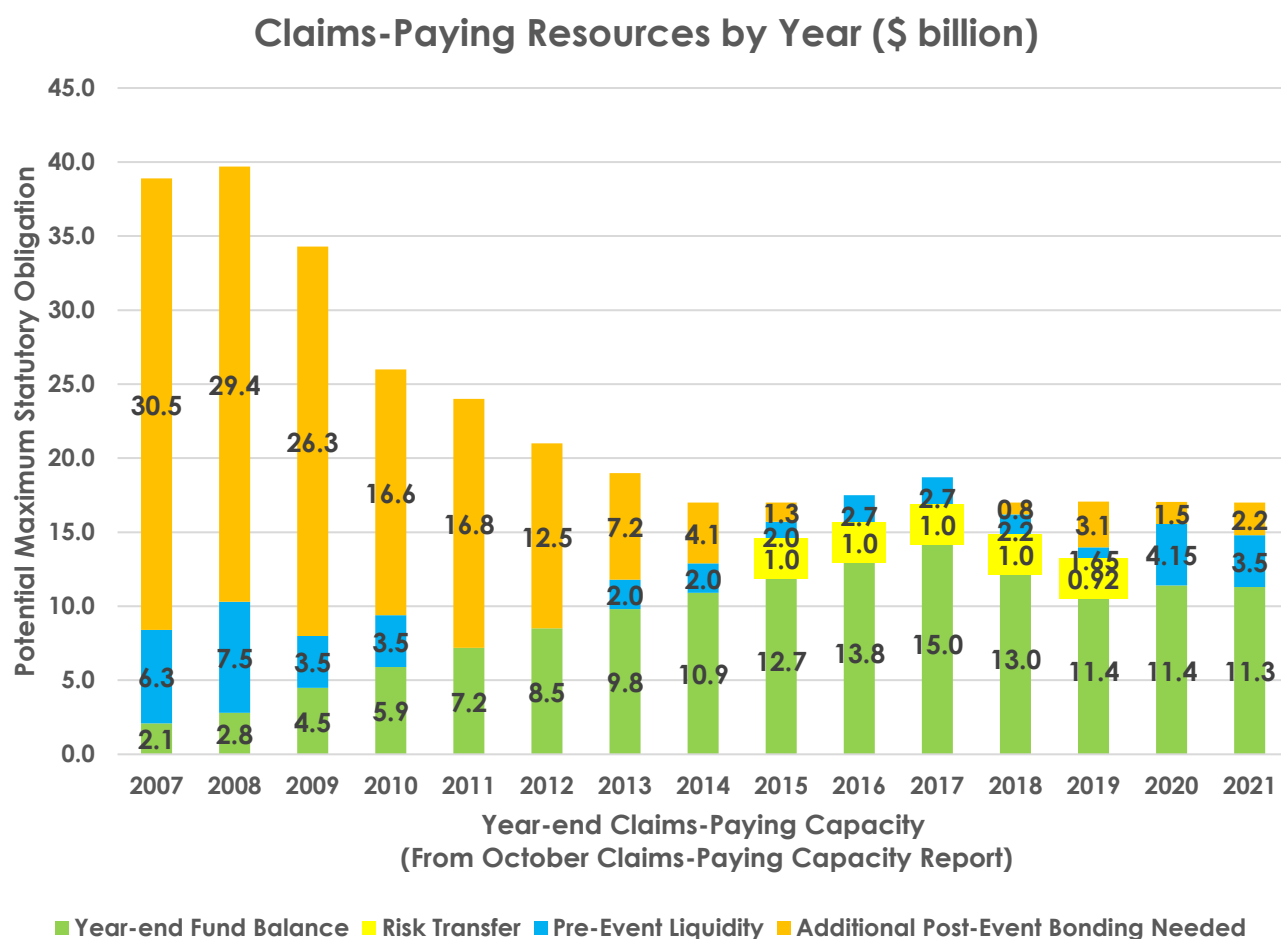
(\$ billion)

Contract Year	Number of Participating Insurers	Exposure	Reimbursement Premium	Projected Year-End Fund Balance	Aggregate Retention	Maximum FHCF 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
1999-2000	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
2020-21	157	2,499.3	1.2	11.4	7.7	17.0
2021-22	155	2,661.2	1.2	11.3	8.	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") FHCF 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 2021 contract year is based on the October 19, 2021 claims-paying capacity report.

## CLAIMS-PAYING RESOURCES



### Notes:

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

Refer to page 11 for information on debt financing, including pre-event and post-event bonding, and risk transfer.

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.

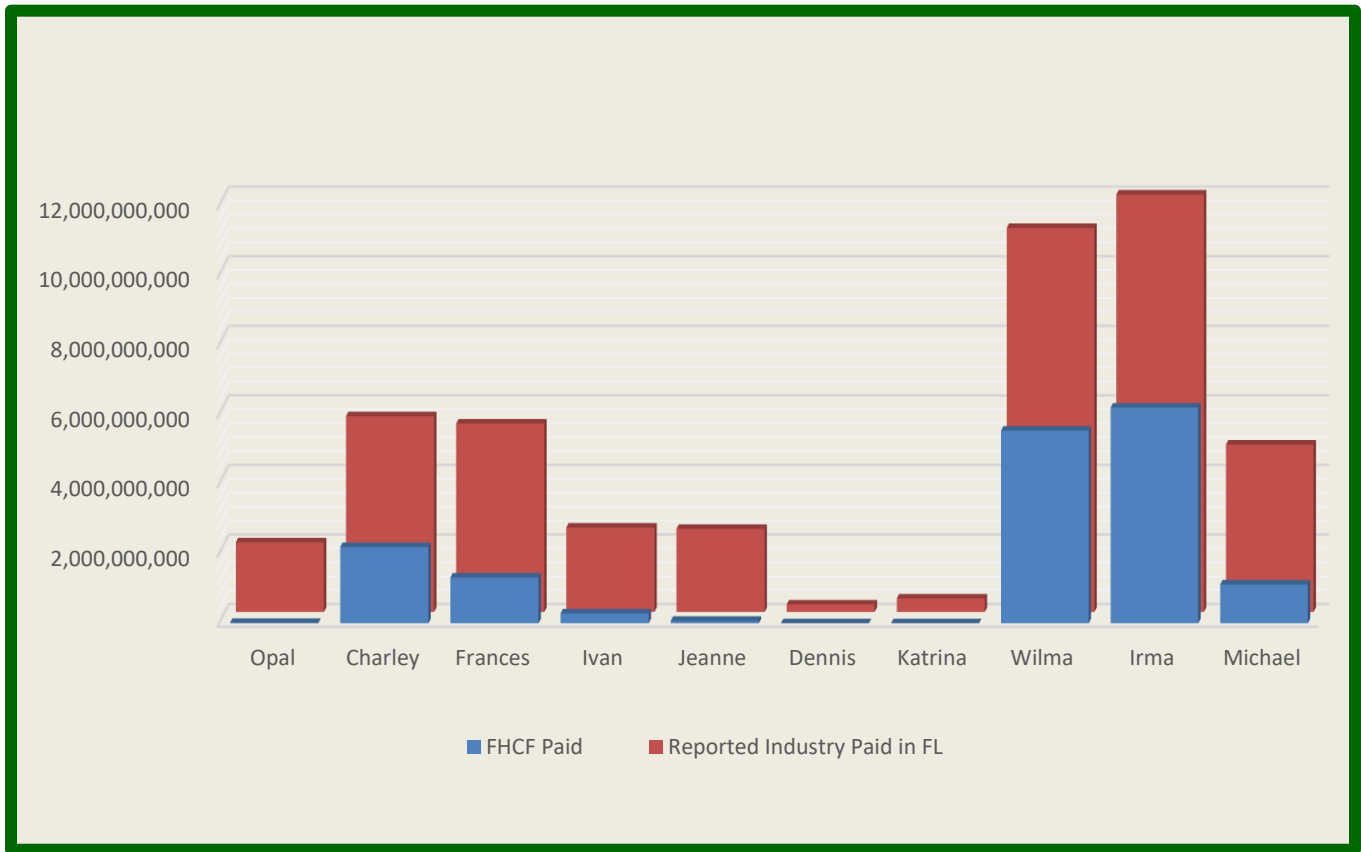
For detailed information, refer to the current and historic claims-paying capacity reports, available online at <https://www.sbafla.com/fhcf/Home/FHCFReports.aspx>

## 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%
1999-2000	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%
2020-21	157	33	21.0%	4.5%	5	3.2%	1.0%	119	75.8%	94.5%
2021-22	155	30	19.4%	4.9%	3	1.9%	0.3%	121	78.1%	94.9%



## HISTORICAL LOSSES



Name	Landfall Date	FHCF Paid	Reported Industry Paid in FL	% of Reported Paid In FL
Opal	10/4/1995	13,000,000	2,000,000,000	0.7%
Charley	8/13/2004	2,192,817,892	5,625,724,216	39.0%
Frances	9/5/2004	1,313,617,491	5,417,759,217	24.2%
Ivan	9/16/2004	283,602,146	2,427,257,517	11.7%
Jeanne	9/25/2004	69,262,522	2,388,968,705	2.9%
Dennis	7/10/2005	390,401	215,323,989	0.2%
Katrina	8/25/2005	149,992	387,786,477	0.0%
Wilma	10/23/2005	5,535,455,718	11,038,707,351	50.1%
Irma	9/10/2017	6,200,947,503	14,450,214,889	42.9%
Michael	10/10/2018	1,113,957,476	4,810,951,171	23.2%

As of 12/31/2021. Does not reflect the total value of Florida residential losses, as insurers do not report losses to the FHCF after they have reached their coverage limit.

## FHCF FUNDING FOR HURRICANE LOSS MITIGATION

<b>Fiscal Year</b>	<b>Amount Appropriated by the Florida Legislature</b>	<b>Amount Vetoed by the Governor</b>	<b>Amount Funded by the FHCF</b>
<b>1997-98</b>	\$10,000,000	\$2,822,400	\$7,177,600
<b>1998-99</b>	\$12,500,000	\$0	\$12,500,000
<b>1999-2000</b>	\$10,300,000	\$2,200,000	\$8,100,000
<b>2000-01</b>	\$12,200,000	\$0	\$12,200,000
<b>2001-02</b>	\$30,000,000	\$0	\$30,000,000
<b>2002-03</b>	\$19,075,309	\$0	\$19,075,309
<b>2003-04</b>	\$10,000,000	\$0	\$10,000,000
<b>2004-05</b>	\$10,000,000	\$0	\$10,000,000
<b>2005-06</b>	\$10,000,000	\$0	\$10,000,000
<b>2006-07</b>	\$10,000,000	\$0	\$10,000,000
<b>2007-08</b>	\$10,000,000	\$0	\$10,000,000
<b>2008-09</b>	\$10,000,000	\$0	\$10,000,000
<b>2009-10</b>	\$10,000,000	\$0	\$10,000,000
<b>2010-11</b>	\$10,000,000	\$0	\$10,000,000
<b>2011-12</b>	\$10,000,000	\$0	\$10,000,000
<b>2012-13</b>	\$10,000,000	\$0	\$10,000,000
<b>2013-14</b>	\$10,000,000	\$0	\$10,000,000
<b>2014-15</b>	\$10,000,000	\$0	\$10,000,000
<b>2015-16</b>	\$10,000,000	\$0	\$10,000,000
<b>2016-17</b>	\$10,000,000	\$0	\$10,000,000
<b>2017-18</b>	\$10,000,000	\$0	\$10,000,000
<b>2018-19</b>	\$13,500,000	\$0	\$13,500,000
<b>2019-20</b>	\$13,500,000	\$0	\$13,500,000
<b>2020-21</b>	\$13,500,000	\$0	\$13,500,000
<b>2021-22</b>	\$13,500,000	\$0	\$13,500,000
<b>TOTAL</b>	<b>\$298,075,309</b>	<b>\$5,022,400</b>	<b>\$293,052,909</b>



**STATE BOARD OF ADMINISTRATION OF FLORIDA**

**FLORIDA HURRICANE  
CATASTROPHE FUND**

**1801 HERMITAGE BOULEVARD, SUITE 100  
TALLAHASSEE, FLORIDA 32308**