

MEETING OF THE STATE BOARD OF ADMINISTRATION

**GOVERNOR SCOTT AS CHAIRMAN
CHIEF FINANCIAL OFFICER ATWATER
ATTORNEY GENERAL BONDI**

APRIL 11, 2017

AGENDA

- ITEM 1. REQUEST APPROVAL OF THE MINUTES OF THE MARCH 14, 2017 CABINET MEETING.**

(See Attachment 1A)

ACTION REQUIRED

- ITEM 2. REQUEST APPROVAL OF A FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING \$75,000,000 STATE OF FLORIDA, DEPARTMENT OF TRANSPORTATION TURNPIKE REVENUE REFUNDING BONDS, SERIES (TO BE DETERMINED)**

(See Attachments 2A-2C)

ACTION REQUIRED

- ITEM 3. REQUEST APPROVAL OF A FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING \$233,000,000 STATE OF FLORIDA, FULL FAITH AND CREDIT, STATE BOARD OF EDUCATION PUBLIC EDUCATION CAPITAL OUTLAY BONDS, 2017 SERIES (TO BE DETERMINED)**

(See Attachments 3A – 3C)

ACTION REQUIRED

- ITEM 4. REQUEST APPROVAL OF A FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING \$240,000,000 STATE OF FLORIDA, DEPARTMENT OF MANAGEMEMENT SERVICES FLORIDA FACILITIES POOL REVENUE REFUNDING BONDS, SERIES 2017A**

(See Attachments 4A – 4C)

ACTION REQUIRED

- ITEM 5. REQUEST APPROVAL OF THE STATE BOARD OF ADMINISTRATION’S 2017 CORPORATE GOVERNANCE PRINCIPLES AND VOTING GUIDELINES.**

(See Attachment 5A-5C)

ACTION REQUIRED

- ITEM 6. REQUEST APPROVAL OF THE 2017-2018 FLORIDA HURRICANE CATASTROPHE FUND REIMBURSEMENT PREMIUM FORMULA.**

See Anne Bert’s Memo Detailing Items 6 and 7 – Attachment 6

(See Attachments 6, 6A-6B)

ACTION REQUIRED

- ITEM 7. REQUEST AUTHORITY TO FILE A NOTICE OF PROPOSED RULE FOR THE FLORIDA HURRICANE CATASTROPHE FUND FOR RULE 19-8.028, F.A.C., REIMBURSEMENT PREMIUM FORMULA, AND TO FILE THIS RULE, ALONG WITH THE INCORPORATED FORM, FOR ADOPTION IF NO MEMBER OF THE PUBLIC TIMELY REQUESTS A RULE HEARING, OR IF A HEARING IS REQUESTED BUT NO NOTICE OF CHANGE IS NEEDED.**

(See Attachment 7A-7D)

ACTION REQUIRED

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STATE OF FLORIDA

IN RE: MEETING OF THE GOVERNOR AND
CABINET

CABINET MEMBERS: GOVERNOR RICK SCOTT
ATTORNEY GENERAL PAM BONDI
CHIEF FINANCIAL OFFICER
JEFF ATWATER
COMMISSIONER OF AGRICULTURE
ADAM PUTNAM

DATE: TUESDAY, MARCH 14, 2017

LOCATION: CABINET MEETING ROOM
LOWER LEVEL, THE CAPITOL
TALLAHASSEE, FLORIDA

REPORTED BY: NANCY S. METZKE, RPR, FPR
COURT REPORTER

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STATE BOARD OF ADMINISTRATION

GOVERNOR SCOTT: Okay. Next we have the State Board of Administration with Ash Williams.

First is we have the minutes. Is there a motion on the minutes of February 7th?

ATTORNEY GENERAL BONDI: So move.

GOVERNOR SCOTT: Is there a second?

CFO ATWATER: Second.

GOVERNOR SCOTT: Comments or objections?

(NO RESPONSE).

GOVERNOR SCOTT: Hearing none, the motion carries.

Item Number 2, Ben -- I mean Ash.

EXECUTIVE DIRECTOR WILLIAMS: Thank you, Governor.

Request approval of a fiscal sufficiency of an amount not exceeding \$29 million State of Florida Department of Transportation Alligator Alley Revenue Refunding Bonds.

GOVERNOR SCOTT: Why don't we go ahead and we're doing -- we're going to do Items 2, 3, 4, 5 --

ATTORNEY GENERAL BONDI: One of them -- let me make sure.

GOVERNOR SCOTT: Five is -- they're all fiscal sufficiencies.

Is there a motion?

ATTORNEY GENERAL BONDI: So moved.

GOVERNOR SCOTT: Is there a second?

CFO ATWATER: Second.

GOVERNOR SCOTT: Comments or objections?

(NO RESPONSE).

GOVERNOR SCOTT: Hearing none, the motion carries.

So we're on Item 6, fiscal determination.

EXECUTIVE DIRECTOR WILLIAMS: Thank you.

Items 6 and 7 are both fiscal determinations for the Florida Housing Finance Corporation. Item 6 is the acquisition and rehabilitation of a multi-family rental facility in Brevard County, Florida, Clear Pond Estates.

GOVERNOR SCOTT: Let's go ahead and do 7.

DIRECTOR WILLIAMS: Thank you.

Item 7, request approval of a fiscal determination. This is a Bay County project, Pelican Point Apartments.

GOVERNOR SCOTT: All right. Is there a motion on Items 6 and 7?

ATTORNEY GENERAL BONDI: So move.

GOVERNOR SCOTT: Is there a second?

CFO ATWATER: Second.

GOVERNOR SCOTT: Comments or objections?

(NO RESPONSE).

GOVERNOR SCOTT: Hearing none, the motion carries.

Item 8.

DIRECTOR WILLIAMS: Thank you.

Item 8, request approval of the SBA quarterly report required by the Protecting Florida's Investments Act. Two key places of exposure here are Sudan and Iran. In neither case, Sudan or Iran, were any companies added to either the scrutinized or continued examination category.

And in the case of Sudan, two were removed from those two lists; and in the case of Iran -- I'm sorry, in Sudan, three were removed; and in the case of Iran, two were removed.

GOVERNOR SCOTT: All right. Is there a motion on the item?

CFO ATWATER: So move.

GOVERNOR SCOTT: Is there a second?

ATTORNEY GENERAL BONDI: Second.

GOVERNOR SCOTT: Comments or objections?

(NO RESPONSE).

GOVERNOR SCOTT: Hearing none, the motion carries.

Item 9.

DIRECTOR WILLIAMS: Thank you.

Request approval for a draft letter to the Joint Legislative Auditing Committee affirming that the SBA Trustees have reviewed and approved monthly Florida Prime summary reports and actions taken, if any, for material impacts. There were no material impacts.

GOVERNOR SCOTT: All right. Is there a motion on the item?

ATTORNEY GENERAL BONDI: So move.

CFO ATWATER: Second.

GOVERNOR SCOTT: All right. Comments or objections?

(NO RESPONSE).

GOVERNOR SCOTT: Hearing none, the motion carries.

Item 10.

DIRECTOR WILLIAMS: Thank you.

Item 10, request approval of the appointment of Mr. Sean McGould to the Investment Advisory Council. Mr. McGould's bio is in the materials, and he has an outstanding private-sector

1 background.

2 ATTORNEY GENERAL BONDI: And he's my
3 appointee.

4 GOVERNOR SCOTT: Is there a motion on the
5 item?

6 ATTORNEY GENERAL BONDI: So moved.

7 GOVERNOR SCOTT: Is there a second?

8 CFO ATWATER: Second.

9 GOVERNOR SCOTT: Comments or objections?

10 (NO RESPONSE).

11 GOVERNOR SCOTT: Hearing none, the motion
12 carries.

13 DIRECTOR WILLIAMS: Thank you.

14 Item 11 is the quarterly reports pursuant to
15 Section 215 for the quarterly meetings for the SBA.
16 I would summarize these as follows: In the control
17 and compliance area, we have reports in here from
18 our Inspector General, Chief Audit Executive, Chief
19 Risk and Compliance Officer, and General Counsel.
20 In none of those documents, which are all here for
21 your reference, are there any issues of concern.

22 We likewise have a corporate governance report
23 in here which shows a continuation of our global
24 governance platform activities. We also have the
25 traditional Aon Hewitt major mandates report. I'm

1 happy to walk you through a quick summary of that
2 if you'd like it; the materials are all in the
3 book.

4 And I can also give you the as-of-last-night's
5 close --

6 GOVERNOR SCOTT: Yeah, what's the as-of --

7 EXECUTIVE DIRECTOR WILLIAMS: -- if you'd like
8 that.

9 GOVERNOR SCOTT: What's the as-of-last-night?

10 DIRECTOR WILLIAMS: The as-of-last-night
11 fiscal year to date, 8.76% return; that's six basis
12 points below target. \$149 billion in the Fund;
13 that's \$7.7 billion greater than the beginning of
14 the fiscal year. And that's net of distributions
15 of 5 billion in benefits.

16 So the aggregate growth in the Fund from
17 investment earnings would have been \$12.7 billion
18 but for those payouts. It's still a net 7.7
19 growth.

20 GOVERNOR SCOTT: All right. Thank you, Ash.

21 Any questions?

22 (NO RESPONSE).

23 GOVERNOR SCOTT: All right. This concludes
24 today's meeting. Our next meeting is April 11th.
25 Thanks, everybody.

EXECUTIVE DIRECTOR WILLIAMS: Thank you.
(WHEREUPON, THE MEETING WAS ADJOURNED).

* * * *

CERTIFICATE

STATE OF FLORIDA)
COUNTY OF LEON)

I, NANCY S. METZKE, RPR, FPR, certify that I
was authorized to and did stenographically report the
foregoing proceedings and that the transcript is a true
and complete record of my stenographic notes.

DATED this 21st day of March, 2017.

NANCY S. METZKE, RPR, FPR
Court Reporter

**STATE BOARD OF ADMINISTRATION
1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308**

TO: Ash Williams
FROM: Robert Copeland
SUBJECT: Fiscal Sufficiency
DATE: March 24, 2017

**APPROVAL OF FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING
\$75,000,000 STATE OF FLORIDA, DEPARTMENT OF TRANSPORTATION
TURNPIKE REVENUE REFUNDING BONDS, SERIES (TO BE DETERMINED):**

The Division of Bond Finance of the State Board of Administration (the "Division"), on behalf of the State of Florida Department of Transportation, has submitted for approval as to fiscal sufficiency a proposal to issue an amount not exceeding \$75,000,000 State of Florida, Department of Transportation Turnpike Revenue Refunding Bonds, Series (to be determined) (the "Bonds") for the purpose of refunding all or a portion of the outstanding Series 2008A Bonds. The Bonds will be issued pursuant to the Original Resolution adopted on October 25, 1988, as amended and restated on May 17, 2005, and the Forty-fifth Supplemental Turnpike Revenue Bond Resolution anticipated to be adopted by the Governor and Cabinet on April 11, 2017.

The Division, on behalf of the Department of Transportation, has heretofore issued Turnpike Revenue and Revenue Refunding Bonds, Series 2006A through 2016C (the "Outstanding Bonds"). The Bonds shall be issued on a parity as to source and security for payment with the Outstanding Bonds. The Bonds shall not be secured by a pledge of the full faith and credit or the taxing power of the State of Florida or any political subdivision thereof.

A study of this proposal and the estimates of revenue expected to accrue indicate that the proposed Bonds are fiscally sufficient and that the proposal will be executed pursuant to the applicable provisions of law.

RECOMMENDATION: It is recommended that the Board approve the proposal outlined above.

cc: Janie Knight

**A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION
APPROVING THE FISCAL SUFFICIENCY OF AN AMOUNT NOT
EXCEEDING \$75,000,000 STATE OF FLORIDA, DEPARTMENT OF
TRANSPORTATION TURNPIKE REVENUE REFUNDING BONDS, SERIES
(TO BE DETERMINED)**

WHEREAS, the Division of Bond Finance of the State Board of Administration (the "Division") proposes to issue an amount not exceeding \$75,000,000 State of Florida, Department of Transportation Turnpike Revenue Refunding Bonds, Series (to be determined) (the "Bonds"), on behalf of the State of Florida Department of Transportation, for the purpose of refunding all or a portion of the Series 2008A Bonds; and,

WHEREAS, the Bonds will be issued pursuant to the Original Resolution adopted on October 25, 1988, as amended and restated on May 17, 2005, and the Forty-fifth Supplemental Turnpike Revenue Bond Resolution anticipated to be adopted by the Governor and Cabinet on April 11, 2017, (together, the "Resolution"); and,

WHEREAS, the Division has requested the State Board of Administration to approve the fiscal sufficiency of the proposed bond issue as required by Section 215.73, Florida Statutes; and,

WHEREAS, the Division, on behalf of the Department of Transportation has heretofore issued Turnpike Revenue and Revenue Refunding Bonds, Series 2006A through 2016C (the "Outstanding Bonds"); and,

WHEREAS, the proposed Bonds shall be issued on a parity as to source and security for payment with the Outstanding Bonds; and,

WHEREAS, the proposed Bonds shall be secured by a first lien upon Net Revenues of the Turnpike System, which consists of all tolls, revenues, rates, fees, charges, receipts, rents or other income derived from, or in connection with, the operation of the Florida Turnpike, less any necessary contribution to fund the Cost of Maintenance and Cost of Operation after taking into account other sources of funds available to fund the Cost of Maintenance and Cost of Operation; and,

WHEREAS, the Florida Department of Transportation has covenanted to pay the Cost of Maintenance and Cost of Operation of the Turnpike System from moneys in the State Transportation Trust Fund; and,

WHEREAS, tolls are required to be fixed, and adjusted if necessary, so that gross revenues shall be sufficient to pay at least (i) 100% of Operation and Maintenance costs; (ii) 120% of the Annual Debt Service Requirement; and (iii) 100% of all other payments required by the Resolution; and,

WHEREAS, an examination of this plan of financing indicated that the same will be executed pursuant to the applicable provisions of law, and that the revenue to be used in servicing and liquidating the indebtedness to be created thereby may be reasonably expected to accrue in amounts sufficient to accomplish this purpose; and,

WHEREAS, the estimate of toll revenues available indicates that sufficient moneys can be pledged to exceed the debt service requirements of the proposed issue and that in no State fiscal year will the moneys pledged for the debt service requirement of the proposed issue be less than the required coverage amount; and,

WHEREAS, the Division has furnished sufficient information to enable the State Board of Administration to fulfill its duties pursuant to Section 215.73, Florida Statutes; and,

WHEREAS, the State Board of Administration has relied upon information from others but has not independently verified the accuracy or completeness of such information; and,

WHEREAS, the State Board of Administration does not approve or disapprove the Bonds as an investment and has not passed upon the accuracy or adequacy of the Official Statement; **Now, Therefore,**

BE IT RESOLVED, by the State Board of Administration of Florida, a constitutional body created by Section 4 of Article IV of the Constitution of the State of Florida, as revised in 1968 and subsequently amended, that pursuant to the requirements of Section 215.73, Florida Statutes, the proposal of the Division of Bond Finance of the State Board of Administration to issue an amount not exceeding \$75,000,000 State of Florida, Department of Transportation Turnpike Revenue Refunding Bonds, Series (to be determined) for the uses and purposes hereinabove set forth, is hereby approved as to fiscal sufficiency.

ADOPTED April 11, 2017

STATE OF FLORIDA)
 :
COUNTY OF LEON)

I, **Ashbel C. Williams**, Executive Director & CIO of the State Board of Administration of Florida, a constitutional body described in Section 4 of Article IV of the Constitution of the State of Florida, as revised in 1968 and subsequently amended, **DO HEREBY CERTIFY** that the above and foregoing is a true and correct copy of a resolution adopted by said Board at a meeting held April 11, 2017, approving the fiscal sufficiency of an amount not exceeding \$75,000,000 State of Florida, Department of Transportation Turnpike Revenue Refunding Bonds, Series (to be determined).

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of said Board at Tallahassee, Leon County, Florida, this 11th day of April 2017.

Ashbel C. Williams, Executive Director & CIO

(SEAL)

**STATE BOARD OF ADMINISTRATION
1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308**

TO: Ash Williams
FROM: Robert Copeland
SUBJECT: Fiscal Sufficiency
DATE: March 24, 2017

APPROVAL OF FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING \$233,000,000 STATE OF FLORIDA, FULL FAITH AND CREDIT, STATE BOARD OF EDUCATION PUBLIC EDUCATION CAPITAL OUTLAY BONDS, 2017 SERIES (TO BE DETERMINED):

The Division of Bond Finance of the State Board of Administration (the "Division"), on behalf of the State Board of Education, has submitted for approval as to fiscal sufficiency a proposal to issue an amount not exceeding \$233,000,000 Public Education Capital Outlay Bonds, 2016 Series (to be determined) (the "Bonds") for the purpose of financing capital outlay projects for the State System of Public Education in Florida authorized by the 2016 Legislature, and to pay certain costs of issuance; provided, however, that none of the said Bonds shall be issued in excess of the amount which can be issued in full compliance with the State Bond Act and other applicable provisions of law, and pursuant to Section 9(a)(2), Article XII of the Constitution of Florida, as amended. The Bonds will be issued in one or more series pursuant to an authorizing resolution adopted by the State Board of Education on July 21, 1992, and the Sixty-second Supplemental Authorizing Resolution and a sale resolution adopted by the State Board of Education on July 21, 2016.

The State Board of Education has heretofore issued Public Education Capital Outlay and Public Education Capital Outlay Refunding Bonds, 1999 Series D through 2016 Series F (the "Outstanding Bonds"). The State Board of Administration has approved the fiscal sufficiency of an amount not exceeding \$540,000,000 Public Education Capital Outlay Refunding Bonds, 2016 Series (to be determined) (the "2016 Series Refunding Bonds") at its May 10, 2016, meeting, of which \$232,010,000 remains unissued. The State Board of Administration has approved the fiscal sufficiency of an amount not exceeding \$52,000,000 Public Education Capital Outlay Bonds, 2016 Series (to be determined) (the "2016 Series New Money Bonds") at its August 2, 2016, meeting, of which \$5,565,000 remains unissued. The proposed Bonds shall be issued on a parity as to lien on and source and security for payment from the Gross Receipts Taxes with the Outstanding Bonds, and when and if issued, the remaining portion of the 2016 Series Refunding Bonds and the 2016 Series New Money Bonds.

A study of this proposal and the estimates of revenue expected to accrue indicate that the proposed Bonds are fiscally sufficient and that the proposal will be executed pursuant to the applicable provisions of law.

RECOMMENDATION: It is recommended that the Board approve the proposal outlined above.

cc: Janie Knight

**A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION
APPROVING THE FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING
\$233,000,000 STATE OF FLORIDA, FULL FAITH AND CREDIT, STATE BOARD OF
EDUCATION PUBLIC EDUCATION CAPITAL OUTLAY BONDS,
2017 SERIES (TO BE DETERMINED)**

WHEREAS, the State Board of Education of Florida proposes to issue an amount not exceeding \$233,000,000 Public Education Capital Outlay Bonds, 2017 Series (to be determined) (the "Bonds") for the purpose of financing capital outlay projects for the State System of Public Education in Florida authorized by the 2016 Legislature, and to pay certain costs of issuance; provided, however, that none of the said Bonds shall be issued in excess of the amount which can be issued in full compliance with the State Bond Act and other applicable provisions of law, and pursuant to Section 9(a)(2), Article XII of the Constitution of Florida, as amended; and,

WHEREAS, the Bonds will be issued in one or more series pursuant to an authorizing resolution adopted by the State Board of Education on July 21, 1992, and the Sixty-second Supplemental Authorizing Resolution and a sale resolution adopted by the State Board of Education on July 21, 2016; and,

WHEREAS, the proposed Bonds shall be secured by a lien upon the Gross Receipts Taxes which are required to be deposited in the Public Education Capital Outlay and Debt Service Trust Fund administered by the State Board of Education of Florida (the "Gross Receipts Taxes"), and the Bonds are additionally secured by a pledge of the full faith and credit of the State of Florida; and,

WHEREAS, the State Board of Education has heretofore issued Public Education Capital Outlay and Public Education Capital Outlay Refunding Bonds, 1999 Series D through 2016 Series F (the "Outstanding Bonds"); and,

WHEREAS, the State Board of Administration has approved the fiscal sufficiency of an amount not exceeding \$540,000,000 Public Education Capital Outlay Refunding Bonds, 2016 Series (to be determined) (the "2016 Series Refunding Bonds") at its May 10, 2016, meeting, of which \$232,010,000 remains unissued; and,

WHEREAS, the State Board of Administration has approved the fiscal sufficiency of an amount not exceeding \$52,000,000 Public Education Capital Outlay Bonds, 2016 Series (to be determined) (the "2016 Series New Money Bonds") at its August 2, 2016, meeting, of which \$5,565,000 remains unissued; and

WHEREAS, the proposed Bonds shall be issued on a parity as to lien on and source and security for payment from the Gross Receipts Taxes with the Outstanding Bonds, and when and if issued, the remaining portion of 2016 Series Refunding Bonds and the 2016 Series New Money Bonds; and,

WHEREAS, the Division of Bond Finance has furnished sufficient information to enable the State Board of Administration to fulfill its duties pursuant to Section 215.73, Florida Statutes; and,

WHEREAS, the State Board of Administration has relied upon information from others but has not independently verified the accuracy or completeness of such information; and,

WHEREAS, the State Board of Administration does not approve or disapprove the Bonds as an investment and has not passed upon the accuracy or adequacy of the Official Statement; **Now, Therefore,**

BE IT RESOLVED, by the State Board of Administration of Florida, a constitutional body as described in Section 4 of Article IV of the Constitution of the State of Florida, as revised in 1968 and subsequently amended, that pursuant to the requirements of Section 215.73, Florida Statutes, that the proposal of the State Board of Education of Florida to issue an amount not exceeding \$233,000,000 Public Education Capital Outlay Bonds, 2017 Series (to be determined), is hereby approved as to fiscal sufficiency.

ADOPTED April 11, 2017

STATE OF FLORIDA)

:

COUNTY OF LEON)

I, Ashbel C. Williams, Executive Director & CIO of the State Board of Administration of Florida, a constitutional body described in Section 4 of Article IV of the Constitution of the State of Florida, as revised in 1968 and subsequently amended, **DO HEREBY CERTIFY** that the above and foregoing is a true and correct copy of a resolution adopted by said Board at a meeting held April 11, 2017, approving the fiscal sufficiency of an amount not exceeding \$233,000,000 State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2017 Series (to be determined).

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of said Board at Tallahassee, Leon County, Florida this 11th day of April 2017.

Ashbel C. Williams, Executive Director & CIO

(SEAL)

**STATE BOARD OF ADMINISTRATION
1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308**

TO: Ash Williams
FROM: Robert Copeland
SUBJECT: Fiscal Sufficiency
DATE March 24, 2017

**APPROVAL OF FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING
\$240,000,000 STATE OF FLORIDA, DEPARTMENT OF MANAGEMENT SERVICES,
FLORIDA FACILITIES POOL REVENUE REFUNDING BONDS, SERIES 2017A:**

The Division of Bond Finance of the State Board of Administration (the "Division") has submitted for approval as to fiscal sufficiency a proposal to issue an amount not exceeding \$240,000,000 State of Florida, Department of Management Services, Florida Facilities Pool Revenue Refunding Bonds, Series 2017A (the "Bonds"), on behalf of the State of Florida Department of Management Services. The Bonds are being issued for the purpose of refunding all or a portion of the outstanding Series 1998A, 1998B, 1999A, 2002A, 2003A, 2005A, 2007A and 2008A Bonds. The Bonds will be issued in one or more series pursuant to the Original Resolution adopted by the Governor and Cabinet on May 20, 1986, as amended and supplemented, and the Thirtieth Supplemental Resolution anticipated to be adopted by the Governor and Cabinet on April 11, 2017.

The Department of Management Services has heretofore issued Florida Facilities Pool Revenue and Revenue Refunding Bonds, Series 1998A through 2008A (the "Outstanding Bonds"). The State Board of Administration has approved the fiscal sufficiency of an amount not exceeding \$71,000,000 Florida Facilities Pool Revenue Refunding Bonds, Series 2010A (the "Series 2010A Bonds") at its August 26, 2010, meeting, of which \$71,000,000 remains unissued. The Division has requested the State Board of Administration to rescind its approval of fiscal sufficiency with respect to the \$71,000,000 remaining portion of the Series 2010A Bonds. The proposed Bonds shall be issued on a parity with the Outstanding Bonds as to source and security for payment. The Bonds shall not be secured by a pledge of the full faith and credit or the taxing power of the State of Florida or any political subdivision thereof.

A study of this proposal and the estimates of revenue expected to accrue indicate that the proposed Bonds are fiscally sufficient and that the proposal will be executed pursuant to the applicable provisions of law.

RECOMMENDATION: It is recommended that the Board approve the proposal outlined above.

cc: Janie Knight

**A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION
APPROVING THE FISCAL SUFFICIENCY OF AN AMOUNT NOT
EXCEEDING \$240,000,000 STATE OF FLORIDA, DEPARTMENT OF MANAGEMENT
SERVICES, FLORIDA FACILITIES POOL REVENUE REFUNDING BONDS,
SERIES 2017A**

WHEREAS, the Division of Bond Finance of the State Board of Administration (the "Division") proposes to issue an amount not exceeding \$240,000,000 State of Florida, Department of Management Services, Florida Facilities Pool Revenue Refunding Bonds, Series 2017A (the "Bonds"), on behalf of the State of Florida Department of Management Services, for the purpose of refunding all or a portion of the outstanding Series 1998A, 1998B, 1999A, 2002A, 2003A, 2005A, 2007A and 2008A Bonds; and,

WHEREAS, Article VII, Section 11(d) of the Constitution of the State of Florida provides that revenue bonds may be issued by the State or its agencies without a vote of the electors to finance or refinance the cost of State fixed capital outlay projects authorized by law, and purposes incidental thereto, and shall be payable solely from funds derived directly from sources other than State tax revenues; and,

WHEREAS, The Bonds will be issued in one or more series pursuant to the Original Resolution adopted by the Governor and Cabinet on May 20, 1986, as amended and supplemented, and the Thirtieth Supplemental Resolution anticipated to be adopted by the Governor and Cabinet on April 11, 2017; and,

WHEREAS, The Department of Management Services has heretofore issued Florida Facilities Pool Revenue and Revenue Refunding Bonds, Series 1998A through 2008A (the "Outstanding Bonds"); and,

WHEREAS, the State Board of Administration has approved the fiscal sufficiency of an amount not exceeding \$71,000,000 Florida Facilities Pool Revenue Refunding Bonds, Series 2010A (the "Series 2010A Bonds") at its August 26, 2010, meeting, of which \$71,000,000 remains unissued; and,

WHEREAS, the Division has requested the State Board of Administration to rescind its approval of fiscal sufficiency with respect to the \$71,000,000 remaining portion of the Series 2010A Bonds; and

WHEREAS, the proposed Bonds shall be issued on a parity with the Outstanding Bonds as to source and security for payment; and,

WHEREAS, the primary source of revenue for payment of the Bonds is the Pool Pledged Revenues, which consist of all legislative appropriations and all fees, charges, revenues or receipts derived from the operations, leasing, or other disposition of Facilities in the Florida Facilities Pool created pursuant to the Florida Building and Facilities Act; and,

WHEREAS, an examination of this plan of financing indicated that the same will be executed pursuant to the applicable provisions of law, and that the revenue to be used in servicing and liquidating the indebtedness to be created thereby may be reasonably expected to accrue in amounts sufficient to accomplish this purpose; and,

WHEREAS, the Division has furnished sufficient information to enable the State Board of Administration to fulfill its duties pursuant to Section 215.73, Florida Statutes; and,

WHEREAS, the State Board of Administration has relied upon information from others but has not independently verified the accuracy or completeness of such information; and,

WHEREAS, the State Board of Administration does not approve or disapprove the Bonds as an investment and has not passed upon the accuracy or adequacy of the Official Statement; **Now, Therefore,**

BE IT RESOLVED, by the State Board of Administration, a constitutional body created under Section 4 of Article IV of the revised Florida Constitution of 1968, as amended, that the proposal of the Division of Bond Finance of the State Board of Administration to issue an amount not exceeding \$240,000,000 State of Florida, Department of Management Services, Florida Facilities Pool Revenue Refunding Bonds, Series 2017A for the uses and purposes hereinabove set forth, is hereby approved as to fiscal sufficiency. In addition, the approval of fiscal sufficiency with respect to the unissued portion of the \$71,000,000 Florida Facilities Pool Revenue Refunding Bonds, Series 2010A approved on August 26, 2010, is hereby rescinded.

ADOPTED April 11, 2017

STATE OF FLORIDA)
:
COUNTY OF LEON)

I, Ashbel C. Williams, Executive Director & CIO of the State Board of Administration of Florida, a constitutional body described in Section 4 of Article IV of the Constitution of the State of Florida, as revised in 1968 and subsequently amended that the above and foregoing is a true and correct copy of a resolution adopted by said Board at a meeting held April 11, 2017, approving the fiscal sufficiency of an amount not exceeding \$240,000,000 State of Florida, Department of Management Services, Florida Facilities Pool Revenue Refunding Bonds, Series 2017A.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of said Board at Tallahassee, Leon County, Florida, this 11th day of April 2017.

Ashbel C. Williams, Executive Director & CIO

(SEAL)



**STATE BOARD OF ADMINISTRATION
OF FLORIDA**

**1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308
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**RICK SCOTT
GOVERNOR
CHAIR**

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MEMORANDUM

To: Ash Williams
From: Michael McCauley
Cc: Dennis MacKee
Date: March 29, 2017
Subject: 2017 Proposed Amendments to SBA Corporate Governance Principles & Proxy Voting Guidelines

Consistent with the requirements of SBA policy #10-015 and policy #10-007, staff annually reviews the corporate governance principles and proxy voting guidelines affecting publicly traded securities within SBA portfolios. As part of the 2017 policy review, several minor changes are proposed to update individual policies and incorporate clarifying language in several items. There are no new voting guidelines proposed for adoption in 2017. Attached is a summary of the proposed changes and the full policy document, with tracked changes showing all changes made to the current 2016 guideline document.

Pursuant to Policy 10-007, there is created a Corporate Governance and Proxy Voting Oversight Group ("Proxy Committee") which deliberates on specific proxy voting activities, advises on the development of governance policies and related voting guidelines, and monitors other governance initiatives. The Proxy Committee has reviewed and approved the proposed policy amendments for application during the 2017 proxy year.

Managing stock ownership rights and the proxy vote includes the establishment of written proxy voting guidelines, which must include voting policies on issues likely to be presented, procedures for determining votes that are not covered or which present conflicts of interest for plan sponsor fiduciaries, procedures for ensuring that all shares held on record date are voted, and procedures for documentation of voting records. In accordance with national regulations, stock ownership rights, which include proxy votes, participation in corporate bankruptcy proceedings, and shareowner litigation, are financial assets. They must be managed with the same care, skill, prudence, and diligence as any other financial asset and exercised to protect and enhance long-term portfolio value, for the exclusive benefit of our pension plan participants, clients, and beneficiaries.

Summary of Proposed Changes

2017 SBA Proxy Voting Guidelines

Under “Election of directors”:

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[When a company goes public with a dual or multi-class share structure without a sunset provision on unequal voting rights such as in the case of an IPO or spin-off, SBA may withhold votes from or vote against directors.](#)

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[Restricting shareowner rights or failing to sufficiently act on shareowner input -- such as ignoring a shareowner proposal that received majority support of votes cast or attempting to block or limit the ability of shareowners to file precatory or binding proposals or adopt or amend bylaws.](#)

Under “Dual Class Stock Authorization”:

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[SBA may also withhold votes or cast votes against the election of directors in cases where a company completes an IPO with a dual or multi-class share structure without a reasonable sunset provision on the unequal voting rights.](#)

Under “Adopt or Amend Stock Award or Option Plan”:

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- Dividend payments are made [or allowed to accrue](#) on unvested or unearned awards

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About the SBA

The State Board of Administration (SBA) of Florida is an agency of Florida state government that provides a variety of investment services to governmental entities. The SBA has three Trustees: the Governor, as Chairman, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary. All three of the Trustees of the Board are elected statewide to their respective positions as Governor, Chief Financial Officer, and Attorney General. SBA Trustees are dedicated to ensuring that the SBA invests assets and discharges its duties in accordance with Florida law, guided by strict policies and a code of ethics to ensure integrity, prudent risk management and top-tier performance. The Board of Trustees appoints nine members to serve on the Investment Advisory Council (IAC) and six members to serve on the Participant Local Government Advisory Council (PLGAC). The IAC provides independent oversight of SBA's funds and major investment responsibilities, and the PLGAC provides member oversight for Florida PRIME™, a governmental investment pool.

The SBA is an investment fiduciary under law, and subject to the stringent fiduciary duties and standards of care defined by the Employee Retirement Income Security Act of 1974 (ERISA), as incorporated into Florida law. ~~As of December 31, 2015, the net asset value of total funds under SBA management was approximately \$185 billion.~~ The SBA strives to meet the highest ethical, fiduciary and professional standards while performing its mission, with a continued emphasis on keeping operating and investment management costs as low as possible for the benefit of Florida taxpayers.

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INTRODUCTION

The Florida State Board of Administration (SBA) manages the fourth largest U.S. pension fund and other non-pension trust funds with assets spanning domestic and international capital markets. Our primary function is to represent the interests of our beneficiaries so that they will see fair returns on their investment; therefore, we have a clear interest in promoting the success of companies in which we invest. To ensure returns for our beneficiaries, we support the adoption of internationally recognized governance structures for public companies. This includes a basic and unabridged set of shareowner rights, strong independent boards, performance-based executive compensation, accurate accounting and audit practices, and transparent board procedures and policies covering issues such as succession planning and meaningful shareowner participation. All proposals are evaluated through a common lens by considering both how the proposal might impact the company's financial health as well as its impact on shareowner rights.

Corporate Governance Principles

The SBA believes that, as a long-term investor, good corporate governance practices serve to protect and enhance our long-term portfolio values.¹ In accordance with the Department of Labor Interpretive Bulletin §2509.08-2, stock ownership rights, which include proxy votes, participation in corporate bankruptcy proceedings, and shareowner litigation, are financial assets. They must be managed with the same care, skill, prudence, and diligence as any other financial asset and exercised to protect and enhance long-term portfolio value, for the exclusive benefit of our pension plan participants, clients, and beneficiaries. Pursuant to the provisions set forth in the Employment Retirement Income Security Act of 1974, this is generally referred to as the "duty of loyalty" or the "exclusive purpose" rule. Under this rule, fiduciaries, defined as any person who, in part, "exercises any discretionary authority or discretionary control respecting management of such plan or exercises any authority or control respecting management or disposition of its assets" must act solely in the interest of plan participants and beneficiaries in making decisions concerning the management or disposition of plan assets.² While the SBA is exempt from most provisions of ERISA, we agree with this treatment of the value of proxy voting rights and follow the standard as a part of our fiduciary duty. Section 215.47(10) of the Florida Statutes encompass the prudent persons standards and fiduciary responsibilities of the SBA and its employees.

Another significant regulation affecting proxy voting is the U.S. Securities & Exchange Commission's (SEC) Rule 206(4)-6 under the Investment Advisors Act, promulgated in 2003. This SEC Rule made it, "fraudulent for an investment adviser to exercise proxy voting authority without having procedures reasonably designed to ensure that the adviser votes in the best interest of its clients. In the rule's adopting release, the SEC confirmed that an adviser owes fiduciary duties of care and loyalty to its clients with

¹ CFA Centre for Financial Market Integrity, "The Corporate Governance of Listed Companies: A Manual for Investors," 2009.

² Lannof, Ian D., "DOL Advisory Opinion 2007-07A." Groom Law Group, February 2008.

respect to all services undertaken on its client's behalf, including proxy voting."³ The adopting release states, "The duty of care requires an adviser with proxy voting authority to monitor corporate events and to vote the proxies. To satisfy its duty of loyalty, the adviser must cast the proxy votes in a manner consistent with the best interest of its clients and must not subrogate client interests for its own."⁴

In 2014, the SEC issued a staff legal bulletin, providing guidance on investment advisers' responsibilities in voting client proxies and retaining proxy advisory firms, as well as on the availability and requirements of two exemptions to the federal proxy rules that are often relied upon by proxy advisory firms. In the Bulletin, the SEC outlined several new requirements for proxy advisors, including: 1) requirements to disclose significant relationships or material interests to the recipient of the advice; 2) clarified that advisors are not required to register with the SEC; and 3) clarified that advisors are not required to provide publicly-traded companies time to review proxy advisers' voting recommendations prior to client distribution. Additionally, the SEC outlined several new requirements for fund managers, including: 1) requirements to review their proxy voting policies at least annually to ensure proxies are voted in the best interests of investor clients; 2) requirements to determine whether the proxy advisers they use have the capacity and competency to adequately analyze proxy issues; and 3) clarified that investment advisers that vote client shares are not required to vote all proxies or all proposals on ballots (clarifying SEC Rule 206(4)-6, and confirming existing Department of Labor (DOL) Interpretive Bulletin §2509.08-2).⁵

[In 2016, the SEC issued Interpretive Bulletin 2016-1 which emphasized that a fiduciary's obligation to manage plan assets prudently extends to proxy voting, and that it is appropriate for plan fiduciaries to incur reasonable expenses in fulfilling those fiduciary obligations.](#)

Managing stock ownership rights and the proxy vote includes the establishment of written proxy voting guidelines, which must include voting policies on issues likely to be presented, procedures for determining votes that are not covered or which present conflicts of interest for plan sponsor fiduciaries, procedures for ensuring that all shares held on record date are voted, and procedures for documentation of voting records. The following corporate governance principles and proxy voting guidelines are primarily designed to cover publicly traded equity securities. Other investment forms, such as privately held equity, limited liability corporations, privately held REITs, etc., are not specifically covered by individual guidelines, although broad application of the principles and guidelines can be used for these more specialized forms of equity investments.

³ The Conference Board, "The Separation of Ownership from Ownership," 2013.

⁴ "Proxy Voting by Investment Advisers," SEC Final Rule adopted January 31, 2003, effective April 14, 2003; www.sec.gov/rules/final/ia-2106.htm.

⁵ Securities & Exchange Commission, Staff Legal Bulletin No. 20, "Proxy Voting: Proxy Voting Responsibilities of Investment Advisers and Availability of Exemptions from the Proxy Rules for Proxy Advisory Firms," June 30, 2014.

The primary role of shareowners within the corporate governance system is in some ways limited, although critical. Shareowners have the duty to communicate with management and encourage them to align their processes with corporate governance best practices. This means shareowners have two primary obligations: 1) to monitor the performance of the company and 2) to protect their right to act when it is necessary.

In the 1930's, Benjamin Graham and David Dodd succinctly described the agenda for corporate governance activity by stating that shareowners should focus their attention on matters where the interest of the officer and the stockholders may be in conflict. This includes questions about preserving the full integrity and value of the characteristics of ownership appurtenant to shares of common stock. For example, the right to vote may be diluted by a classified board or by dual class capitalization, and the right to transfer the stock to a willing buyer at a mutually agreeable price may be abrogated by the adoption of a poison pill.

Since management and board composition change over time, while shareowners continue their investment, shareowners must ensure that the corporate governance structure of companies will allow them to exercise their ownership rights permanently. Good corporate management is not an excuse or rationale upon which institutional investors may relinquish their ownership rights and responsibilities. The proxy voting system must be an even playing field. Neither management nor shareowners should be able to dominate or influence voting dynamics. A 2006 article analyzed the corporate governance implications of the decoupling of voting power and economic ownership through methods such as vote trading and equity swaps, methods largely hidden from public view and not captured by current regulation or disclosure rules. This method has been used by finance-savvy activist hedge funds, for example, who have borrowed shares just before the record date in order to better support proposals they favor, reversing the transactions after the record date. The SBA believes that enhanced disclosure rules are critical to reveal hidden control of voting power.⁶

Management needs protection from the market's frequent focus on the short-term in order to concentrate on long-term returns, productivity, and competitiveness. Shareowners need protection from coercive takeover tactics and directors with personal agendas. Ideal governance provisions should provide both sides with adequate protection. They should be designed to give management the flexibility and continuity it needs to make long-term plans, to permit takeover bids in cases where management performance is depressing long-term value, to ensure that management is accountable to shareowners, and to prevent coercive offers that force shareowners to take limited short-term gains.

A study on shareowner activism and corporate governance in the United States found that shareowner opposition has slowed the spread of takeover defenses, such as staggered boards, that require share-

⁶ Hu, Henry T.C. and Black, Bernard S., "Empty Voting and Hidden (Morphable) Ownership: Taxonomy, Implications, and Reforms". As published in *Business Lawyer*, Vol. 61, pp. 1011-1070, 2006 Available at SSRN: <http://ssrn.com/abstract=887183>. Also, Christoffersen, S.E.K., Geczy, C.C., Musto, D.K., and Reed, A.V. 2006, "Vote Trading and Information Aggregation."

owner approval. However, shareowners have failed in their efforts to get companies to roll back takeover defenses and, perhaps more importantly, managers frequently ignore even a majority shareowner vote in favor of a proposal.⁷

Global Standards of Corporate Governance

The SBA believes strongly that good corporate governance practices are important to encourage investments in countries and companies in a globalized economy where gaining access to capital markets is increasingly viewed as critical. Empirical evidence demonstrates the relationship between corporate valuation and corporate governance structures, finding that foreign institutional investors invested lower amounts in firms with higher insider control, lower transparency, and are domiciled in countries with weak investor protections.⁸ A comparative analysis of corporate governance in US and international firms shows that the ability of controlling shareowners to extract private benefits is strongly determined by a country's investor protection. Thus, if investor protection is weaker, improvements in firm-level governance will be costlier for the controlling shareowner.⁹

Over the last several years, many countries, international organizations, and prominent institutional investors have developed and implemented international policies on corporate governance and proxy voting issues (e.g., the Organization for Economic Co-operation and Development, and the International Corporate Governance Network).¹⁰ Many of these promulgated guidelines recognize that each country need not adopt a "one-size-fits-all" code of practice. However, SBA expects all capital markets to exhibit basic and fundamental structures that include the following:

1. Corporate Objective

The overriding objective of the corporation should be to optimize the returns to its shareowners over time. Where other considerations affect this objective, they should be clearly stated and disclosed. To achieve this objective, the corporation should endeavor to ensure the long-term viability of its business, and to manage effectively its relationship with stakeholders.

2. Communications & Reporting

Corporations should disclose accurate, adequate and timely information, in particular meeting market guidelines where they exist, so as to allow investors to make informed decisions about the acquisition, ownership obligations and rights, and sale of shares. Material developments and foreseeable risk factors, and matters related to corporate governance should be routinely disseminated to shareowners. Shareowners, the board, and management should discuss corporate governance issues. Where appro-

⁷ Black, B., 1998. "Shareowner Activism and Corporate Governance in the United States."

⁸ Christian Leuz, Karl V. Lins, and Francis E. Warnock, "Do Foreigners Invest Less in Poorly Governed Firms?" The Review of Financial Studies, 22 (2009).

⁹ Aggraval, Reena et al, 2007, "Differences in Governance Practices between US and Foreign Firms: Measurement, Causes, and Consequences", Charles A. Dice Center for Research in Financial Economics, Working Paper 2007-14.

¹⁰ Organization for Economic Co-operation & Development (OECD), "Corporate Governance Factbook," February 2014.

priate, these parties should converse with government and regulatory representatives, as well as other concerned bodies, so as to resolve disputes, if possible, through negotiation, mediation, or arbitration. For example, investors should have the right to sponsor resolutions and convene extraordinary meetings. Formal procedures outlining how shareowners can communicate with board members should be implemented at all companies and be clearly disclosed.

3. Voting Rights

Corporations' ordinary shares should feature one vote for each share. Corporations should act to ensure the owners' rights to vote and apply this principle to all shareowners regardless of their size. Shareowners should be able to vote in person or in absentia, and equal effect should be given to votes whether cast in person or absentia. Votes should be cast by custodians or nominees, in a manner agreed upon with the beneficial owner of the shares. Impediments to cross border voting should be eliminated. Minority shareholders should be protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and should have effective means of redress.¹¹

4. Corporate Boards

The Board of Directors, or Supervisory Board, as an entity, and each of its members, as individuals, is a fiduciary for all shareowners, and they should be accountable to the shareowner body as a whole. Each member should stand for election on a regular basis, preferably with annual election cycles. Corporations should disclose upon appointment to the board, and thereafter in each annual report or proxy statement, information on the identities, core competencies, professional or other backgrounds, factors affecting independence, other commitments, and overall qualifications of board members and nominees so as to enable investors to weigh the value that they add to the company. Information on the appointment procedure should also be disclosed annually. Boards should include a sufficient number of independent, non-executive members with appropriate qualifications. Responsibilities should include monitoring and contributing effectively to the strategy and performance of management, staffing key committees of the board, and influencing the conduct of the board as a whole. Accordingly, independent non-executives should comprise no fewer than three (3) members and as much as a substantial majority. Audit, Compensation and Nomination committees should be composed entirely of independent non-executives.

5. Executive & Director Compensation

Remuneration of corporate directors or supervisory board members and key executives should be aligned with the interests of shareowners. Corporations should disclose in each annual report or proxy statement the board's policies on remuneration and, preferably, the remuneration of individual board members and top executives; so that shareowners can judge whether corporate pay policies and practices meet this standard. Broad-based employee share ownership plans or other profit-sharing programs are effective market mechanisms that promote employee participation.

¹¹ Organization for Economic Cooperation & Development (OECD), Role of Institutional Investors in Promoting Good Corporate Governance, January 11, 2012.

6. Strategic Planning

Major strategic modifications to the core business of a corporation should not be made without prior shareowner approval of the proposed modification. Equally, major corporate changes that, in substance or effect, materially dilute the equity or erode the economic interests or share ownership rights of existing shareowners should not be made without prior shareowner approval of the proposed change. Shareowners should be given sufficient information about any such proposal early enough to allow them to make an informed judgment and exercise their voting rights.

7. Voting Responsibilities

The exercise of ownership rights by all shareowners, including institutional investors should be facilitated. Institutional investors acting in a fiduciary capacity should disclose their overall corporate governance and voting policies with respect to their investments, including the procedures that they have in place for deciding on the use of their voting rights. Institutional investors acting in a fiduciary capacity should disclose how they manage material conflicts of interest that may affect the exercise of key ownership rights regarding their investments. Shareowners, including institutional investors, should be allowed to consult with each other on issues concerning their basic shareowner rights, subject to exceptions to prevent abuse. The corporate governance framework should be complemented by an effective approach that addresses and promotes the provision of analysis or advice by analysts, brokers, rating agencies, and others that is relevant to decisions by investors, free from material conflicts of interest that might compromise the integrity of their analysis or advice.

Active Strategies & Company Engagement

The objective of SBA corporate governance engagement is to improve the governance structures at companies in which the SBA owns significant shares in order to enhance the value of SBA equity holdings.

A study on the evolution of shareowner activism in the United States affirms that activism by investors has increased considerably since the mid-1980s due to the involvement of public pension funds and institutional shareowners. The study identifies the potential to enhance value of investments as the main motive for active participation in the monitoring of corporations. However, as shareowner activism entails concentrated costs and widely disbursed benefits, only investors with large positions are likely to obtain a large enough return on their investment to justify the costs.¹² One recent study demonstrated strong relative market returns based on investor engagement activities.¹³ Researchers found an abnormal one-year return of +1.8% in the year following investor engagements involving environmental, social, and corporate governance factors, with improvements in operating performance and profitability.

¹² Gillan, Stuart L. and Laura T. Starks, 2007, "The Evolution of Shareowner Activism in the United States", Journal of Applied Corporate Finance, Volume 19, Number 1, Winter 2007, Published by Morgan Stanley.

¹³ Elroy Dimson, Oguzhan Karakas, and Xi Li, "Active Ownership," December 2012, Moskowitz Prize winner in 2012 by the Berkely-Haas Center for Responsible Business.

The two primary obligations of shareowners are to monitor the performance of the companies and to protect their right to act when necessary. The SBA has neither the time nor resources to micromanage companies in which it holds publicly traded stock. Furthermore, the legal duties of care and loyalty rest with the corporate Board of Directors, not with the shareowners. For these reasons, the SBA views its role as one of fostering improved management and accountability within the companies in which we own shares. Other recent SBA corporate governance activities have included dealing with conflicts of interest within organizations with which we do business.

Department of Labor (DOL) Interpretive Bulletin §2509.08 states that voting proxies is a fiduciary responsibility and that proxies should be treated like any other financial asset, executed in the best interest of beneficiaries in accordance with written guidelines. Additionally, Florida Law may prohibit investment in companies or mandate reporting on certain investments due to geopolitical, ethnic, religious, or other factors. Compliance with these laws and any related reporting requirements have similarities to corporate governance issues and are consolidated organizationally.

Consistent with prudent and responsible investment policy, all or some of the following measures may be instituted when a corporation is found by the SBA to be under-performing market indices or in need of corporate governance reform:

- The SBA will discuss the corporate governance deficiencies with a representative and/or the Board of Directors. Deficiencies may occur in the form of policies or actions, and often result from the failure to adopt policies that sufficiently protect shareowner assets or rights. The SBA may request to be informed of the progress in ameliorating such deficiencies.
- Under SEC Rule 14(a) 8, shareowner proposals may be submitted to companies with identified performance deficiencies. Shareowners proposals will be used to place significant issues on a company's meeting ballot in order to allow all shareowners to approve or disapprove of significant issues and voice the collective displeasure of company owners.¹⁴
- Any other strategies to achieve desired corporate governance improvements as necessary.

Investor engagement can be classified into three categories, including "Extensive," "Moderate," and "Basic." Extensive engagement is defined as multiple instances of focused interaction with a company on issues identified with a view to changing the company's behavior. The engagements were systematic and begun with a clear goal in mind. Moderate engagement is defined as more than one interaction with a company on issues identified. The engagement was somewhat systematic, but the specific desired outcome may not have been clear at the outset. Basic engagement is defined as direct contact with companies but engagement tended to be ad-hoc and reactive. Such engagement may not have

¹⁴ Rule 14a-8 is an SEC rulemaking promulgated under the Securities Exchange Act of 1934 and offers a set of procedural requirements governing how and when shareowners may submit resolutions for inclusion in a corporation's proxy statement.

pursued the issue beyond the initial contact with the company and includes supporting letters authored by other investors or groups.

In addition to overseeing the corporate governance of companies in which we invest, the SBA must also govern the accessibility of our own records by these companies. As a beneficial owner of over 10,000 publicly traded companies, the SBA has elected to be an objecting beneficial owner, or an “OBO.” By being an OBO, the SBA does not give permission to a financial intermediary to release our name and address to public companies that we are invested in. This keeps our holdings or trading strategies confidential, and allows us to avoid unwanted solicitations.

Recent developments have led many to believe that the distinction between OBO and non-objecting beneficial owners or “NOBO’s” should be eliminated. However, the SEC is likely to be cautious in seeking to change the current framework in significant ways.¹⁵ Strong opponents to an elimination of OBO and NOBO distinction are brokers and banks, who have a large incentive to ward off this change due to fee income derived from forwarding proxy materials.

While shareowner communication can be very important, a number of steps must be taken to address the distinction between OBO and NOBO companies and to respect the privacy of beneficial owners involved. Proposals that eliminate the possibility of anonymity are not supported. It is necessary for any changes made to the current system to accommodate the strong privacy interests of current OBO firms, such as SBA.

Disclosure of Proxy Voting Decisions

SBA discloses all proxy voting decisions once they have been made, typically seven to ten calendar days prior to the date of the shareowner meeting. Disclosing proxy votes prior to the meeting date improves the transparency of our voting decisions. Historical proxy votes are available electronically on the SBA’s website.¹⁶

Proxy Voting and Securities Lending

SBA participates in securities lending in order to enhance the return on its investment portfolios. In the process of lending securities, the legal rights attached to those shares are transferred to the borrower of the securities during the period that the securities are on loan. As a result, SBA’s right to exercise proxy voting on loaned securities is forfeited unless those affected shares have been recalled from the borrower in a timely manner (i.e. on, or prior to, the share’s record date). SBA has a fiduciary duty to exercise its right to vote proxies and to recall shares on loan when it is in the best interest of our beneficiar-

¹⁵ Beller, Alan L. and Janet L. Fisher. “The OBO/NOBO Distinction in Beneficial Ownership: Implications for Shareowner Communications and Voting.” Council of Institutional Investors. February 2010.

¹⁶ Reporting is publicly available at www.sbafla.com, including real time voting decisions prior to shareowner meetings.

ies. The ability to vote in corporate meetings is an asset of the fund which needs to be weighed against the incremental returns of the securities lending program.

Although SBA shall reserve the right to recall the shares on a timely basis prior to the record date for the purpose of exercising voting rights for domestic as well as international securities, the circumstances required to recall loaned securities are expected to be atypical. Circumstances that lead SBA to recall shares include, but are not limited to, occasions when there are significant voting items on the ballot such as mergers or proxy contests or instances when SBA has actively pursued coordinated efforts to reform the company's governance practices, such as submission of shareholder proposals or conducting an extensive engagement. In each case, the direct monetary impact of recalled shares will be considered and weighed against the discernible benefits of recalling shares to exercise voting rights. However, because companies are not required to disclose an upcoming meeting and its agenda items in advance of the record date, it usually is not possible to recall shares on loan.

THE BOARD OF DIRECTORS

Of the voting items that come before shareowners, the matters of the board and its operation are the most pivotal. Shareowners must be able to elect and maintain a board of directors whose main charge is to monitor management on the behalf of shareowners, but who will also sufficiently heed majority shareowner input on matters of substantial importance. These voting items concern the election of the board members, as well as chairmanship and committee service, and the processes that govern the frequency, setting and outcome of elections. The nominees' qualifications, performance, and overall contribution to the board skillset are of great importance to shareowners casting votes on the elections of individuals, particularly in cases of proxy contests.

SBA votes with the intent of electing candidates who are qualified and able to effectively contribute, and we support election processes that allow shareowners in the aggregate to exercise meaningful control over who may serve as board members and under what circumstances. We favor transparent election procedures and structures that sufficiently allow for shareowners to elect and consequently hold directors accountable for their performance.

ELECTION OF DIRECTORS: CASE-BY-CASE

Director elections are of the most important voting decisions that shareowners make. Directors function as the representatives of shareowners and serve a critical role in monitoring management. The SBA generally considers a nominee's qualifications, relevant industry experience, independence, performance and overall contribution to the board when assessing election votes.¹⁷ At the board level, we consider the need for diversity in gender, race, experience, and other appropriate categories. In cases where a proxy contest has resulted in more nominees than available board seats, it's important to assess each candidate's relative expertise and experience, as well as differences in strategic vision if applicable.

The SBA may vote against (i.e., "withhold" support for) director nominees for one or more of the following reasons:

Poor performance or oversight in duties of the board or board committees -- including poor performance in board service at other public companies. Board members exhibiting poor performance may have failed to appropriately monitor or discipline management in cases where failed strategies continue to be implemented or when the board refuses to consider views from a large majority of shareowners, analysts and market participants. In the case of a breakdown of proper board over-

¹⁷ The SBA generally does not consider age as a rationale for withholding votes. Length of service on a board is sometimes a factor in determining independence for a director, but is not used to justify a withhold vote except in rare instances with unusual circumstances. See the guideline for "Limits on board service".

sight, SBA is likely to vote against all or most members of the board, and in cases where a dissident has launched a proxy contest, SBA may be supportive of the dissident nominees if they present with appropriate qualifications and strategies, as discussed below. Shareowners sometimes target under-performing directors through “vote no” campaigns. An empirical study found that “vote no” campaigns are an effective tool to voice concerns with a particular director and often successfully pressure the company to take action.¹⁸ This underscores that performance is an essential component of governance and should be considered when evaluating director elections.

Boards are expected to conduct internal and external evaluations of their own functioning to assess how well they are performing their responsibilities.¹⁹ These evaluations can be particularly helpful for committees as well, such as in assessing audit committee performance. The audit committee is responsible for independent oversight of the company’s financial statements and, in the absence of a separate risk committee, is also often responsible for risk oversight.²⁰ Regular self-assessments are critical to a productive audit committee. The SBA will consider the audit committee’s performance, especially as it relates to oversight and risk management, when voting on individual committee members. Evidence of poor audit committee performance are financial restatements, including as a result of option backdating, un-remediated material weaknesses, and attempts to limit auditor liability through auditor engagement contracts. The severity, breadth, chronological sequence and duration of financial restatements, and the company’s efforts at remediation will be examined in determining whether withhold votes are warranted.

Likewise, the function of the nominating and governance committees will be assessed by considering how the committees have approached implementation of governance rules and the impact on shareowners’ rights, particularly in cases of bylaw amendments or votes on shareowner and management proposals. When a company goes public with a dual or multi-class share structure without a sunset provision on unequal voting rights such as in the case of an IPO or spinoff, SBA may withhold votes from or vote against directors. Bylaws that create supermajority voting thresholds or limit shareowner rights are generally undesirable, but depends on the context of the individual company. This committee also is responsible for board nominations, and SBA judges this function by the qualifications and diversity of the nominees. This committee should make an effort to seek candi-

¹⁸ Diane Del Guercio, Laura Seery, and Tracie Woidtke, “Do Boards Pay Attention when Institutional Investor Activists ‘Just Vote No,’” available at <http://ssrn.com/abstract=575242>. The study finds a forced CEO turnover rate of 25 percent in firms targeted with “vote no” campaigns.

¹⁹ A paper by the Global Corporate Governance Forum recommends using board evaluations as open communication to focus on inadequacies, identify strategic priorities and become more efficient through the review of policies and procedures [GCGF, Board Performance Evaluation].

²⁰ SEC Rule 10A-3 under the Exchange Act mandates that stock exchanges adopt listing standards that require that each member of the audit committee of a listed company has (1) not received compensation from the issuer other than for board services and (2) is not an “affiliated person” of the issuer that either controls, is controlled by, or is under common control with the issuer.

dates that are diversified not only in experience, gender and race, but in all other aspects appropriate for the individual company and should disclose these efforts to shareowners.

Members of the compensation committee are judged in accordance with the aspects of the compensation philosophy, plan and implementation. Compensation that is out of line with respect to magnitude, peers, or performance is problematic, as are plans that reward compensation without appropriate performance-based conditions or feature undesirable elements such as gross-ups or single-trigger severance packages.

Restricting shareowner rights or failing to sufficiently act on shareowner input -- such as ignoring a shareowner proposal that received majority support of votes cast or attempting to block or limit the ability of shareowners to file precatory or binding proposals or adopt or amend bylaws-

Serving on too many boards (“over-boarding”) – generally a director who serves on more than 3 company boards and who is employed in a full-time position.²¹ Directors with significant outside responsibilities such as serving as CEO of a public company should not exceed one external board membership.²² Surveys of directors have indicated that the average board membership requires over 200 hours of active, committed work, making service on multiple boards difficult for executives, particularly CEOs, and leading to many investors embracing similar limits as the SBA.

Poor attendance at meetings without just cause – less than 75 percent attendance rate.

Lack of independence – most markets should have independent board representation that meets a minimum two-thirds threshold. Independence is defined as having no business, financial or personal affiliation with the firm other than being a member of its board of directors. Directors or nominees that are affiliated with outside companies that conduct business with the company, have significant outside links to senior management, were previously employed by the company or is-are engaged directly or indirectly in related-party transactions are highly likely to be considered non-independent, depending on the materiality of the circumstances. At controlled companies (where an investor controls a majority of a firm’s equity capital), support may be withheld from directors at boards with less than a one-third proportion of independent directors.

²¹See Fich, Eliezer M. and Anil Shivdasani, 2006, “Are Busy Boards Effective Monitors?,” The Journal of Finance, Vol. 61, No. 2, pp. 689-724 (36), Blackwell Publishing. This study of U.S. industrial firms between 1989 and 1995, found that when a majority of outside directors serve on three or more boards, firms exhibit lower market-to-book ratios, as well as weaker operating profitability. When a majority of outside directors are over boarded, the sensitivity of CEO turnover to performance is significantly lower than when a majority of outside directors are not busy. Investors react positively to the departure of over boarded directors, while firms, whose directors acquire an additional board seat and become over boarded, end up experiencing negative abnormal returns.

²² Neil Roland, “Directors at troubled companies overbooked, research firm claims” Financial Week, February 25, 2009. This article gives examples of over-boarding problems at struggling U.S. financial institutions.

Boards without adequate independence from management may suffer from conflicts of interest and impaired judgment in their decision-making. In addition to poor transparency, directors with ties to management may be perceived to be less willing and able to effectively evaluate and scrutinize company strategy and performance. SBA carefully scrutinizes management nominees to the board, because of the conflict of interest inherent in serving on the board which in turn is charged with overseeing the performance of senior management. In most markets, we support the CEO of the company as the only reasonable management team member to serve on the board.

Lack of disclosures -- because there are differences in each market as to disclosures and voting procedures for director elections, SBA takes into account practices in the local market, but does not compromise on fundamental tenets such as the right to elect individual directors (as opposed to a slate as a whole) and the need for proof that director candidates can provide independent oversight of management. Global markets increasingly depend on the homogenization of better governance standards to increase shareowner value and liquidity in emerging markets. The protection of fundamental voting rights may be at odds with local market customs in the short run²³, but through voting the SBA aims to encourage companies to adopt minimum-level best practices throughout the portfolio of holdings.

In certain markets where the quality and depth of disclosures about the nominees are less than desirable, we work with other investors to advocate for improvements in these markets as a matter of course. In a few markets, the directors may be proposed as a group in a single bundled voting item, preventing a vote on each director, which is considered a very poor practice in developed economies.

When nominees are bundled or insufficient information is disclosed, we typically oppose the item. When appropriate information is disclosed, we make voting decisions based on the qualifications of the nominee, the performance of the nominee on this or other boards, if applicable, and the needs of the board considering the other nominees' overall skillset.

Minimal or no stock ownership -- in regard to industry or market peers. Companies should adopt a policy covering stock ownership for directors and annually review compliance among members. Certain markets have laws prohibiting ownership or discourage ownership among directors as a potential conflict of interest, so SBA is more nuanced in assessing directors on these markets.

Proxy contests are less typical election events, only occurring in a small fraction of director elections, but require shareowners to judge between competing views of strategic direction for the company. When

²³ For instance, Italy amended its "Consolidated Financial Act" to mandate that Italian issuers reserve a certain number of board seats for candidates presented by minority shareowners. This mandate affects Board of Director elections, Supervisory Board elections, and Board of Statutory Auditor elections. See, "Italian Issuers- Guidelines for the election of the Board of Directors (or Supervisory Board) or Board of Statutory Auditors," Trevisan & Associati February 19, 2009 available at http://www.trevisanlaw.it/en_mask.html?5 (last visited March 2, 2009).

analyzing proxy contests, the SBA focuses on two central questions: (1) Have the dissidents demonstrated that change is warranted at the company, and if so, (2) will the dissidents be better able to affect such change versus the incumbent board?

When dissidents seek board control with a majority of nominees, they face a high burden of proof and must provide a well-reasoned and detailed business plan, including the dissidents' strategic initiatives, a transition plan that describes how the dissidents will affect change in control, and the identification of a qualified and credible new management team. The SBA compares the detailed dissident plan against the incumbents' plan and compares the dissidents' proposed board and management team against the incumbent team.

Usually dissidents run a "short slate", which seeks to place just a few nominees on the board, not a majority. In these cases, the SBA places a lower burden of proof on the dissidents. In such cases, the SBA's policy does not necessarily require the dissidents to provide a detailed plan of action or proof that its plan is preferable to the incumbent plan. Instead, the dissidents must prove that change is preferable to the status quo and that the dissident slate will add value to board deliberations, including by considering the issues from a viewpoint different than current management, among other factors.

PROXY ACCESS: FOR

Proxy access is an important mechanism for shareowners with substantial holdings to nominate directors directly in the company's proxy materials. Generally, we support proposals that have reasonable share ownership (3% or less) and holding history (3 years or less) requirements, allow shareowners to aggregate holdings for joint nominations (permitting groups of at least 20 shareowners), cap the number of shareowner nominees at the greater of 2 or at least 20% of the board seats, and feature other procedural elements that are not unduly burdensome on shareowners seeking to make nominations. The SBA may vote against proposals which contain burdensome or otherwise restrictive requirements, such as ownership or holding thresholds which are set at impractical levels.

SEPARATE CHAIRMAN & CHIEF EXECUTIVE OFFICER (CEO): CASE-BY-CASE

Because the board's main responsibility is to monitor management on behalf of shareowners, it is generally desirable for the chairman of the board to be an independent director, as opposed to the current CEO or a non-independent director such as a former CEO. Most academic evidence concludes that there is more benefit to shareowners when the chair is an independent director.²⁴ SBA typically supports pro-

²⁴ Grinstein, Yaniv and Valles Arellano, Yearim, "Separating the CEO from the Chairman Position: Determinants and Changes after the New Corporate Governance Regulation." March 2008; Lorsch, Jay and Zelleke, Andy, "Should the CEO Be the Chairman?" MIT Sloan Management Review, 2005; Ryan Krause, Semadeni, Matthew, "Apprentice, Departure, and Demotion: An Examination of the Three Types of CEO-Board Chair Separation," Academy of Management Journal 55(6), 2012; Tonello, Matteo, John C. Wilcox, and June Eichbaum, "The Role of the Board in Turbulent Times: CEO Succession Planning." The Corporate Board, August 2009; Lucier, Chuck, Steven Wheeler, and Rolf Habbel, "The Era of the Inclusive Leader." The Corporate Board, September/October 2007; "Chairing the

posals to provide for an independent board chairman; however, in certain cases where strong performance and governance provisions are evident, SBA may support the status quo of a serving combined CEO and chairman.

When considering whether to support a separate CEO and chairman proposal, SBA takes into account factors such as if there is a designated, independent lead director with the authority to develop and set the agenda for meetings and to lead sessions outside the presence of the executive chair, as well as short and long-term corporate performance on an absolute and peer-relative basis. In order to maintain board accountability, the SBA will not endorse the combined role of CEO and chair unless there is a strong, empowered lead director, superior company performance, and exemplary governance practices in other areas such as shareowner rights and executive compensation.

MAJORITY VOTING FOR DIRECTOR ELECTIONS: FOR

Proxy contests are rare; most elections feature uncontested elections where the number of directors nominated equals the number of board seats. When plurality voting is used as the voting standard in uncontested elections, the members are guaranteed election, no matter how few shareowners supported them. The SBA supports a majority voting standard for uncontested elections because it adds the requirement that a majority of shareowners must vote for each member to be considered duly elected. We prefer for the board to make this requirement in the bylaws of the company, not as a board policy. Policies that require the board members failing to achieve majority support to offer a resignation, which in turn may or may not be accepted by the board or committee, are not acceptable alternatives to a true majority vote standard for uncontested elections.

The SBA strongly endorses the majority voting election standard for the meaningful accountability it affords shareowners and because it provides another element to the system of checks and balances of power within the corporate structure. In contested elections, however, plurality voting remains the most effective voting standards, so all bylaws should specify that the majority voting standard applies only to uncontested elections.

ANNUAL ELECTIONS / NON-CLASSIFIED BOARD: FOR

A classified, or staggered, board is one in which directors are divided into three “classes” with each director serving three-year terms. All directors on a non-classified board serve one-year terms and the entire board is re-elected each year. The SBA opposes classified boards and their provisions because we believe that annual accountability will ultimately lead to increased corporate performance. Classified boards decrease corporate accountability by protecting directors from election on an annual basis. Al-

Board: The Case for Independent Leadership in Corporate North America,” Policy Briefing No. 4, Millstein Center for Corporate Governance & Performance, Yale School of Management, 2009.

ternatively, the SBA supports changing from a staggered board structure to annual elections for all directors.

Studies performed by economists at the SEC and by academics support the view that classified boards are contrary to shareowner interests, showing negative effects on share value for companies that adopt classified boards.²⁵ While classified board proponents cite stability, independence, and long-term strategic risk taking as justification for staggered boards, recent research has shown little evidence of such benefits.²⁶

REQUIRE MAJORITY OF INDEPENDENT DIRECTORS: FOR

SBA supports a majority independence requirement because shareowners are best served when the board includes a significant number of independent outside directors who will represent their interests without personal conflict. The most important role of the board is to objectively evaluate the performance of senior management, so outside directors with relevant, substantial industry qualifications are most likely to perform well in this role.

SBA considers local market practices, but is likely to vote against current members if less than a majority of independent directors exists. In developed markets, we expect a supermajority of independent directors and consider a two-to-one ratio of independent directors to inside and affiliated directors to be a reasonable standard and will withhold support from individual director nominee who are not independent in those circumstances. Furthermore, SBA supports restricting service on compensation, audit, and governance/nominating committees to independent outside directors only.

ESTABLISH OR SET MEMBERSHIP OF BOARD COMMITTEES: CASE-BY-CASE

²⁵ For example, the SEC studied the impact of 649 anti-takeover proposals submitted between 1979 and 1985. The proposals consisted of fair price provisions, institution of supermajority vote requirements, classified board proposals, and authorization of blank check preferred stock. Stocks within the group showed an average loss in value of 1.31 percent. The study also found that the proposals were most harmful when implemented at firms that have higher insider and lower institutional shareholdings.

²⁶ Faleye, Olubunmi, "Classified Boards, Stability, and Strategic Risk Taking," *Financial Analysts Journal*, Volume 65, No. 1, 2009. Also see, Lucian A. Bebchuk, "The Myth That Insulating Boards Serves Long-Term Value," *Columbia Law Review*, Vol. 113, October 2013 and Bebchuk, Lucian, Cohen, Alma, and Wang, Charles C.Y. ; "Staggered Boards and the Wealth of Shareholders: Evidence from a Natural Experiment," *Harvard Law School John M. Olin Center Discussion Paper No. 694*, June, 2010; Gompers, Paul A., Joy L. Ishii, and Andrew Metrick, "Corporate Governance and Equity Prices," *National Bureau of Economic Research Working Paper No. W8449*, August 2001; Bates, Thomas W., David A. Becher and Michael L. Lemmon, 2007, "Board Classification and Managerial Entrenchment from the Market for Corporate Control", electronic copy available at: <http://ssrn.com/abstract=923408>; Jiraporn, Pornsit and Yixin Liu, 2008, "Capital Structure, Staggered Boards, and Firm Value," *Financial Analyst Journal*, Volume 64, Number 1.

SBA supports the audit, compensation, and governance/nominating committees being composed solely of independent board members. Independent directors face fewer conflicts of interests and are better prepared to protect shareowner interests.²⁷

Some proposals seek to add committees on specific issues such as risk management, sustainability issues, and even specific issues such as technology and cybersecurity. When voting on proposals suggesting the establishment of new board committees, we assess the rationale for the committee and the process for handling discussions and decisions on such topics currently in place at the company. We support formation of committees that would protect or enhance shareowner rights when the company's current practices are failing to do so adequately.

In most markets, SBA expects board to have key committees such as compensation, nominating/governance and audit committees. SBA generally encourages companies, especially financial companies, to have a standing enterprise risk management committee of the board with formal risk management oversight responsibilities.²⁸ We may withhold support for individual directors if there are indications that directors failed to understand company risk exposures and/or failed to take reasonable steps to mitigate the effects of the risk, leading to large losses.

Shareowner advisory committees may advise the board on shareowner concerns and create formal means of communication between company stockholders and company management. SBA generally supports advisory committee proposals, particularly those intended to improve poor corporate governance practices.

CUMULATIVE VOTING: CASE-BY-CASE

Cumulative voting generally is useful to minority shareowners at companies where a large or controlling shareowner or block of shareowners that may act in concert (such as a family-owned company) exists. It guarantees that minority shareowners will be able to elect at least one of their preferred candidates to the board of directors, even if the candidate does not win a majority vote. In contrast, only majority shareowners are guaranteed board representation at companies without cumulative voting.

The SBA will examine proposals to adopt cumulative voting in light of the company's ownership profile (particularly whether there is a majority or near majority voting block) and the presence of other gov-

²⁷ T Aggraval, Reena et al, 2007, "Differences in Governance Practices between US and Foreign Firms: Measurement, Causes, and Consequences", Charles A. Dice Center for Research in Financial Economics, Working Paper 2007-14

²⁸ In 2004, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) defined Enterprise Risk Management (ERM) as, "a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives."

ernance provisions such as proxy access and majority voting election requirements that directly address the voting process. A majority vote election standard ensures board accountability in uncontested elections and in some cases mitigates the need for cumulative voting. Although majority voting is meaningful in uncontested elections, it can convolute voting outcomes in contested elections. Cumulative voting, on the other hand, is meaningful primarily in contested elections, and therefore pairs well with proxy access provisions at controlled companies.

The SBA is likely to support cumulative voting proposals at majority-controlled companies to ensure that a single shareowner or small group of shareowners is unable to control voting outcomes in full. The SBA may vote against proposals to adopt cumulative voting if the company has no large shareowner blocks that aggregate easily to majority control and has adopted a full majority voting in elections bylaw (not a resignation policy), as well as proxy access or a similar structure that proactively encourages shareowners to nominate directors to the company's ballot.

REIMBURSE SHAREOWNERS FOR PROXY EXPENSES: CASE-BY-CASE

SBA generally supports proposals requiring reimbursement of proxy solicitation costs for successful dissident nominees. The expenses associated with promoting incumbent directors in a proxy contest are paid by the company, and for parity, dissidents elected by shareowners should have this benefit as well.

In some circumstances at firms with no reimbursement policy, dissidents are reimbursed only for proxy solicitation expenses if they gain control of the company and seek shareowner approval for the use of company funds to reimburse themselves for the costs of solicitation. SBA would typically support reimbursement of reasonable costs in these instances.

CONFIDENTIAL VOTING: FOR

SBA supports greater transparency in election tabulations and the use of independent tabulators and inspectors, and we support to concept of end-to-end vote confirmation so that shareowners can be confident that their vote was correctly cast and counted. However, we are respectful of shareowners who may prefer anonymity. In a confidential voting system, only vote tabulators and inspectors of elections may examine individual proxies and ballots—management and shareholders are given only voting totals. The SBA supports resolutions requesting that corporations adopt a policy of confidential voting combined with the use of independent vote tabulators and inspectors of elections because it is the best way to guarantee confidentiality. However, the SBA generally does not support resolutions calling for confidential voting if they lack an independent inspector requirement.

In the absence of such policies, shareowners can vote confidentially by registering their shares with third-parties as objecting beneficial owners (OBOs), allowing anonymity in the voting process. In an open voting system, management can determine who has voted against its director nominees (or proposals) and then re-solicit those shareowners before the final vote count. As a result of the re-solicitation,

shareowners may be pressured to change their vote. On the positive side, many companies are increasing their interactions with shareowners before the voting occurs through expanded proxy solicitation conversations and other paths of engagement.

MINIMUM STOCK OWNERSHIP: FOR

The SBA typically supports proposals that require directors to own a reasonable minimum amount of company stock.²⁹ The SBA will consider voting against directors who own no company stock and have served on the board for more than one year. One of the best ways for directors to align their interests with those of the shareowners is to own stock in the corporation, and since director fees are typically paid partially in stock, retention guidelines encourage long-term ownership of these shares. SBA typically expects non-employee directors to maintain ownership of a number of shares having a market value equal to five times their annual retainer.

Boards should establish a policy and annually review and identify the positions covered by directors and executives. The annual review should also provide information to shareowners on whether guidelines are met and describe any action taken for non-compliance. The guidelines should identify what compensation types may be considered as ownership and what holdings are not (such as hedged positions).

NOMINEE QUALIFICATIONS: CASE-BY-CASE

SBA may support proposals concerning nominee qualifications if there is justification for doing so and the criteria include reasonable limits, restrictions, or requirements.

Some boards of directors may unilaterally implement changes to their corporate bylaws or articles aimed at restricting the ability of shareowners to nominate director candidates who receive third-party compensation or payments for serving as a director candidate or for service as a director of the company. Such restrictive director qualification requirements may deter legitimate investor efforts to seek board representation via a proxy contest and could exclude highly qualified individuals from being candidates for board service. When such provisions are adopted without shareowner ratification, the SBA may withhold support from members of the full board of directors or members of the governance committee serving at the time of the bylaw amendment. However, SBA does support disclosure of all compensation and payments made by a third-party to nominees or directors.

LIMITS ON BOARD SERVICE: AGAINST

²⁹ Executive stock ownership is covered in the executive compensation section of these guidelines.

The SBA generally votes AGAINST proposals to limit the service of outside directors. While refreshing a board with new outside directors often brings in fresh ideas and a healthy mix of director experience that benefit shareowners, we do not believe arbitrary limits such as tenure limits and mandatory retirement ages are appropriate ways to achieve that goal. They preclude a board's more nuanced examination of its members' contributions and could harm shareowners' interests by preventing some experienced and knowledgeable directors from serving on the board. Age limits in particular are a form of discrimination.

Boards of directors should evaluate director tenure as part of the analysis of a director's independence and overall performance. Some studies indicate a correlation between director tenure and firm performance. A study of companies in the U.S. found that the relationship between average director tenure and firm value was negatively correlated, but highly dependent on tenure levels over time.³⁰

SET BOARD SIZE: CASE-BY-CASE

The voting decision for these proposals depends on who is making the proposal and why. On occasion, management proposals seek to limit a shareowner's ability to alter the size of the board, while at the same time, allowing management to increase or decrease the size of the board at its discretion. Corporate management argues that the purpose of such proposals is to prevent a dominant shareowner from taking control of the board by drastically increasing the number of directors and electing its own nominees to fill the newly created vacancies. Other scenarios may include a board's downsizing in response to business changes or acquisitions. The SBA generally supports such proposals when a reasonable rationale is presented for the change. We prefer a shareowner vote for any changes in board size because the directors serving are representatives of the shareowners, and they should collectively determine the size of the board. Often, state law supersedes corporate bylaws by specifying minimum and maximum board size, as well as the process governing changes in board size.

REQUIRE MORE NOMINEES THAN BOARD SEATS: AGAINST

SBA opposes shareowner proposals requiring two candidates per board seat. Proxy access is a preferable mechanism for shareowners to nominate directors when necessary.

DIRECTOR LIABILITY AND/OR INDEMNIFICATION: CASE-BY-CASE (AND ACCORDING TO STATE LAWS)

Indemnification literally means "to make whole." When a corporation indemnifies its directors and officers, the directors are covered by the company or insured by a purchased policy against certain legal expenses, damages and judgments incurred as a result of lawsuits relating to their corporate actions. SBA may vote in favor if the covered acts provide that a "good faith" standard was satisfied. The SBA

³⁰ Huang, Sterling, "Board Tenure and Firm Performance," INSEAD Business School, May 2013.

votes **against** such proposals if coverage expands beyond legal expenses and to applies to acts that are more serious violations of fiduciary obligation, such as negligence or violating the duty of care.

SUPPORT SHAREOWNER COMMUNICATIONS WITH THE BOARD: FOR

The SBA generally supports shareowners proposals requesting that the board establish a procedure for shareowners to communicate directly with the board, such as through creating an office of the board of directors, unless the company has done all of the following:

- Established a communication structure that goes beyond the exchange requirements to facilitate the exchange of information between shareowners and members of the board;
- Disclosed information with respect to this structure to its shareowners;
- Heeded majority-supported shareowner proposals or a majority withhold vote on a director nominee;
- Established an independent chairman or a lead/presiding director. This individual must be made available for periodic consultation and direct communication with major shareowners.

ADOPT TWO-TIERED (SUPERVISORY/MANAGEMENT) BOARD STRUCTURE: CASE-BY-CASE

Companies in some countries have a two-tiered board structure, comprising a supervisory board of non-executive directors and a management board with executive directors. The supervisory board oversees the actions of the management board, while the management board is responsible for the company's daily operations. At companies with two-tiered boards, shareowners elect members to the supervisory board only; the supervisory board appoints management board members. In Austria, Brazil, the Czech Republic, Germany, Peru, Poland, Portugal, and Russia, two-tiered boards are the norm. They are also permitted by Company law in France and Spain.

The merits of the new structure will be weighed against the merits of the old structure in terms of its ability to represent shareowners' interests adequately, provide for optimal governance structure, and also to generate higher shareowner value.

RATIFY ACTIONS TAKEN BY BOARD DURING PAST YEAR: CASE-BY-CASE

Many countries require that shareowners discharge the board or management for actions taken in the previous year. In most cases, discharge is a routine item and does not preclude future shareowner action in the event that wrongdoing is discovered.³¹ Unless there is clear evidence of negligence or action

³¹ In June 2008, Manifest and Morley Fund Management analyzed governance practices in continental Europe and issued a report that emphasized the country-specific implications of discharging directors. "Directors' Liability Discharge Proposals: The Implications for Shareowners" stressed that the nature and scope of directors' liabilities vary by jurisdiction. "Each market has its own rules, regulations and best practice guidelines against which informed decisions should be measured and carefully weighed." One similarity noted in the report was that "in all the mar-

counter to shareowners' interests, the SBA will typically support the proposals. However, in the United States, given the unusual nature of discharge proposals, the SBA will typically vote against proposals that would limit the board or management from any future legal options.

APPROVE PROPOSED/COMPLETED TRANSACTIONS BETWEEN DIRECTORS AND COMPANY: CASE-BY-CASE

Transactions between a parent company and its subsidiary, or a company's dealings with entities that employ the company's directors, are usually classified as related-party transactions and are subject to company law or stock exchange listing requirements that mandate shareowner approval. Shareowner approval of these transactions is critical as they are meant to protect shareowners against abuses of power. Transactions should be completed at arm's length and not benefit directors and/or insiders at company or shareowners' expense. We also support reviews of director transactions by independent committees.

kets covered by the study, a failure to grant a discharge from liability does not have an immediate effect on the liability of directors, but merely leaves the possibility open for the company to initiate an action for liability."

INVESTOR PROTECTIONS

Investor protections encompass voting items that impact the ability of shareowners to access information needed to make prudent decisions about ownership and to exercise their rights to influence the board, election processes, and governance structure of the company. These items fall into categories relating to audits, disclosures, anti-takeover defenses and vote-related mechanisms. SBA is committed to strong investor rights across all of these domains and will exercise our votes to protect and strengthen the rights of shareowners in these crucial areas.

While SBA is deferential to the company and board on many issues affecting the operations of the firm whenever prudent, we are not deferential when it comes to the ability to exercise shareowner responsibilities, which includes monitoring the firm and the board of directors and acting to support change when it is warranted. We require and therefore will support strong audit functioning and detailed disclosures in a variety of areas. Strong investor rights, as well as policies that do not allow board entrenchment, are necessary for investors to protect share value.

Auditors

RATIFICATION OF AUDITORS: CASE-BY-CASE

Most major companies around the world use one of the major international auditing firms to conduct their audits. As such, concerns about the quality and objectivity of the audit are typically minimal, and the reappointment of the auditor is usually a routine matter. In the United States, companies are not legally required to allow shareowners to ratify the selection of auditors; however, a growing number are doing so. Typically, proxy statements disclose the name of the company's auditor and state that the board is responsible for selection of the firm.

The auditor's role in safeguarding investor interests is critical. Independent auditors have an important public trust, for it is the auditor's impartial and professional opinion that assures investors that a company's financial statements are accurate.³² Therefore, the practice of auditors providing non-audit services to companies must be closely scrutinized. While large auditors may have internal barriers to ensure that there are no conflicts of interest, an auditor's ability to remain objective becomes questionable when fees paid to the auditor for non-audit services such as management consulting, general bookkeeping, and special situation audits exceed the standard annual audit fees. In addition to ensuring that the auditor is free from conflicts of interest with the company, it is also important to ensure the quality of the work that is being performed.³³

³² Hollis Ashbaugh-Skaife, et al, The Effect of SOX Internal Control Deficiencies on Firm Risk and Cost of Equity June 10, 2008.

³³ Joseph Carcello & Chan Li, "Costs and Benefits of Requiring an Engagement Partner Signature: Recent Experience in the United Kingdom," Corporate Governance Center at the University of Tennessee, Working Paper, 2012.

One of the major threats to high quality financial reporting and audit quality is the risk of material financial fraud. Several studies have analyzed the nature, extent and characteristics of fraudulent financial reporting, as well as the negative consequences for investors and management.³⁴ The studies' authors noted that auditing standards place a responsibility on auditors to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud.

SBA generally supports proposals to ratify auditors unless there is reason to believe that the auditing firm has become complacent in its duties or its independence has been compromised.³⁵ SBA believes all publicly held corporations should rotate their choice of auditor's periodically. Shareowners should be given the opportunity to review the performance of the auditors annually and ratify the board's selection of an auditor for the coming year.³⁶

The audit committee should oversee the firm's interaction with the external auditor and disclose any non-audit fees completed by the auditor. Audit committees should disclose all factors considered when selecting or reappointing an audit firm, information related to negotiating auditor fees, the tenure of the current external audit firm, and a description of how the audit committee oversees and evaluates the work of their external auditor. Serial or significant restatements are potential indications of a poorly performing auditor, audit committee, or both.

This study found that when an audit partner's name is included within the audit report, the quality of the audit increases, along with auditor fees.

³⁴ Mark S. Beasley, Joseph V. Carcello, Dana R. Hermanson, and Terry L. Neal, "An Analysis of Alleged Auditor Deficiencies in SEC Fraud Investigation: 1998-2010," University of Tennessee Corporate Governance Center, May 2013. Also see, Committee of Sponsoring Organizations of the Treadway Commission (COSO), "Fraudulent Financial Reporting: 1998–2007, An Analysis of U.S. Public Companies," 2010.

³⁵ Jonath Stanley, Auburn University, "Is the Audit Fee Disclosure a Leading Indicator of Clients' Business Risk?," American Association of Accountants Quarterly Journal, 2011. For example, non-audit fees, primarily tax and other consulting fees, can exceed audit fee revenue by a large margin, impairing an audit firm's objectivity. This study examined about 5,000 small sized companies over a seven year period and concluded that rising audit fees were a leading indicator for future deterioration in financial performance as measured by firms' return on assets, determined by both earnings and cash flows.

³⁶ Under Rule 10A-3(b)(2) of the Securities Exchange Act of 1934, as amended, the audit committee, "must be directly responsible for the appointment, compensation, retention and oversight," of the independent auditor. Section 303A.06 of the New York Stock Exchange Listed Company Manual requires that the audit committees of its listed companies satisfy the requirements of Rule 10A-3. As a result of these requirements, audit committee charters normally include the responsibility for and total discretion to select, evaluate, compensate and oversee the work of any registered public accounting firm engaged in preparing or issuing audit report(s).

APPOINT INTERNAL STATUTORY AUDITORS (JAPAN, HONG KONG, SOUTH KOREA): FOR

Most votes for auditors in Japan are to approve internal statutory auditors (also known as corporate auditors) rather than external auditors. Statutory auditors have the right to attend board meetings, although not to vote, and the obligation to cooperate with the external auditor and to approve its audit. They are required by law to keep board members informed of the company's activities, but this has become a largely symbolic function. They do not have the ability to remove directors from office. Internal auditors serve for terms of four years, and may be renominated an indefinite number of times. While many investors view statutory auditors in a positive light, they are not substitutes for independent directors.

In Japan, at least half of internal auditors must be independent. While companies have complied with the technical requirements of the law, many have ignored its spirit. It is in shareowners' interests to improve the audit and oversight functions in Japan and to increase the accountability of companies to shareowners. Therefore, the SBA will not support internal auditors specified as independent but with a past affiliation with the company. When a statutory auditor attends fewer than 75 percent of board and auditor meetings, without a reasonable excuse, the SBA will generally vote against the auditor's appointment.

In other capital markets, such as South Korea, proposals seeking shareowner approval for statutory auditors' fees are not controversial. Generally, management should disclose details of all fees paid to statutory auditors well in advance of the meeting date so that shareowners can make informed decisions about statutory auditor remuneration requests. In any market, SBA may vote against the appointment of the auditor if necessary information about the auditors and fees has not been appropriately disclosed.

REMOVE/ACCEPT RESIGNATION OF AUDITORS: CASE-BY-CASE

SBA seeks to ensure auditors have not been pressured to resign in retaliation for their opinions or for providing full disclosure.

AUDITOR INDEMNIFICATION AND LIMITATION OF LIABILITY: CASE-BY-CASE

Auditor indemnification and limitation of liability are evaluated on an individual basis. Factors to be assessed by the SBA include:

- the terms of the auditor agreement and degree to which it impacts shareowners' rights;
- motivation and rationale for establishing the agreements;
- quality of disclosure; and
- historical practices in the audit area.

SBA will consider voting against auditor ratification if the auditor engagement contract includes provisions for alternative dispute resolution, liability caps, and caps on punitive damages (or the exclusion of punitive damages). Such limitations on liability and indemnification shift the risk from the auditor to the company, and therefore, the shareowners. The staff of the Securities and Exchange Commission (SEC) has stated that it believes caps on punitive damages in audit contracts are not in the public interest and compromises auditor independence.³⁷ SBA will also consider voting against audit committee members if they have diminished the value or independence of the audit, such as when a company has entered into an agreement with its auditor requiring alternative dispute resolution or punitive liability caps.

APPROVE ACCOUNTING TRANSACTIONS (OTHER THAN DIVIDEND): CASE-BY-CASE

In many international markets, proposals to approve accounting transfers are common and are often required to maintain specified balances in accounts as required by relevant market law. Companies are required to keep specific amounts in each of their reserves. Additionally companies may, in some instances, be required by law to present shareowners with a special auditors' report confirming the presence or absence of any non-tax-deductible expenses, as well as the transfer of these to the company's taxable income if applicable. In the absence of any contentious matters, the SBA is generally in favor.

AUDIT FIRM ROTATION, TERM RESTRICTIONS, AND SCOPE OF ENGAGEMENT PROPOSALS: CASE-BY-CASE

These shareowner proposals typically ask companies to adopt practices that are thought to help preserve auditor independence, such as prohibiting the auditor from providing non-audit services or capping the level of non-audit services and/or requiring periodic rotation of the audit firm. These practices are expected to help maintain a neutral and independent auditor by making the auditor's relationship with the company less lucrative.³⁸

While term limits may actually result in higher audit fees, the positive impact would be that a new auditor would periodically provide a fresh look at the company's accounting practices. A practice of term limits also ensures that the audit won't see the company as a never-ending client, and perhaps will be more inclined to flag questionable practices. Despite attracting a lot of attention, mandatory audit rotation has not been required by regulators or by exchange listing standards.³⁹ SBA weighs the aspects of

³⁷ U.S. Securities and Exchange Commission, Office of the Chief Accountant: Application of the Commission's Rules on Auditor Independence – Frequently Asked Questions, December 13, 2004.

³⁸ Max H. Bazerman, George Loewenstein, and Don A. Moore, "Why Good Accountants Do Bad Audits." Harvard Business Review, Vol. 80, Issue 11, Nov. 1, 2002.

³⁹ The Conference Board Commission on Public Trust and Private Enterprise, "Corporate Governance: Principles, Recommendations and Specific Best Practice Suggestions." Parts 2 and 3, Jan. 9, 2003. PCAOB Concept Release No. 2011-006. August 16, 2011. http://pcaobus.org/Rules/Rulesmaking/Docket037/Release_2011-006.pdf. Jackson, Modrich, and Roebuck, "Mandatory Audit Firm Rotation and Audit Quality," 2007; Chung, H., "Selective Mandatory Rotation and Audit Quality: An Empirical Investigation of Auditor Designation Policy in Korea," 2004. Also see, Martinez and Reis, "Audit Firm Rotation and Earnings Management in Brazil," 2010.

the individual situation and proposal terms when making voting decisions concerning audit rotation, considering the length of tenure for the auditor, the level of audit and non-audit fees, and the history of audit quality. A history of restatements or atypical fees increases the likelihood of SBA supporting these proposals. Most companies seek shareowner ratification of the auditor, and the lack of this provision would also increase the likelihood of SBA supporting a reasonable proposal.

Disclosures

COMPANY REPORTS OR DISCLOSURES: CASE-BY-CASE

Often, shareowner proposals do not request that companies take a specific action, but instead simply request information in the form of reports or disclosures on their policies or actions. Disclosure requests cover a variety of topics. SBA considers supporting disclosure requests when there is a reasonable expectation that the information would help investors make better risk assessments and for topics that cover issues that could have a substantial impact on shareowner value. We evaluate the company's existing disclosures on the topic and weigh the benefit from additional disclosures against the cost to the company, which includes not just the direct cost of compiling information but potential of disclosing sensitive or competitively-damaging information. For each proposal, the SBA considers whether such information is already publicly provided by the company, and we do not support redundant proposal requests.

Common disclosure requests and SBA's evaluation process:

- Environmental and sustainability—SBA generally supports proposals seeking greater disclosure of a company's environmental practices and contingency plans. We also tend to support greater disclosure of a company's environmental risks and liabilities, as well as company opportunities and strengths in this area.
- Greenhouse gas emissions—Companies are already required by the Securities and Exchange Commission (SEC) to disclose material expected capital expenditures when operating in locales with greenhouse gas emission standards. Companies may also be required to disclose risk factors regarding existing or pending legislation that relates to climate change and assess whether such regulation will likely have any material effect on the company's financial condition or results, the impact of which is not limited to negative consequences but should include new opportunities as well.
- Energy efficiency—SBA considers the current level of disclosure related to energy efficiency policies, initiatives, and performance measures; the company's level of participation in voluntary energy efficiency programs and initiatives; the company's compliance with applicable legislation and/or regulations regarding energy efficiency; and the company's energy efficiency policies and initiatives relative to industry peers.
- Water supply and conservation—Companies should disclose crucial water supply issues, as well as contingency planning to ensure adequate supply for anticipated company demand levels. SBA

often supports proposals seeking disclosure of water supply dependency or preparation of a report pertaining to sustainable water supply for company operations.

- Political contributions and expenditure—Companies should disclose the amount and rationales for making donations to political campaigns, political action committees (PACs), and other trade groups or special interest organizations. SBA typically considers the following factors:
 - Recent significant controversy or litigation related to the company’s political contributions or governmental affairs;
 - The public availability of a company policy on political contributions and trade association spending, including the types of organizations supported;
 - The business rationale for supporting political organizations; and
 - The board oversight and compliance procedures related to such expenditures of corporate assets.
- Operations in protected or sensitive areas—Such operations may expose companies to increased oversight and the potential for associated risk and controversy. The SBA generally supports requests for reports outlining potential environmental damage from operations in protected regions unless operations in the specified regions are not permitted by current laws or regulations, the company does not currently have operations or plans to develop operations in protected regions, or the company provides disclosure on its operations and environmental policies in these regions comparable to industry peers.
- Community impact assessments—Controversies, fines, and litigation can have a significant negative impact on a company’s financials, public reputation, and even ability to operate. Companies operating in areas where potential impact is a concern often develop internal controls aimed at mitigating exposure to these risks by enforcing, and in many cases, exceeding local regulations and laws. SBA considers proposals to report on company policies in this area by evaluating the company’s current disclosures, industry norms, and the potential impact and severity of risks associated with the company’s operations.
- Supply chain risks—Often these proposals seek information for better understanding risks to the company through their materials purchasing and labor practices. For example, allegations of sweatshop labor or child labor can harm sales and reputation, so knowledge of the company’s policies for preventing these practices are highly relevant to shareowners. SBA considers the terms of the proposal against the current company disclosures and industry standards, as well as the potential severity of risks.
- Corporate diversity—SBA will generally support requests for additional information and disclosures at companies where diversity across members of the board, management and employees lags those of peers or the population. Board members, management and employees with differing backgrounds, experiences and knowledge will enhance corporate performance.⁴⁰

Anti-takeover Defenses

⁴⁰ Carter, David A., D’Souza, Frank, Simkins, Betty J., and Simpson, W. Gary, “The Diversity of Corporate Board Committees and Financial Performance,” Oklahoma State University, 2007. Also see, Mijntje Lückers-Rovers, “Women on Board and Firm Performance,” April 2010.

ADVANCE NOTICE REQUIREMENTS FOR SHAREOWNER PROPOSALS/NOMINATIONS: CASE-BY-CASE

SBA generally supports proposals that allow shareowners to submit proposals as close to the meeting date as reasonably possible and within the broadest window possible. Requests to shrink the window and/or move advance notice deadlines to as early as 150 days or 180 days prior to meetings have been presented by a number of company boards in recent years. Such early deadlines hinder shareowners' ability to make proposals and go beyond what is reasonably required for sufficient board notice. In addition, many companies now request shareowner approval of "second generation advance notice bylaws", which require shareowner nominees to submit company-prepared director questionnaires.⁴¹ While the SBA appreciates increased disclosure of the qualifications of nominees (and incumbents), we disapprove of such requirements if they serve to frustrate shareowner-proposed nominees.

AMEND BYLAWS WITHOUT SHAREOWNER CONSENT: AGAINST

The SBA does not support proposals giving the board exclusive authority to amend the bylaws. We also discourage board members from taking such unilateral actions and may withhold votes from board members that do so. Shareowners should be party to any such decisions, a view supported by Delaware courts where a majority of U.S. firms are domiciled.⁴² If unusual circumstances necessitate such action, at a minimum, unilateral adoption should incorporate a sunset provision or a near-term window for eventual shareowner approval.

EXCLUSIVE FORUM: AGAINST

The SBA generally opposes restrictions on shareowner ability to pursue derivative claims and to participate in the selection of appropriate venue.⁴³ Standard access to the court system is considered to be a fundamental shareowner right. SBA generally votes against proposals to establish exclusive forum and supports proposals requesting that exclusive forum provisions be ratified by shareowners. SBA will critically examine the company's rationale for limiting shareowners' rights to legal remedy, including choice

⁴¹ Weingarten, Marc and Erin Magnor, "Second Generation Advance Notification Bylaws" Harvard Law School Corporate Governance Forum, March 17, 2009.

⁴² Claudia H. Allen, "Delaware Corporations – Can Delaware Forum Selection Clauses in Charters or Bylaws Keep Litigation in the Court of Chancery?," April 18, 2011. Early adopters of the exclusive forum provision chose to enact bylaw provisions without seeking shareowner approval. However, the *Galaviz v. Berg* decision by the U.S. District Court for Northern California provided that Oracle's exclusive forum provision was unenforceable, in part due to Oracle's failure to bring the provision before shareowners.

⁴³ In a March 2010 opinion, the Delaware Court of Chancery provided an opportunity for any Delaware corporation to establish the Court as the exclusive forum for "intra-entity" corporate disputes, such as claims of breach of fiduciary duty. Such claims have been used to overturn directors' business judgments on mergers, and other matters. Subsequently, a number of U.S. companies have decided to bring the exclusive forum provision to a shareowner vote, and others have amended their charter or by-law provisions.

of venue and any material harm that may have been caused by related litigation outside its jurisdiction of incorporation in making a voting decision.

POISON PILLS: AGAINST

Poison pills used to be the most prevalent takeover defense among S&P 500 companies, but their utilization has steadily declined since 2002. The vast majority of pills were instituted after November 1985, when the Delaware Supreme Court upheld a company's right to adopt a poison pill without shareowner approval in *Moran v. Household International, Inc.* Poison pills are financial devices that, when triggered by potential acquirers, do one or more of the following: (1) dilute the acquirer's equity holdings in the target company; (2) dilute the acquirer's voting interests in the target company; or (3) dilute the acquirer's equity holdings in a post-merger company. Generally, poison pills accomplish these tasks by issuing rights or warrants to shareowners that are essentially worthless unless triggered by a hostile acquisition attempt. They are often referred to by the innocuous but misleading name "shareowner rights plans".

The SBA supports proposals asking a company to submit its poison pill for shareowner ratification and generally votes against proposals approving or creating a poison pill. The best defense against hostile takeovers is not necessarily a poison pill, but an effective board making prudent financial and strategic decisions for the company.⁴⁴ SBA will consider voting against board members that adopt or renew a poison pill unless the pill is subject to shareowner ratification within a year of adoption or renewal.

LIMIT WRITTEN CONSENT: CASE-BY-CASE

The SBA votes against proposals to unduly restrict or prohibit shareowners' ability to take action by written consent and supports proposals to allow or make easier shareowner action by written consent. Most states allow shareowners to take direct action such as adopting a shareowner resolution or electing directors through a consent solicitation, which does not involve a physical meeting. Alternatively, consent solicitations can be used to call special meetings and vote on substantive items taking place at the meeting itself.

LIMIT SPECIAL MEETINGS: CASE-BY-CASE

The SBA votes against proposals that unduly restrict or prohibit a shareowner's ability to call special meetings. We generally support proposals that make it easier for shareowners to call special meetings. Most states' corporate statutes allow shareowners to call a special meeting when they want to present certain matters before the next annual meeting. The percentage of shareowner votes required to force the corporation to call the meeting often depends on the particular state's statutes, as does the corporation's ability to limit or deny altogether a shareowner's right to call a special meeting.

⁴⁴ Srinidhi, Bin and Sen, Kaustav, "Effect of Poison Pills on Value Relevance of Earnings."

SUPERMAJORITY VOTE REQUIREMENTS: AGAINST

The SBA does not support shareowner proposals that require supermajority voting thresholds. Supermajority requirements can be particularly burdensome if combined with a requirement for the vote result to be calculated using the number of shares outstanding (rather than the votes cast). There have been many instances when a company's requirements called for a proposal to be supported by eighty percent of shares outstanding but failed because just under eighty percent of shares outstanding were voted. This can be particularly problematic for resolutions to approve mergers and other significant business combinations. Voting results should simply be determined by a majority vote of the disinterested shares.⁴⁵ SBA supports simple majority voting requirements based on shares voted for the passage of any resolution, ordinary or extraordinary, and regardless of whether proposed by management or shareowners.

ADOPT SUPERVOTING RIGHTS ("TIME-PHASED VOTING"): AGAINST

Time-phased voting involves the granting of super-voting rights to shareowners who have held their stock for some specified period of time, commonly for a period of 3-5 years.⁴⁶ The practice is intended to be a reward for long-term shareowners and to make the votes of entities with a short-term focus relatively less effective. However, differential voting rights distort the commensurate relationship between ownership and voting power, and however well-intentioned, the practice ultimately risks harm to companies and their shareowners. By undermining the fundamental connection between voting power and economic interest, it increases risk to investors rather than reducing it. Further, it creates murkiness in the voting process where transparency is already lacking. While we value our right to vote and at times would even have increased rights under such a policy as a long-term owner, we do not wish to subvert the economic process for our own benefit, and we are concerned the practice has potential for significant harm and abuse. We do not endorse any practice that undermines the fundamental link between ownership and determination: one share, one vote.

LIMIT VOTING RIGHTS: AGAINST

⁴⁵ Ravid, S. Abraham and Matthew I. Spiegel, "Toehold Strategies, Takeover Laws and Rival Bidders." *Journal of Banking and Finance*, Vol. 23, No. 8, 1999, pp. 1219-1242.

⁴⁶ Under SEC Rule 19c-4, firms are generally prohibited from utilizing several forms of stock that deviate from a one-share, one-vote standard. Such instances include tracking stocks, different stock classes with asymmetric voting rights (e.g. dual class shares), shares with time-phased voting rights as well as shares of stock with capped voting or even no rights whatsoever. However, under an amendment to the Rule made in 1994, most U.S. companies are exempted from such restrictions under particular circumstances.

The SBA supports maximization of shareowners' voting rights at corporations. Any attempts to restrict or impair shareowner-voting rights, such as caps on voting rights, holding period requirements, and restrictions to call special meetings, will be opposed.

ABSTENTION VOTING TABULATION: CASE-BY-CASE

Abstentions should count for quorum purposes but should be excluded from voting statistics reporting percentages for and against. Some companies request to count abstentions in with against votes when reporting tabulations. This practice makes for inaccurate voting statistics and defies the intentions of the shareowners casting their votes. We strongly support abstention tabulation for matters of quorum satisfaction only.

TABULATING VOTES: CASE-BY-CASE

The SBA supports proposals that allow for independent third parties to examine and tabulate ballots. We support practices of end-to-end vote confirmation for accuracy and security in casting votes.

ESTABLISH A DISTINCTION FAVORING REGISTERED HOLDERS/BENEFICIAL HOLDERS: AGAINST

An extremely small and shrinking percentage of shareowners hold shares in registered form, nearing only one percent of shares outstanding. SBA does not believe any preference or distinction in ownership holding mechanism is necessary or useful. We oppose the adoption of any policy using distinctions among shareowners based on how shares are held.

CORPORATE STRUCTURE

These proposals seek to make some change in the corporate structure and are often operational in nature. In every case, SBA makes a decision by considering the impact of the change on the financial value and health of the company, as well as its impact on shareowner rights.

These proposals include corporate restructurings, capital structure changes, changes to the articles of incorporation and other various operational items. While many of these proposals are considered to be routine, they are not inconsequential. Some have profound impact on shareowner value and rights. Shareowners should have the opportunity to approve any issuance of shares or securities that carry equity-like claims or rights. Furthermore, companies may bundle non-routine items with routine items in an attempt to obtain a more favorable outcome, so the SBA must examine these proposals on a case-by-case basis. SBA may vote against bundled items in any case if the bundle includes highly negative components.

MERGERS/ACQUISITIONS/SPINOFFS: CASE-BY-CASE

SBA evaluates these proposals based on the economic merits of the proposal and anticipated synergies or advantages. We also consider opinions of financial advisors. Support for the proposal may be mitigated by potential conflicts between management's interests and those of shareowners and negative impacts on corporate governance and shareowner rights. The SBA may oppose the proposal if there is a significant lack of information in order to make an informed voting decision.

For any proposal, the following items are evaluated:

- Economic merits and anticipated synergies;
- Independence of board, or special committee, recommending the transaction;
- Process for identifying, selecting, and negotiating with partners;
- Independence of financial advisor and financial opinion for the transaction;
- Tax and regulatory impacts;
- Corporate governance changes; and
- Aggregate valuation of the proposal.

APPRAISAL RIGHTS: FOR

SBA generally supports proposals to restore or provide shareowners with rights of appraisal. In many states, mergers and other corporate restructuring transactions are subject to appraisal rights. Rights of appraisal provide shareowners who are not satisfied with the terms of certain corporate transactions the right to demand a judicial review to determine a fair value for their shares. If a majority of shareowners approve a given transaction, the exercise of appraisal rights by a minority of shareowners will not necessarily prevent the transaction from taking place. Therefore, assuming that a small minority of shareowners succeed in obtaining what they believe is a fair value, appraisal rights may benefit all

shareowners. If enough shareowners dissented and if the courts found a transaction's terms were unfair, such rights could prevent a transaction that other shareowners had already approved.

ASSET PURCHASES/SALES: CASE-BY-CASE

Boards may propose a shareowner vote on the sale or purchase of significant assets; sometimes these proposals are part of a strategy shift driven by changes in the marketplace, problematic corporate performance, or activist-investor campaigns. The SBA evaluates asset purchase proposals on a case-by-case basis, considering the following factors:

- Transaction price;
- Fairness opinion;
- Financial and strategic benefits;
- Impact on the balance sheet and working capital;
- The negotiation history and process;
- Conflicts of interest;
- Other alternatives for the business; and
- Non-completion risk.

APPROVE REORGANIZATION OF DIVISION OR DEPARTMENT/ARRANGEMENT SCHEME, LIQUIDATION: CASE-BY-CASE

Resolutions approving corporate reorganizations or restructurings range from the routine shuffling of subsidiaries within a group to major rescue programs for ailing companies. Such resolutions are usually supported unless there are clear conflicts of interest among the various parties or negative impact on shareowners' rights. In the case of routine reorganizations of assets or subsidiaries within a group, the primary focus with the proposed changes is to ensure that shareowner value is being preserved, including the impact of the reorganization on the control of group assets, final ownership structure, relative voting power of existing shareowners if the share capital is being adjusted, and the expected benefits arising from the changes.

Options are far more limited in the case of a distress restructuring of a company or group as shareowners often have few choices and little time. In most of these instances, the company has a negative asset value, and shareowners would have no value remaining after liquidation. SBA seeks to ensure that the degree of dilution proposed is consistent with the claims of outside parties and is commensurate with the relative commitments of other company shareowners.

APPROVE SPECIAL PURPOSE ACQUISITION COMPANY (SPAC) TRANSACTION: CASE-BY-CASE

A SPAC is a pooled investment vehicle designed to invest in private-equity type transactions, particularly leveraged buyouts. SPACs are shell companies that have no operations at the time of their initial public offering, but are intended to merge with or acquire other companies. Most SPACs grant shareowners

voting rights to approve proposed business combinations. SBA evaluates these proposals based on their financial impact as well as their impact on shareowners' ability to maintain and exercise their rights.

FORMATION OF HOLDING COMPANY: CASE-BY-CASE

The SBA evaluates proposals to create a parent holding company on a case-by-case basis, considering the rationale for the change, any financial, regulatory or tax benefits, and impact on capital and ownership structure. SBA may vote against proposals that result in increases in common or preferred stock in excess of the allowable maximum or adverse changes in shareowner rights.

APPROVE A "GOING DARK" TRANSACTION: CASE-BY-CASE

Deregistrations, or "going-dark" transactions, occur rarely, whereby companies cease SEC reporting but continue to trade publicly. Such transactions are intended to reduce the number of shareowners below three hundred and are typically achieved either by a reverse stock split (at a very high ratio with fractional shares resulting from the reverse split being cashed out), by a reverse/forward stock split (with fractional shares resulting from the reverse split being cashed out), or through a cash buyout of shares from shareowners owning less than a designated number of shares (tender offer or odd-lot stock repurchase). Such transactions allow listed companies to de-list from their particular stock exchange and to terminate the registration of their common stock under the Securities & Exchange Act of 1934, so that, among other things, they do not have to comply with the requirements of the Sarbanes-Oxley Act of 2002.⁴⁷ Companies seeking this approval tend to be smaller capitalization firms and those with lower quality financial accounting. SBA would consider the impact of the lack of disclosure and oversight and loss of liquidity and shareowner rights in making a decision.

LEVERAGED BUYOUT (LBO): CASE-BY-CASE

A leveraged buyout is a takeover of a company using borrowed funds, normally by management or a group of investors. Most often, the target company's assets serve as security for the loan taken out by the acquiring firm, which repays the loan out of cash flow of the acquired company. SBA may support LBOs when shareowners receive a fair value including an appropriate premium over the current market value of their shares.

When the acquirer is a controlling shareowner, legal rulings have imposed a higher standard of review to ensure that this type of transaction, referred to as an entire fairness review, is fair to existing shareowners. Typically, investor protections include review by an independent committee of the board and/or approval by a majority of the remaining shareowners. Whether a buyout is pursued by a

⁴⁷ "Why Do Firms Go Dark? Causes and Economic Consequences of Voluntary SEC Deregistrations," Christian Leuz, Alexander Triantis and Tracy Wang, Finance Working Paper Number 155/2007, European Corporate Governance Institute, March 2008.

controlling shareowner can impact the valuation and premiums, with one study finding that buyouts in which an independent committee reviewed the deal terms produced 14 percent higher average premiums for investors.⁴⁸ However, deals requiring majority-of-the-minority ratification did not significantly impact the level of premium paid to investors. Researchers found that the size of the premium paid changed depending on who initiated the transaction, with significantly lower premiums associated with deals initiated by management. As well, the study's findings mimic other empirical evidence demonstrating that 'go-shop' provisions, whereby additional bidders are solicited, were ineffective and may be used to camouflage under-valued management buyouts.⁴⁹

NET OPERATING LOSS CARRY-FORWARD (NOL) & ACQUISITION RESTRICTIONS: CASE-BY-CASE

Companies may seek approval of amendments to their certificate of incorporation intended to restrict certain acquisitions of its common stock in order to preserve net operating loss carry-forwards (or "NOLs"). NOLs can represent a significant asset for the company, one that can be effective at reducing future taxable income. Section 382 of the Internal Revenue Code of 1986 imposes limitations on the future use of the company's NOLs if the company undergoes an ownership change; therefore, some companies seek to limit certain transactions by adopting ownership limits. Firms often utilize a shareowner rights plan (poison pill) in conjunction with NOL-oriented acquisition restrictions.

While stock ownership limitations may allow the company to maximize use of its NOLs to offset future income, they may significantly restrict certain shareowners from increasing their ownership stake in the company. Such ownership limitations can be viewed as an anti-takeover device. Though these restrictions on shareowners are undesirable, SBA often supports proposals when firms seek restrictions solely in order to protect NOLs. We review the company's corporate governance structure and other control protections in conjunction with the proposal and weigh the negative impact of the restrictions against the financial value of the NOLs (relative to the firm's market capitalization) in making a decision.

CHANGE OF CORPORATE FORM (GERMANY, AUSTRALIA, NEW ZEALAND): CASE-BY-CASE

This proposal seeks shareowner approval to convert the company from one corporate form to another. Examples of different corporate forms include: Inc., LLP, PLP, LLC, AG, SE. The SBA generally votes FOR such proposals, unless there are concerns with the motivation or financial impact of a change to firm's corporate structure.

⁴⁸ Matthew Cain, and Steven Davidoff, "Form Over Substance? The Value of Corporate Process and Management Buyouts," August 2010.

⁴⁹ Adonis Antoniadis, Charles Calomiris, and Donna M Hitscherich, "No Free Shop: Why Target Companies in MBOs and Private Equity Transactions Sometimes Choose Not to Buy 'Go-Shop' Options," November 2013; Guhan Subramanian, "Go-Shops vs. No-Shops in Private Equity Deals: Evidence and Implications," The Business Lawyer, Volume 63, May 2008.

Capital Structure

CHANGE AUTHORIZED SHARE CAPITAL: CASE-BY-CASE

The SBA generally supports authorized share capital increases up to 100 percent of the current number of outstanding shares. We will consider additional increases if management demonstrates a reasonable use. It is important that publicly-held corporations have authorization for shares needed for ordinary business purposes, including raising new capital, funding reasonable executive compensation programs, business acquisitions, and facilitating stock splits and stock dividends. Increases beyond 100 percent of the current number of outstanding shares will be carefully scrutinized to ensure its use will benefit shareowners. We apply a stricter standard if the company has not stated a use for the additional shares or has significant levels of previously authorized shares still available for issue. Proposals that include shares with unequal voting rights will likely be opposed.

Proposals to reduce authorized share capital can result from a variety of corporate actions, ranging from routine accounting measures to reductions pertaining to a significant corporate restructuring in the face of bankruptcy. These proposals can vary significantly from market to market as a result of local laws and accounting standards. In all instances, the SBA considers whether the reduction in authorized share capital is for legitimate corporate purposes and not to be used as an anti-takeover tactic.

STOCK SPLIT OR REVERSE STOCK SPLIT: FOR

Typically SBA supports reasonable proposals for stock splits or reverse stock splits. These proposals often seek to scale back the cost of each share into what is traditionally thought of as a comfortable price and trading zone, which seeks to influence the psychology of the market's perception of price more than anything else. Reverse stock splits may be requested to ensure a company's shares will not be subject to delisting by their exchange's standards, often following a significant negative shock to the share price.

DUAL CLASS STOCK AUTHORIZATION: AGAINST

SBA opposes dual-class share structures. The one share, one vote principle is essential to proper functioning of capitalism; dual class shares distort the commensurate relationship between economic interest and voting power and ultimately risk harm to companies and their shareowners.⁵⁰ A number of academic studies have documented an array of value-destroying effects stemming directly from dual class

⁵⁰ Bebchuk, Lucian Arye, Kraakman, Reinier H. and Triantis, George G., "Stock Pyramids, Cross-Ownership, and Dual Class Equity: The Creation and Agency Costs of Separating Control from Cash Flow Rights". As published in CONCENTRATED CORPORATE OWNERSHIP, R. Morck, Ed., pp. 445-460, 2000 Available at SSRN: <http://ssrn.com/abstract=147590>. Masulis, Ronald W., Wang, Cong and Xie, Fei, "Agency Problems at Dual-Class Companies" (November 12, 2006). Available at SSRN: <http://ssrn.com/abstract=961158>. Tinaikar, Surjit, "The Voluntary Disclosure Effects of Separating Control Rights from Cash Flow Rights" (November 2006). Available at SSRN: <http://ssrn.com/abstract=951547>.

share structures.⁵¹ SBA will support proposals asking companies to move away from dual class structures. SBA may withhold votes or cast votes against the election of directors in cases where a company completes an IPO with a dual or multi-class share structure without a reasonable sunset provision on the unequal voting rights.

APPROVE GENERAL SHARE ISSUANCE WITH PRE-EMPTIVE RIGHTS: CASE-BY-CASE

General issuance requests under both authorized and conditional capital systems allow companies to issue shares to raise funds for general financing purposes. Approval of such requests gives companies sufficient flexibility to carry out ordinary business activities without having to bear the expense of calling shareowner meetings for every issuance. Pre-emptive rights guarantee current shareowners the first opportunity to purchase shares of new issuances of stock in the class they own in an amount proportional to the percentage of the class they already own. SBA generally supports issuance requests with pre-emptive rights when the amount of shares requested is less than the unissued ordinary share capital or one-third of the issued ordinary share capital. Issuance authority should be limited to a five year timeframe. SBA also considers the issue price and any potential pricing discounts, as well as past issuance practices at the company, in judging the appropriateness of the terms and potential for misuse (such as granting large blocks at a discount to a third party). If insufficient information is disclosed about the issuance and conditions of its implementation, SBA may vote against authorization. Proposals that include shares with unequal voting rights will likely be opposed.

⁵¹ Kastiel, Kobi, "Executive Compensation in Controlled Companies," Harvard Law School Working Paper, October 2014. Claessens, Stijn & Fan, Joseph P.H. & Lang, Larry, 2002. "The Benefits and Costs of Group Affiliation: Evidence from East Asia," CEPR Discussion Papers 3364, C.E.P.R. Discussion Papers, revised. Bennedsen, Morten and Nielsen, Kasper Meisner, "The Principle of Proportional Ownership, Investor Protection and Firm Value in Western Europe" (October 2006). ECGI - Finance Working Paper No. 134/2006 Available at SSRN: <http://ssrn.com/abstract=941054>. Gompers, Paul A., Ishii, Joy L. and Metrick, Andrew, "Extreme Governance: An Analysis of Dual-Class Companies in the United States" (May 1, 2008). AFA 2005 Philadelphia Meetings Available at SSRN: <http://ssrn.com/abstract=562511> or DOI: 10.2139/ssrn.562511. Cremers, Martijn and Allen Ferrell, "Thirty Years of Corporate Governance: Firms Valuation & Stock Returns" (September 2009). Yale ICF Working Paper No. 09-09. Available at <http://ssrn.com/abstract=1279650>. Puttonen, Vesa, Ikaheimo, Seppo and Ratilainen, Tuomas, "External Corporate Governance and Performance - Evidence from the Nordic Countries" (January 30, 2007) Available at SSRN: <http://ssrn.com/abstract=960431>. Jiraporn, Pornsit, 2005, "An Empirical Analysis of Corporate Takeover Defenses and Earnings Management: Evidence from the U.S.", Applied financial Economics (University of Warwick, U.K.), Vol. 15, No. 5, pp. 293-303. Li, Kai, Ortiz-Molina, Hernan and Zhao, Shelly, "Do Voting Rights Affect Institutional Investment Decisions? Evidence from Dual-Class Firms" (November 2007). Available at SSRN: <http://ssrn.com/abstract=950295>. Dimitrov, Valentin and Jain, Prem C., "Recapitalization of One Class of Common Stock into Dual-class: Growth and Long-run Stock Returns" (September 1, 2004). Available at SSRN: <http://ssrn.com/abstract=422080> or DOI: 10.2139/ssrn.422080.

APPROVE GENERAL SHARE ISSUANCE WITHOUT PREEMPTIVE RIGHTS: CASE-BY-CASE

Companies may need the ability to raise funds for routine business contingencies without the expense of carrying out a rights issue. Such contingencies include, but are not limited to, facilitating stock compensation plans, small acquisitions, or payment for services. Recognizing that shareowners suffer dilution as a result of issuances, authorizations should be limited to a fixed number of shares or a percentage of capital at the time of issuance. The SBA generally supports issuance requests without pre-emptive rights up to a maximum of 20 percent above current levels of issued capital. Proposals that include shares with unequal voting rights will likely be opposed.

APPROVE ISSUE OF PREFERRED SHARES: CASE-BY-CASE

“Preferred share” typically refers to a class of stock that provides preferred dividend distributions and preferred liquidation rights as compared to common stock; however, preferred shares typically do not carry voting rights. SBA typically votes against preferred share issues that carry voting rights, include conversion rights, or have “blank check” ability. We typically support issuances without conversion or voting rights when the company demonstrates legitimate financial needs.

Blank check preferred stock gives the board of directors the power to issue shares of preferred stock at their discretion, with voting, conversion, distribution, and other rights set by the board at the time of issuance. Blank check preferred stock can be used for sound corporate purposes like raising capital, stock acquisition, employee compensation, or stock splits or dividends. However, blank check preferred stock is also suited for use as an entrenchment device. The company could find a “white knight,” sell the knight a large block of shares, and defeat any possible takeover attempt. With such discretion outside the control of common stock shareowners, the SBA typically opposes any proposals to issue blank check preferred stock.

RESTRUCTURE/RECAPITALIZE: CASE-BY-CASE

These proposals deal with the alteration of a corporation’s capital structure, such as an exchange of bonds for stock. The SBA is in favor of recapitalizations when our overall investment position is protected during the restructuring process.

TARGETED SHARE PLACEMENT: CASE-BY-CASE

SBA typically supports shareowner proposals requesting that companies first obtain shareowner authorization before issuing voting stock, warrants, rights or other securities convertible into voting stock, to any person or group, unless the voting rights at stake in the placement represent less than 5 percent of existing voting rights.

SHARE REPURCHASE: CASE-BY-CASE

When a company has excess cash, SBA's preferred method for distributing it to shareowners is through adopting a quarterly dividend. Dividends are an effective means for returning cash and serve as an important signal to the market of earnings stability. Because dividend adoptions and subsequent changes are scrutinized carefully, they serve as an important marker of a company's commitment to return cash to shareowners. Repurchases on the other hand require no commitment to ongoing return of profits to shareowners. Repurchased shares often end up being granted to executives as part of stock compensation packages; this common use of cash is in actuality paying compensation and not a form of profit return to owners. Because of this, SBA strongly prefers dividend adoption over share repurchases. We support repurchases only in cases of unusual cash accumulation, such as from a divestiture of assets. Cash flows from operations that have an expected long-term generation pattern should be committed to owners through quarterly dividends. Repurchases are also supported if the rationale is that management believes the stock is undervalued. Companies should not commit to long term repurchases at any market price; evidence shows that many companies tend to repurchase shares at market-highs with these plans and generally buy at inopportune times.

DECLARE DIVIDENDS: FOR

Declaring a dividend is a preferred use of cash and method of releasing profits to shareowners. SBA generally supports dividend declarations unless the pay-out is unreasonably low or the dividends are not sustainable by reserves and cash flow. Pay-outs less than 30 percent of net income for most markets are considered low.

TRACKING STOCK: CASE-BY-CASE

The SBA closely examines the issuance of tracking stock shares, particularly corporate governance rights attached to those shares. Normally, tracking stock is a separate class of common stock that "tracks" the performance of an individual business of a company. Tracking stock represents an equity claim on the cash flows of the tracked business as opposed to legal ownership of the company's assets. Tracking stock is generally created through a charter amendment and provides for different classes of common stock, subject to shareowner approval. Due to their unique equity structure, we examine closely all of the following issues when determining our support for such proposals: corporate governance features of tracking stock (including voting rights, if any), distribution method (share dividend or initial public offering), conversion terms and structure of stock-option plans tied to tracking stock.

APPROVE ISSUE OF BONDS, DEBENTURES, AND OTHER DEBT INSTRUMENTS: FOR

Generally, SBA supports debt issuance of reasonable amounts for the purpose of financing future growth and corporate needs. Debt issues may also add a beneficial monitoring component, making managers more accountable for corporate performance because if the company does not perform well

financially, the company may not be able to meet its financial obligations. Studies have also examined the relationship between firms' capital structure and the quality of their corporate governance mechanisms, confirming that corporations use debt in place of corporate governance tools.⁵² While the SBA recognizes the need to employ various tools to minimize agency costs and align management interests with shareowner interests, corporations must not abdicate their corporate governance duties by expanding leverage.

When companies seek to issue convertible debt or debt with warrants, SBA considers the impact of the potential conversion on existing shareowners' rights when making a decision. We may also support limits on conversion rights to prevent significant dilution of SBA's ownership.

PRIVATE PLACEMENTS: CASE-BY-CASE

Private placement is a method of raising capital through the sale of securities to a relatively small number of investors rather than a public offering. Investors involved in private placement offerings typically include large banks, mutual funds, insurance companies and pension funds.

Because the private placement is offered to a limited number of investors, detailed financial information is not always disclosed and the need for a prospectus is waived. Moreover, in the United States, the authority does not have to be registered with the Securities and Exchange Commission.

The SBA evaluates private placements on a case-by-case basis, voting against if the private placement contains extraordinary voting rights or if it may be used in some other way as an anti-takeover defense.

Operational Items

ADJOURN MEETING: CASE-BY-CASE

SBA generally votes against proposals to provide management with the authority to adjourn an annual or special meeting absent compelling reasons to support the proposal. The SBA may support proposals that relate specifically to soliciting votes for a merger or transaction if we support that merger or transaction.

TRANSACT OTHER BUSINESS: AGAINST

This proposal provides a forum for addressing resolutions that may be brought up at the annual shareowner meeting. In most countries, the item is a formality and does not require a shareowner vote, but companies in certain countries include permission to transact other business as a voting item. This discretion is overly broad, and it is against the best interest of shareowners to give directors unbound per-

⁵² Marquardt, Carol, "Managing EPS Through Accelerated Share Repurchases: Compensation Versus Capital Market Incentives." Baruch College-CUNY, September 2007.

mission to make corporate decisions without broad shareowner approval. Because most shareowners vote by proxy and would not know what issues will be raised under this item, SBA does not support this proposal.

AMEND SHAREOWNERS' MEETING QUORUM REQUIREMENTS: CASE-BY-CASE

SBA supports quorums of a simple majority. We do not support super-majority quorum requirements.

AMEND BYLAWS OR ARTICLES OF ASSOCIATION: CASE-BY-CASE

The SBA considers the merits of the proposed amendment and its potential impact on shareowner rights and value. Different amendments should not be presented in a bundled format, which would prevent shareowners from making individual decisions on each provision. We may not support a bundled proposal that contains a mix of desirable and undesirable features.

NAME CHANGE: FOR

Changing a company's name is a major step that has likely gone through extensive management consideration and/or marketing research. SBA generally supports these proposals.

RECEIVE/APPROVE/AMEND REPORTS AND AUDITED ACCOUNTS FOR PREVIOUS FINANCIAL REPORTING PERIODS: CASE-BY-CASE

Generally, SBA supports these proposals unless we are aware of serious concerns about the accounting principles used or doubt the integrity of the company's auditor. Annual audits of a firm's financial statements should be mandatory and carried out by an independent auditor.

CHANGE METHOD OF PREPARING ACCOUNTS/DISTRIBUTING FINANCIAL STATEMENTS TO SHAREOWNERS: CASE-BY-CASE

If the changes have been instituted by a nationwide regulation, they will be approved. Otherwise, they will be carefully scrutinized to ensure they are not damaging to our interests. For instance, managers may seek to reclassify accounts to enhance their perceived performance. If this is the case, then managers may earn more in performance-based compensation without adding actual value to the firm.

ADOPT OR CHANGE STAKE DISCLOSURE REQUIREMENT(S): CASE-BY-CASE

Proposals may be submitted to conform to recent changes in home market disclosure laws or other regulations. However, proposed levels that are below typical market standards are often only a pretext for an anti-takeover defense. Low disclosure levels may require a greater number of shareowners to dis-

close their ownership, causing a greater burden to shareowners and to the company. Positions of more than five percent are significant, however, and would be supported by SBA.

RESTRICT INTER-SHAREOWNER COMMUNICATIONS: AGAINST

The ability to dialogue assists shareowners in seeing each other's perspective and helps owners exercise their rights in a free, capitalist market. SBA would not typically support restrictions beyond those of market regulators. In U.S. markets, the SEC has established enforceable guidelines that govern communications from shareowners or other parties for the purposes of soliciting proxies or pursuing corporate takeover measures.

CHANGE DATE OF FISCAL YEAR-END: FOR

Companies may seek shareowner approval to change their fiscal year end. Most countries require companies to hold their annual shareowners meeting within a certain period of time after the close of the fiscal year. While the SBA typically supports this routine proposal, opposition may be considered in cases where the company is seeking the change solely to postpone its annual meeting.

AUTHORIZE DIRECTORS TO MAKE APPLICATION FOR ONE OR MORE EXCHANGE LISTINGS: FOR

SBA generally supports proposals to authorize secondary share listings, absent evidence that important shareowner rights will not be harmed or restricted to an unreasonable extent. Secondary listings may provide additional funding in other capital markets and/or increase share liquidity.

SET OR CHANGE DATE OR PLACE OF ANNUAL MEETING: FOR

Flexibility is necessary in time and location of board meetings. As such, the SBA typically supports proposals that provide reasonable discretion to the board for scheduling a shareowner meeting. SBA would not support changes if their impact is expected to inhibit participation by shareowners.

CHANGE/SET PROCEDURE FOR CALLING BOARD MEETINGS: CASE-BY-CASE

The SBA embraces full disclosure regarding the procedures for calling board meetings. Therefore, we typically vote FOR improvements in these procedures and the disclosure of these procedures.

ALLOW DIRECTORS TO VOTE ON MATTERS IN WHICH THEY ARE INTERESTED: CASE-BY-CASE

Generally, SBA does not support these proposals unless it is shown that the directors' interests are not material or the proposal conforms to federal regulations or stock exchange requirements.

CHANGE QUORUM REQUIREMENT FOR BOARD MEETINGS: CASE-BY-CASE

SBA may support reasonable changes in quorum requirements for board meetings. We would not support a quorum of less than fifty percent.

REINCORPORATION TO A DIFFERENT STATE: CASE-BY-CASE

Corporations may change the state in which they are incorporated as a way of changing minimum or mandatory governance provisions. A corporation having no business contacts or connections in a state may nonetheless choose that state as its place of incorporation and that state's laws will determine certain aspects of its internal governance structure. The ability of corporations to choose their legal domicile has led many states to compete for revenue from corporate fees and taxes by enacting management-friendly incorporation codes. This competition has encouraged states to support an array of anti-takeover devices and provide wide latitude in restricting the rights of shareowners.

Many companies changed their state of incorporation to Delaware since the 1980s because they viewed it as having a predictable and favorable legal climate for management. In 2007, North Dakota changed its laws of incorporation in an effort to create an environment of corporate governance best practices and strong shareowner rights. SBA will support proposals to shift the state of incorporation to states with net improvements in shareowner protections; however, the opportunity to increase shareowner rights will be weighed against the costs and potential disruption of changing the state of incorporation.⁵³

OFFSHORE REINCORPORATION: CASE-BY-CASE

In some circumstances the costs of a corporation's reincorporation may outweigh the benefits, primarily tax and other financial advantages. Reincorporation can also result in the loss of shareowner rights, financial penalties, future detrimental tax treatment, litigation, or lost business. The SBA evaluates reincorporation proposals by examining the economic costs and benefits and comparing governance and regulatory provisions between the locations.

CONTROL SHARE ACQUISITION PROVISIONS: CASE-BY-CASE

Control share acquisition statutes function by denying shares their voting rights when they contribute to ownership in excess of certain thresholds. Voting rights for those shares exceeding set ownership limits may only be restored by approval of either a majority or supermajority of disinterested shares. Thus, control share acquisition statutes effectively require a hostile bidder to put its offer to a shareowner vote or risk voting disenfranchisement if the bidder continues buying up a large block of shares. SBA supports proposals to opt out of control share acquisition statutes unless doing so would enable the

⁵³ Subramanian, Guhan, "The Influence of Anti-takeover Statutes on Incorporation Choice: Evidence on the 'Race' Debate and Anti-takeover Overreaching." Harvard NOM Research Paper No. 01-10, December 2001.

completion of a takeover that would be detrimental to shareowners. SBA opposes proposals to amend the charter to include control share acquisition provisions or limit voting rights.

CONTROL SHARE CASH-OUT PROVISIONS: FOR

Control share cash-out statutes give dissident shareowners the right to “cash-out” of their position in a company at the expense of the shareowner who has taken a control position. When an investor crosses a preset threshold level, the remaining shareowners are given the right to sell their shares to the acquirer, who must buy them at the highest acquiring price. SBA typically supports proposals to opt out of control share cash-out statutes.

OPT-OUT OF DISGORGEMENT PROVISIONS: FOR

Disgorgement provisions require an acquirer or potential acquirer of more than a certain percentage of a company’s stock to disgorge (or pay back) to the company any profits realized from the sale of that company’s stock purchased 24 months before achieving control status. All sales of company stock by the acquirer occurring within a certain period of time (between 18 months and 24 months) prior to the investor’s gaining control status are subject to these recapture-of-profits provisions. SBA supports proposals to opt out of state disgorgement provisions.

ANTI-GREENMAIL: FOR

Greenmail payments are targeted share repurchases by management of company stock from individuals or groups seeking control of the company. They are one of the most wasteful entrenchment devices available to management. Since only the hostile party receives payment, usually at a substantial premium over the market value of his shares, the practice is discriminatory to all other shareowners of the company. With greenmail, management transfers significant sums of corporate cash to one entity for the purpose of fending off a hostile takeover. SBA supports proposals to adopt anti-greenmail charter or bylaw amendments or otherwise restrict a company’s ability to make greenmail payments.

FAIR PRICE AND SIMILAR PROVISIONS IN TWO-TIERED TENDER OFFERS: CASE-BY-CASE

SBA supports proposals to adopt a fair price provision as long as the shareowners’ vote requirement embedded in the provisions is no more than a majority of the disinterested shares. The SBA will vote against all other management fair price proposals. SBA also will typically support shareowner proposals to lower the shareowners’ vote requirement embedded in existing fair price provisions.

FAIR PRICE PROVISION: CASE-BY-CASE

Fair price provisions are a variation on standard supermajority voting requirements for mergers, whereby shareowners vote before a significant business combination can be affected. Fair price provisions add

a third option, allowing a bidder to consummate a merger without board approval or a shareowner vote as long as the offer satisfies the price requirements stipulated in the provision. Fair price provisions are normally adopted as amendments to a corporation's charter. The provisions normally include a super majority lock-in, a clause requiring a super majority shareowner vote to alter or repeal the provisions itself. We typically support management proposals to adopt a fair price provision, as long as the shareowner vote requirement imbedded in the provision is no more than a majority of the disinterested shares. We generally support shareowner proposals to lower the shareowner vote requirement imbedded in existing fair price provisions.

OPT OUT OF ANTI-TAKEOVER LAW: FOR

The SBA does not support corporations opting into state anti-takeover laws (e.g. Delaware). Such laws may prohibit an acquirer from making a well-financed bid for a target, which provides a premium to shareowners. We support proposals to opt-out of state anti-takeover laws.

APPROVE STAKEHOLDER PROVISIONS: AGAINST

Stakeholder provisions or laws permit directors to weigh the interests of constituencies other than shareowners, including bondholders, employees, creditors, customers, suppliers, the surrounding community, and even society as a whole, in the process of corporate decision making. The SBA does not support proposals for the board to consider non-shareowner constituencies or other nonfinancial effects when evaluating making important corporate decisions, such as a merger or business combination.

Evaluating the impact on non-shareowner constituencies provides a board with an explicit basis, approved by the shareowners, which it may invoke to reject a purchase offer that may be attractive in purely financial terms. Some state laws also allow corporate directors to consider non-financial effects, whether or not the companies have adopted such a charter or bylaw provision. SBA would support proposals to opt-out of such provisions.

COMPENSATION

Compensation is an area that merits particular oversight from investors, as it exemplifies the delicate principal-agent relationship between shareowners and directors. Directors create compensation plans, often with the assistance of compensation consultants, which aim to motivate performance and retain management. Ultimately, it is the shareowners that bear the cost of these plans, and as average compensation packages have climbed steadily in value in recent years, shareowners have concern over the level of pay, the lack of disclosure, the role of compensation advisers, and the loyalty of board members to shareowners' interests over management's. Voting against plans with exorbitant pay or poor design is an important shareowner duty, and engagement with companies on their plans and features is a meaningful way for shareowners to protect value and contribute to oversight of their agents.⁵⁴

ADOPT OR AMEND STOCK AWARD OR OPTION PLAN: CASE-BY-CASE

The SBA supports compensation structures that provide incentives to directors, managers, and other employees by aligning their performance and economic interests with those of the shareowners. Therefore, we evaluate incentive-based compensation plans on reasonableness of the total cost to shareowners and the incentive aspects of the plan, as well as the overall design and transparency of the program.

Stock-based incentive plans should require some financial risk. Proper and full disclosure is essential for shareowners to assess the degree of pay-for-performance inherent in plans. Some companies disclose metrics and thresholds that are inappropriately low and easy to attain; other companies refrain from disclosing metrics and/or thresholds at all. When there is insufficient disclosure on plan metrics and compensation levels appear out of line with peers or problematic pay practices are used, SBA will not support the plan.

For plans to provide proper incentives, executive compensation should be linked directly with the performance of the business. Typically, companies use peer groups when developing compensation packages to make peer-relative assessments of performance. A company's choice of peers can have a significant impact on the ultimate scope and scale of executive compensation, and in many cases, companies set executive compensation at or above the fiftieth percentile of the peer group.⁵⁵ Problematic issuer-developed peer groups may exhibit the following red flags: 1) too many firms listed (more than 15); 2) bias toward "peers" that are substantially larger and/or more profitable;^{56,57} 3) peer groups with unusu-

⁵⁴ CFA Centre for Financial Market Integrity, "The Compensation of Senior Executives at Listed Companies: A Manual for Investors," 2007.

⁵⁵ Bizjak, M. John, Lemmon, L. Michael, and Naveen, Lalitha. 2000 "Has the Use of Peer Groups Contributed to Higher Pay and Less Efficient Compensation?"

⁵⁶ Faulkender, Michael W. and Yang, Jun, "Inside the Black Box: The Role and Composition of Compensation Peer Groups," (March 15, 2007). AFA 2008 New Orleans Meetings Paper.

ally high CEO pay, particularly if not direct competitors; 4) groups with too many industries and geographic markets included; and 5) unexplained year-to-year peer group changes. When the basis of compensation uses benchmarks and relative comparisons to an inappropriate peer group selection, SBA is unlikely to support the compensation plan.

When making voting decisions, we look for reasonable compensation levels, both on an absolute basis and relative to peers, alignment between pay and performance, disclosure of performance metrics and thresholds, and fair plan administration practices. We may vote against compensation plans for the following reasons:

- High compensation levels on an absolute or peer-relative basis
- Disconnect between pay and performance
- Poor disclosure of performance metrics, thresholds, and targets
- Heavy reliance on time-based instead of performance-based vesting
- Imbalance between long-term and short-term incentive program payments
- Large guaranteed payments
- “Long-term” plans with overly short performance measurement and payout periods
- Excessive severance or single-trigger change-in-control packages
- Plans that cover non-employee consultants or advisors
- Inappropriate peer group selections resulting in out-sized or misaligned pay
- Excessive perquisites
- Lack of stock ownership guidelines for executives
- Tax gross-ups, evergreen issues, or option repricing practices are permitted
- Accelerated or unreasonable vesting provisions
- Dividend payments are made or allowed to accrue on unvested or unearned awards
- Lack of an independent compensation committee or egregious consultant practices
- Poor committee response to investor concerns, proposals or engagements, especially insufficient response to recent low vote outcomes on compensation plan items including say-on-pay votes.

ADVISORY VOTE ON EXECUTIVE COMPENSATION: CASE-BY-CASE

Say-on-pay votes are required in several markets, including the U.S., U.K., Australia, the Netherlands, Sweden, Norway, and Spain. These advisory votes allow investors to provide feedback on the administration of a company’s pay program, typically on an annual basis (though in some markets, investors of some companies have voted for lesser frequencies of two or three years). Say-on-pay advisory votes add value because investors can seek accountability if the administration of an approved plan proves to be poor. The combination of compensation plan votes and annual say-on-pay advisory votes allow investors to approve the plans and still weigh in on the actual administration of those plans on a regular ba-

⁵⁷ Albuquerque, Ana M., De Franco, Gus and Verdi, Rodrigo S., “Peer Choice in CEO Compensation,” (July 21, 2009). Available at SSRN: <http://ssrn.com/abstract=1362047>.

sis. SBA uses similar criteria for evaluating say-on-pay proposals as detailed in the “Adopt or amend stock incentive plan” guideline.

ADOPT BONUS 162(M) PLAN (U.S.): CASE-BY-CASE

SBA reviews proposals to adopt performance-based cash bonus plans for executives on a case-by-case basis. These plans are put to a shareowner vote to preserve the tax deductibility of compensation in excess of \$1 million for the five most highly compensated executives, pursuant to section 162(m) of the Internal Revenue Code. A vote against these plans does not necessarily prevent the bonus from being paid, but only precludes the ability to take a tax deduction.⁵⁸ SBA will vote against these proposals under any of these conditions: misalignment of pay and performance, lack of defined or acceptable performance criteria, or unlimited or excessively high maximum pay-outs.

ADOPT OR AMEND EMPLOYEE STOCK PURCHASE PLAN: CASE-BY-CASE

Employee stock purchase plans (ESPP) are normally broad-based equity plans that allow employees to purchase stock via regular payroll deductions, often at a reduced price. Equity-based compensation can be a useful tool in aligning the interests of management and employees with those of the shareowners. ESPPs provide low cost financing for corporate stock and can improve employee productivity, both of which should, in theory, lead to increased shareowner value. Numerous studies favorably link ESPPs with improved corporate performance.⁵⁹ SBA considers the plan’s salient features, such as use of ever-green provisions, purchase limits/discounts, pay deductions, matching contributions, holding requirements, tax deductibility, the size and cost of the plan, as well as the company’s overall use of equity compensation, in making voting decisions. The plan is generally accepted if the combined amount of equity used across all programs is deemed reasonable.

LINKING PAY WITH PERFORMANCE: CASE-BY-CASE

These proposals would require the company to closely link pay with performance, using performance measures that are mandated in the proposal language or that must be presented to investors by the company for pre-approval.

When the performance measures are mandated by the proposal language, SBA typically supports proposals that reasonably and fairly align pay with specific performance metrics, require detailed disclosures, or mandate adherence to fair compensation practices. We are less likely to support proposals that require metrics that are a degree removed from ultimate performance measures, such as proposals that require pay to be linked to performance on specific social mandates, absent a compelling argument for their usage.

⁵⁸ “Section 162(m) Requirements, Implications and Practical Concerns,” Exequity, September 2008.

⁵⁹ 2006 Employee Stock Purchase Plan Report, Equilar, Inc., 2006.

SBA supports meaningful investor oversight of executive compensation practices and generally supports proposals requiring shareowner approval of specific performance metrics in equity compensation plans. SBA supports prior disclosure of performance metrics including quantifiable performance measures, numerical formulas, and other payout schedules covering at least a majority of all performance-based compensation awards to any named executive officers.

OPTION REPRICING: CASE-BY-CASE, TYPICALLY AGAINST

Option repricing is a contravening of the incentive aspect of plans. If the company has a history of repricing underwater options, SBA is unlikely to vote in support. There are very rare instances where repricing is acceptable, but several strict conditions must be met including a dramatic decline in stock value due to serious macroeconomic or industry-wide concerns and the necessity to reprice options in order to retain and motivate employees.

RECOUP BONUSES OR INCENTIVE COMPENSATION THROUGH CLAWBACK PROVISIONS: CASE-BY-CASE

Most commonly, clawback provisions address situations where the company's restated financial statements show that an executive did not achieve the performance results necessary for the executive to receive a bonus or incentive compensation. SBA recognizes that clawback provisions are an important aspect of performance-based compensation plans. To align executive interests with the interests of shareowners, executives should be compensated for achieving performance benchmarks. Equally, an executive should not be rewarded if he or she does not achieve established performance goals. If restated financial statements reveal that the executive was falsely rewarded, he or she should repay any unjust compensation received.

SBA evaluates these proposals by taking into consideration the impact of the proposal in cases of fraud, misstatement, misconduct, and negligence, whether the company has adopted a formal recoupment policy, and if the company has chronic restatement history or material financial problems.

DISCLOSURE OF WORK BY COMPENSATION CONSULTANTS: FOR

External compensation consultants should be independent to ensure that advice is unbiased and uncompromised. Multiple business dealings or significant revenue from the company may impair the independence of a pay consultant's opinions, advice, or recommendations to the compensation committee. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 requires that compensation committees analyze the independence of their compensation consultants and advisers and disclose any conflicts of interest concerning such consultants and advisers. Item 407(e)(3)(iv) of Regulation S-K codifies the SEC's proxy disclosure requirement with respect to compensation consultant conflicts of inter-

est, applicable to proxies filed in 2013 and thereafter.⁶⁰ Compensation committees are required to assess whether the consultant's work raises any conflicts of interest and, if so, disclose to investors information about the nature of any such conflict and how the conflict is being addressed.

SBA generally supports proposals seeking disclosure regarding the company, board, or compensation committee's use of compensation consultants, such as company name, business relationships, fees paid, and identification of any potential conflicts of interest. Additionally, compensation consultants should not be eligible as consultants or advisors on any stock incentive plan at the company.

RESTRICT EXECUTIVE PAY: CASE-BY-CASE

SBA supports levels of compensation that are consistent with the goal of aligning management's interests with shareowners' interests. Absolute limits may inhibit the compensation committee's ability to fulfill its duties. When the company's executive compensation and performance have been reasonable and in line with that of peers, SBA is unlikely to support proposals seeking an arbitrary cap.

HEDGING AND PLEDGING COMPANY STOCK: CASE-BY-CASE

Companies are increasingly adopting policies that prohibit insiders, such as board directors and senior executives, from hedging the value of their company equity or pledging company shares as collateral to margin accounts. Hedging is a strategy to offset or reduce the risk of price fluctuations for an asset or equity. Stock-based compensation or open-market purchases of company stock should serve to align executives' or directors' interests with shareowners. Hedging of company stock through a covered call, 'cashless' collar, forward sale, equity swap, or other derivative transactions can sever the alignment with shareowners' interests. Some researchers have found negative stock price performance associated with certain hedging activities.⁶¹ Pledging of company stock as collateral for a loan may have a detrimental impact on shareowners if the officer or director is forced to sell company stock, for example, to meet a margin call. The forced sale of significant amounts of company stock may negatively impact the company's stock price and may also violate a company's insider trading policies and 10b5-1 trading plans. In addition, pledging of shares may be utilized as part of hedging or monetization strategies that could potentially immunize an executive against economic exposure to the company's stock, even while maintaining voting rights. Such strategies may also serve to significantly alter incentives embedded within long-term compensation plans.

SBA generally supports proposals designed to prohibit named executive officers from engaging in derivative or speculative transactions involving company stock, including hedging, holding stock in a margin

⁶⁰ Securities and Exchange Commission Final Rule, "Listing Standards for Compensation Committees," adopted June 20, 2012, effective July 27, 2012.

⁶¹ J. Carr Bettis, John M. Bizjak, and Swaminathan L. Kalpathy, "Why Do Insiders Hedge Their Ownership and Options? An Empirical Examination," Social Science Research Network, March 2010.

account, or pledging large amounts of stock as collateral for a loan. SBA will evaluate the company's historical practices, level of disclosure, and current policies on the use of company stock.

PROHIBIT TAX GROSS-UPS: FOR

Tax gross-ups are reimbursements to senior executives paid by the company to cover an executive's tax liability. Tax gross-ups are an unjustifiably costly practice to shareowners; it generally takes at least \$2.50 and as much as \$4 to cover each \$1 of excise tax that must be "grossed-up."⁶² SBA generally supports proposals for companies to adopt a policy of not providing tax gross-up payments to executives, except in situations where gross-ups are provided pursuant to a plan, policy, or arrangement applicable to management employees of the company, such as a relocation or expatriate tax equalization policy.

REQUIRE SUPERMAJORITY OF INDEPENDENT BOARD MEMBERS TO APPROVE CEO COMPENSATION: AGAINST

SBA generally votes against proposals to seek approval of an amendment to the bylaws in order to provide that a company's CEO's compensation must be approved by a supermajority of all independent directors of the board. Proponents of this proposal argue that approval of this proposal would ensure that the company provides a CEO pay package that is widely supported by its independent directors, increasing the likelihood that the company's independent directors are kept informed of and feel shared responsibility for CEO compensation decisions. However, SBA supports the compensation committee members as sufficient to be the knowledgeable arbiters of compensation plan terms, metrics and pay-outs.

MANDATORY HOLDING PERIODS: CASE-BY-CASE

SBA supports proposals asking companies to adopt a mandatory holding period for their executives, as well as requiring executives to meet stock ownership requirements. When making voting decisions, SBA considers whether the company has any holding period or officer ownership requirements in place and how the company's executives' actual stock ownership compares to the proposal's suggested holding period and the company's present ownership or retention requirements.

EXECUTIVE SEVERANCE AGREEMENTS OR GOLDEN PARACHUTES: CASE-BY-CASE

SBA examines a variety of factors that influence the voting decision in each circumstance, such as:

- The value of the pay-outs in relation to annual salary plus certain benefits for each covered employee as well as the equity value of the overall transaction;

⁶² "New Study on Tax Gross-ups," Risk & Governance Weekly, 12/5/08.

- The scope of covered employees along with their tenures and positions before and after the transaction, as well as other new or existing employment agreements in connection with the transaction;
- The scope of change in control agreement as it relates to the nature of the transaction;
- The use of tax gross-ups;
- Features that allow accelerated vesting of prior equity awards or automatic removal of performance-based conditions for vesting awards;
- For new or outside executives, the lack of sunset provisions; and
- The type of “trigger” necessary for plan pay-outs. Single triggers involve just a change in control; double triggers require a change in control and termination of employment.

Ideally, a golden parachute should not incentivize the executive to sacrifice ongoing opportunities with the surviving firm and should be triggered by a mechanism that is outside of the control of management. Likewise, careful structuring can enhance shareowner value and result in higher takeover bids; exorbitant pay-outs may discourage acquirers from seeking the company as a target and result in a lower shareowner value. Plans that include excessive potential pay-outs, single triggers, overly broad change in control applications, and/or accelerated vesting features are typically not supported by the SBA. Occasionally, more detrimental features such as single triggers or overly broad application of the plan to lower level employees may warrant withholding votes from compensation committee members in addition to an against vote on the golden parachute plan. Some research indicates that firms adopting golden parachutes experience reductions in enterprise value, as well as negative abnormal stock returns, both during the inter-volume period of adoption and thereafter.⁶³

Some executives may receive provision for severance packages, vested shares, salary, bonuses, perquisites and pension benefits even after death.⁶⁴ Most public companies include death benefits with other types of termination-related pay due their CEOs, with variations for whether the person is fired, becomes disabled or dies in office. Death benefits may be layered on top of pensions, vested stock awards and deferred compensation, which for most CEOs already amount to large sums. Though not all companies provide it, the most common posthumous benefit is acceleration of unvested stock options and grants of restricted stock; these accelerated vesting provisions are not supported by SBA proxy voting guidelines. SBA supports their removal from compensation frameworks.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLANS (SERPS): CASE-BY-CASE

⁶³ Lucian A. Bebchuk, Alma Cohen, and Charles C. Y. Wang, “Golden Parachutes and the Wealth of Shareholders,” Harvard Law and Economics Discussion Paper No. 683 (October 2012).

⁶⁴ “Companies Promise CEOs Lavish Posthumous Paydays,” Wall Street Journal, June 10, 2008.

SERPs are non-qualified, executive-only retirement plans under which the company provides an additional retirement benefit to supplement what is offered under the employee-wide plan where contribution levels are capped. SERPs are different from typical qualified pension plans in two ways. First, they do not receive the favorable tax deductions enjoyed by qualified plans. The company pays taxes on the income it must generate in order to pay the executive in retirement. Therefore, some critics contend that the executive's tax obligation is shifted to the company. Second, SERPs typically guarantee fixed payments to the executive for life. Unlike defined contribution plans, SERPs transfer the risk of investment performance entirely to the firm. Even if the company or its investment performs poorly, the executive is entitled to receive specified stream of payments.⁶⁵

SBA may support proposals to limit their usage if there is evidence of abuse in the SERP program or post-employment benefits that indicate the company is operating the program in excess of peers. SBA also supports the limitation of SERP formulas to base compensation, rather than the extension to variable compensation or other enhancements, and we do not endorse the practice of granting additional years of service that were not worked.

PRE-ARRANGED TRADING PLANS (10B5-1 PLANS): CASE-BY-CASE

The SBA generally supports proposals calling for certain principles regarding the use of prearranged trading plans (10b5-1 plans) for executives. These principles include:

- Adoption, amendment, or termination of a 10b5-1 Plan are disclosed within two business days in a Form 8-K;
- Amendment or early termination of a 10b5-1 Plan is allowed only under extraordinary circumstances, as determined by the board;
- Multiple, overlapping 10b5-1 plans should be prohibited;
- Plans provide that ninety days must elapse between adoption or amendment of a 10b5-1 Plan and initial trading under the plan;
- Reports on Form 4 must identify transactions made pursuant to a 10b5-1 Plan;
- An executive may not trade in company stock outside the 10b5-1 Plan; and
- Trades under a 10b5-1 Plan must be handled by a broker who does not handle other securities transactions for the executive.

Boards of companies that have adopted 10b5-1 plans should adopt policies covering plan practices, periodically monitor plan transactions, and ensure that company policies cover plan use in the context of guidelines or requirements on equity hedging, pledging, holding, and ownership.

DIRECTOR COMPENSATION: CASE-BY-CASE

⁶⁵ Bebchuk, Lucian Arye and Fried, Jesse M., "Pay without Performance: Overview of the Issues" . Journal of Corporation Law, Vol. 30, No. 4, pp. 647-673, 2005. Also see Bebchuk, Lucian A., Cohen, Alma, and Spamann, Holger, "The Wages of Failure" (Working Draft, November 22, 2009).

Non-employee director compensation should be composed of a mix of cash and stock awards, where market practices do not prohibit such a mix. Director compensation plans are evaluated by comparing the cash compensation plus the approximate value of the equity-based compensation per director to a peer group with similar size and enterprise value. The initial compensation that is provided to new directors is also considered. The cash retainer and equity compensation are adequate compensation for board service; therefore, SBA does not support retirement benefits for non-employee directors.

We encourage stock ownership by directors and believe directors should own an equity interest in the companies upon which boards they are members. However, we do not support a specific minimum or absolute ownership levels.

BUSINESS CONDUCT

SBA often engages with companies outside of the proxy voting process, speaking directly to corporate and board representatives about business conduct decisions relevant to shareowner value, such as in the guidelines discussed below. Most of the guidelines in this section cover proposals that are submitted by shareowners rather than management, but these issues impact the majority of companies regardless of whether they have had shareowner proposals submitted. Therefore, engagement is an extremely effective and important tool for mitigating the widespread and systematic risks inherent in these issues.

SBA considers the vote on these proposals to be an important part of the communication process with management. We support these proposals when their adoption seems prudent in light of the current circumstances and the proposed actions may reasonably be considered to have a cost-effective, protective impact on shareowner value. These topics cover risks such as product safety, environmental impact, and human rights abuses—areas where investors have experienced significant share value losses over time due to missteps in management of these risks. It is our fiduciary duty to engage companies and make prudent voting decisions in the presence of substantial risks, by supporting reasonable proposals and maintaining a dialogue with companies on these topics.

PRODUCT SAFETY: CASE-BY-CASE

Inadequate product safety standards can be catastrophic to brand and market value through lost sales, fines and legal liability. Failure to implement effective safety standards, and to enforce them throughout the supply chain, creates a risk that is difficult to overstate. Generally, SBA supports reasonable proposals requesting increased disclosure regarding oversight procedures, product safety risks, or the use of potentially dangerous or toxic materials in company products. Proposals asking the company to cease using certain production methods or materials will be evaluated based on the merits of the case supporting the actions called for in the proposal. SBA also considers current regulations, recent significant controversy, litigation and/or fines, and the current level of disclosure by the company.

FACILITY SAFETY (NUCLEAR AND CHEMICAL PLANT SAFETY): CASE-BY-CASE

Resolutions requesting that companies report on risks associated with their operations and/or facilities are examined on a case-by-case basis, by considering the company's compliance with applicable regulations and guidelines; the level of existing disclosure related to security and safety policies, procedures, and compliance monitoring; and the existence of recent, significant violations, fines, or controversy related to the safety and security of the company's operations or facilities.

Some shareowner-sponsored resolutions ask a company to cease production associated with the use of depleted uranium munitions or nuclear weapons components and delivery systems, including disengaging from current and proposed contracts. Such contracts are monitored by government agencies, serve multiple military and non-military uses, and withdrawal from these contracts could have a negative im-

pact on the company's business. SBA evaluates these proposals on a case-by-case basis, but generally leaves decisions on the risk of engaging in certain lines of business up to the board, absent compelling a rationale to intervene.

ANIMAL TESTING AND WELFARE POLICIES: CASE-BY-CASE

Some resolutions ask companies to report on animal welfare conditions or to make changes in procedures relating to the treatment of animals. SBA examines each proposal in the context of current regulations, consumer sentiment, company disclosures, available technology and potential alternatives to the company's present procedures, and the feasibility and cost impact of the proposal when making a voting determination.

ENERGY AND ENVIRONMENT: CASE-BY-CASE

In conjunction with the Ceres principles⁶⁶, we are in favor of reasonable proposals for companies taking actions toward energy conservation and environmental solutions. We generally vote in favor of proposals that ask companies to disclose historical, current, or projected levels of pollutants emitted into the environment and to disclose any control measures to shareowners. The SBA evaluates such proposals, taking into account whether the company has clearly disclosed its current policies and plan of action, as well as an analysis of the potential for regulatory and business risks in their operations. Proposals that request a company engage in specific environmental actions are evaluated on the potential to contribute to long-term shareowner value.

Marketing, Sales, and Business Policies

RESTRICTIONS ON PRODUCT SALES, PRICING AND MARKETING: CASE-BY-CASE

Absent compelling arguments that product marketing or pricing has potential to cause damage such as through increased liability or reputational concern, SBA generally allows management to determine appropriate business strategies and marketing tactics.

PRIVACY AND CENSORSHIP: CASE-BY-CASE

As technology has changed, consumers have become more dependent on products that generate significant amounts of personal data, raising concerns over susceptibility to both government surveillance and invasive corporate marketing. In some markets, freedom to access information on the internet is impaired by government decree. Shareowners may make proposals asking companies to limit their own use of consumer-generated data or prohibit access to the data by other entities, such as governments. Proposals may also ask companies to cease certain business lines in countries where governments demand access to the data or the blocking of certain information. Such restrictions may not only violate

⁶⁶ <http://www.ceres.org/about-us/our-history/ceres-principles>

human rights, but they also decrease the quality of service provided by companies and threaten the integrity of the industry as a whole. Proposals may also ask companies to provide reports on their practices and policies related to these concerns.

The SBA generally votes in favor of reasonable, disclosure-based resolutions relating to policies on data collection and internet access, unless the company already meets the disclosure provisions requested in the proposal. SBA considers the level of current applicable disclosure on the topic, the history of stakeholder engagement, nature and scope of the company's operations, applicable legislation, and the company's past history of controversy and litigation as it pertains to human rights. SBA generally does not support proposals asking companies to modify or restrict their business operations in certain markets, unless under extraordinary circumstances where a considerable threat to the company's operations or reputation exists.

OPERATIONS IN HIGH RISK MARKETS: CASE-BY-CASE

Shareowners may propose that companies adopt guidelines for doing business with or investing in countries where there is a pattern of ongoing egregious and systematic violations of human rights. Shareowners of companies operating in regions that are politically unstable, including terrorism-sponsoring states, sometimes propose ceasing operations or reporting on operations in high-risk markets. Such concerns are focused over how these business activities or investment may, in truth or by perception, support potentially dangerous and/or oppressive governments, and further, may lead to potential company reputational, regulatory, or supply chain risks. In accordance with §215.471(2) of Florida Statutes, the SBA votes against all proposals advocating increased United States trade with Cuba or Syria. SBA is also prohibited by state law from investing in companies doing certain types of business in Iran and Sudan.

SBA votes on a CASE-BY-CASE basis when evaluating requests to review and report on the company's potential financial and reputation risks associated with operations in high-risk markets, such as a terrorism-sponsoring state or otherwise, taking into account:

- Compliance with Florida state law;
- Compliance with U.S. sanctions and laws;
- Consideration of other international policies, standards, and laws;
- The nature, purpose, and scope of the operations and business involved that could be affected by social or political disruption;
- Current disclosure of applicable risk assessments and risk management procedures; and
- Whether the company has been recently involved in significant controversies or violations in high-risk markets.

CONFLICT MINERALS: CASE-BY-CASE

As a part of the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC mandates that public companies using ‘conflict minerals’ annually report on the scope of their due diligence of their suppliers, in addition to making disclosures about any payments made to foreign governments for the acquisition or production of these resources. SBA evaluates the scope of proposals going beyond the reports required by the SEC, as well as the economic rationale, and compares it to the expected compliance costs in making a voting decision.

POLITICAL NEUTRALITY: CASE-BY-CASE

These resolutions call for companies to maintain political neutrality. They may also propose that appearance of coercion in encouraging its employees to make political contributions be avoided. The SBA examines proposals requesting the company to affirm political non-partisanship in the workplace on a case-by-case basis. We generally vote against such resolutions provided that the company is in compliance with laws governing corporate political activities and the company has procedures in place to ensure that employee contributions to company-sponsored political action committees (PACs) are strictly voluntary and not coercive.

Codes of Conduct

CODES OF CONDUCT: CASE-BY-CASE

Workplace codes of conduct are designed to safeguard workers’ rights in the international marketplace. Advocates of workplace codes of conduct encourage corporations to adopt global corporate standards that ensure minimum wages and safe working conditions for workers at in developing countries. U.S. companies that outsource portions of their manufacturing operations to foreign companies are expected to ensure that the products received from those contractors do not involve the use of forced labor, child labor, or sweatshop labor. A number of companies have implemented vendor standards, which include independent monitoring programs with respected local human rights and religious organizations to strengthen compliance with international human rights norms. Failure to manage the risks to workers’ safety and human rights can result in boycotts, litigation and stiff penalties.

When compliance is deemed necessary, SBA favors incorporation of operational monitoring, code enforcement, and robust disclosure mechanisms.⁶⁷ SBA prefers to see companies with supply-chain risks proactively engage an independent monitoring organization to provide objective oversight and publicly disclose such evaluation.

⁶⁷ “Incorporating Labor and Human Rights Risk into Investment Decisions.” Aaron Bernstein, Harvard Labor and Worklife Program, Occasional Paper Series No. 2, September, 2008.

NORTHERN IRELAND (MACBRIDE PRINCIPLES): FOR

The MacBride Principles call on companies with operations in Northern Ireland to promote fair employment practices. Signatories of the MacBride Principles agree to make reasonable, good faith efforts to abolish all differential employment criteria whose effect is discrimination on the basis of religion. SBA supports adoption and implementation of the MacBride Principles, along with fair and transparent employment practices by firms operating in Northern Ireland.

HOLY LAND PRINCIPLES: CASE-BY-CASE

SBA supports proposals that seek to end discrimination and underrepresentation in the workplace based on national, racial, ethnic and religious affiliations. When companies cannot reasonably show they are taking steps to accomplish this goal, SBA will support shareowner proposals seeking compliance with these principles.

MUTUAL FUND VOTING

Like shareowners of publicly-held corporations, shareowners of mutual funds are allowed a voice in fund governance. While some funds proscribe annual meetings in their charter documents, all funds must call special meetings of shareowners to amend substantive governance matters such as board composition, investment advisory agreements, distribution agreements, and changes to fundamental investment restrictions. To this end, mutual fund managers issue and solicit proxies similar to the way that stock corporations do.

Mutual fund proxies raise issues that differ substantially from those found in the proxies of public companies. Though mutual fund proxy holders are also frequently asked to elect trustees and ratify auditors, most of the other agenda items are related to the special nature of this type of security. As with elections of directors of corporations, it is preferable to see mechanisms that promote independence, accountability, responsiveness, and competence in regards to the mutual fund. There is evidence demonstrating a positive link between the quality of a mutual fund's board and its future performance and Sharpe ratio.⁶⁸ SBA's voting approach on mutual fund resolutions is similar to that of our approach on publicly-traded company resolutions in that votes are cast with an intention of maximizing value and preserving or enhancing investor rights.

Fund Objective and Structure

The principal investment strategy identifies the financial market asset class or sub-sector in which the fund typically invests, e.g. the fund normally invests at least eighty percent of its assets in stocks included in the S&P 500. A fundamental investment restriction identifies prohibited activities, e.g. the fund may not invest more than twenty-five percent of the value of its total assets in the securities of companies primarily engaged in any one industry.

Beyond a fund's investment objectives, fund structure may also affect shareowner value. The majority of investment funds are open-end investment companies, meaning that they have no set limit on the number of shares that they may issue. A change in fee structure or fundamental investment policy requires the approval of a majority of outstanding voting securities of the fund, which under the Federal Investment Company Act of 1940 is defined as the affirmative vote of the lesser of either sixty-seven percent or more of the shares of the fund represented at the meeting, if at least 50 percent of all outstanding shares are represented at the meeting, or fifty percent or more of the outstanding shares of the fund entitled to vote at the meeting. Failure to reach this "1940 Act majority" subjects the funds to additional solicitation and administrative expenses.

⁶⁸ Carl R. Chen and Ying Huang, "Mutual Fund Governance and Performance: A Quantile Regression Analysis of Morningstar's Stewardship Grade," *Corporate Governance: An International Review*, 2011, 19(4): 311-333.

ELECTION OF DIRECTORS: CASE-BY-CASE

Similar to the election of directors of corporations, it is preferable to see mechanisms that promote independence, accountability, responsiveness, and competence within the mutual fund. Votes on director nominees should be determined on a case-by-case basis, considering the following factors:

- Director independence and qualifications, including relevant skills and experience;
- Past performance relative to its peers;
- Board structure;
- Attendance at board and committee meetings ;
- Number of mutual funds' boards and/or corporate boards (directorships) upon which a nominee sits; and
- If a proxy contest, Strategy of the incumbents versus the dissidents.

SBA typically withholds votes from directors if:

- They've attended less than 75 percent of the board and committee meetings without a valid reason for the absences;
- They've ignored a shareowner proposal that was approved by a majority of the shares voting;
- They are non-independent directors and sit on the audit or nominating committees;
- They are non-independent directors, and the full board serves as the audit or nominating committee, or the company does not have one of these committees; or
- The audit committee did not provide annual auditor ratification, especially in the case of substantial non-audit fees or other poor governance practices.

CONVERTING CLOSED-END FUND TO OPEN-END FUND: CASE-BY-CASE

The SBA evaluates conversion proposals on a case-by-case basis, considering the following factors:

- Rationale for the change;
- Past performance as a closed-end fund;
- Market in which the fund invests;
- Measures taken by the board to address the discount; and
- Past shareowner activism, board activity, and votes on related proposals.

INVESTMENT ADVISORY AGREEMENTS: CASE-BY-CASE

Votes on investment advisory agreements are determined by considering the following factors:

- Proposed and current fee schedules;
- Fund category/investment objective;
- Performance benchmarks;
- Share price performance as compared with peers;
- Resulting fees relative to peers; and
- Assignments (where the advisor undergoes a change of control).

When considering a new investment advisory agreement or an amendment to an existing agreement, the proposed fee schedule should be compared with those fees paid by funds with similar investment objectives. Any increase in advisory fees of more than 10 percent of the prior year's fees are judged to determine the long-term impact on shareowner value, and management must offer a detailed, specific and compelling argument justifying such a request.

APPROVE NEW CLASSES OR SERIES OF SHARES: FOR

The SBA generally votes FOR the establishment of new classes or series of shares. Boards often seek authority for a new class or series of shares for the fund to grow the fund's assets. The ability to create classes of shares enables management to offer different levels of services linked to the class or series of shares that investors purchase. Also, fee structures can be varied and linked to the series of shares, which allows investors to choose the purchasing method best suited to their needs. The board can use separate classes and series of shares to attract a greater number of investors and increase the variety of services offered by the fund.

CHANGE FUND'S INVESTMENT OBJECTIVE OR CLASSIFICATION: CASE-BY-CASE

Votes on changes in a fund's objective or classification are determined on a case-by-case basis, considering the following factors:

- Potential competitiveness;
- Current and potential returns;
- Risk of concentration; and
- Consolidation in target industry.

AUTHORIZE THE BOARD TO HIRE OR TERMINATE SUB-ADVISORS WITHOUT SHAREOWNER APPROVAL: AGAINST

SBA generally opposes proposals authorizing the board to hire or terminate sub-advisors without shareowner approval. Typically, the management company will seek authority, through the investment advisor, to hire or terminate a new sub-advisor, modify the length of a contract, or modify the sub-advisory fees on behalf of the fund. These investment decisions are normally made with majority shareowner approval, as determined by Section 15 of the Investment Company Act of 1940. However, funds may apply to the SEC for exemptions to this rule, and the SEC often grants these exemptions. These exemptions are usually structured so that they do not apply to the investment sub-advisory agreement that is in place at the time, but apply to any future sub-advisory agreement into which the fund enters.

MERGERS: CASE-BY-CASE

The SBA generally evaluates mergers and acquisitions on a case-by-case basis, determining whether the transaction enhances shareowner value by giving consideration to:

- Resulting fee structure;
- Performance of both funds;
- Continuity of management personnel; and
- Changes in corporate governance and the impact on shareowner rights.

CHANGE DOMICILE: CASE-BY-CASE

The SBA votes on fund re-incorporations on a case-by-case basis by considering the regulations and fundamental policies applicable to management investment companies in both states. Shareowner rights can be particularly limited in certain states, including Delaware, Maryland, and Massachusetts.⁶⁹

AMENDMENTS TO THE CHARTER: CASE-BY-CASE

The SBA votes on changes to the charter document on a case-by-case basis, considering the following factors:

- The potential impact and/or improvements, including changes to competitiveness or risk;
- The standards within the state of incorporation; and
- Other regulatory standards and implications.

The SBA generally opposes of the following changes:

- Removal of shareowner approval requirement to reorganize or terminate the trust or any of its series;
- Removal of shareowner approval requirement for amendments to the new declaration of trust;
- Removal of shareowner approval requirement to amend the fund's management contract, allowing the contract to be modified by the investment manager and the trust management, as permitted by the 1940 Act;
- Allow the trustees to impose other fees in addition to sales charges on investment in a fund, such as deferred sales charges and redemption fees that may be imposed upon redemption of a fund's shares;
- Removal of shareowner approval requirement to engage in and terminate sub-advisory arrangements; and
- Removal of shareowner approval requirement to change the domicile of the fund.

SHAREOWNER PROPOSALS TO ESTABLISH DIRECTOR OWNERSHIP REQUIREMENT: CASE-BY-CASE

⁶⁹ Lucian Bebchuk and Alma Cohen, "Firms' Decisions Where to Incorporate." National Bureau of Economic Research Working Paper 9107, August 2002.

The SBA generally favors the establishment of a director ownership requirement and considers a director nominee's investment in the fund as a critical factor in evaluating his or her candidacy. This decision should be made on an individual basis and not according to an inflexible standard. If the director has invested in one fund of the family, he/she is considered to own stock in the fund.

SHAREOWNER PROPOSALS TO TERMINATE INVESTMENT ADVISOR: CASE-BY-CASE

Votes on shareowner proposals to terminate the investment advisor considering the following factors:

- Performance of the fund;
- The fund's history of shareowner relations; and
- Performance of other funds under the advisor's management.

ASSIGN TO THE USUFRUCTUARY (BENEFICIARY), INSTEAD OF THE TRUSTEE, THE VOTING RIGHTS APPURTENANT TO SHARES HELD IN TRUST: CASE-BY-CASE

The SBA votes against if the company assigns voting rights to a foundation allied to management.

SHAREOWNER PROPOSALS TO ADOPT A POLICY TO REFRAIN FROM INVESTING IN COMPANIES THAT SUBSTANTIALLY CONTRIBUTE TO GENOCIDE OR CRIMES AGAINST HUMANITY: CASE-BY-CASE

The SBA will evaluate such proposals with an adherence to the requirements and intent of Florida law, including but not limited to the Protecting Florida's Investments Act, which prohibits investment in companies involved in proscribed activities in Sudan or Iran, and other laws covering companies with policies on or investments in countries such as Cuba, Northern Ireland, and Israel.

Memo

TO: Ashbel C. Williams, Executive Director & CIO

FROM: Anne Bert, Chief Operating Officer, FHCF

DATE: March 27, 2017

SUBJECT: Cabinet Meeting for April 11, 2017

Request approval of the 2017-2018 Florida Hurricane Catastrophe Fund Reimbursement Premium Formula.

Request authority to file a Notice of Proposed Rule for the Florida Hurricane Catastrophe Fund for Rule 19-8.028, F.A.C., Reimbursement Premium Formula, and authority to file for adoption if no member of the public timely requests a rule hearing or if a hearing is requested but no Notice of Change is needed.

ITEM A. REIMBURSEMENT PREMIUM FORMULA:

BACKGROUND: The Florida Hurricane Catastrophe Fund (FHCF) provides reimbursement to insurers writing residential property insurance in Florida for a portion of their hurricane losses. The FHCF is statutorily required to charge an “actuarially indicated premium” for the coverage provided to the participants. Applicable statutory criteria include the requirement that the premium formula be developed by an independent consultant and meet certain criteria. The FHCF statute requires that the premium formula be approved by unanimous vote of the Trustees.

In accordance with these statutory requirements, the FHCF has contracted with Paragon Strategic Solutions Inc. to provide the actuarial services necessary to develop the Premium Formula. The 2017-2018 Premium Formula was approved by the FHCF Advisory Council on March 23, 2017.

EXTERNAL INTEREST: On March 23, 2017, the 2017-2018 Premium Formula was presented to the FHCF Advisory Council. Members of the public were present and also participated by telephone. The Advisory Council voted to recommend approval of the Premium Formula.

ACTIONS REQUESTED: Request approval of the 2017-2018 Florida Hurricane Catastrophe Fund Reimbursement Premium Formula.

ITEM B. REIMBURSEMENT PREMIUM FORMULA (RULE 19-8.028, F.A.C.)

SUMMARY OF RULE CHANGES: The proposed rule adopts the 2017-2018 premium formula. The proposed rule also deletes obsolete or duplicative material and makes nonsubstantive editorial changes.

EXTERNAL INTEREST: A rule development workshop was held on March 24, 2017. Representatives of the FHCF attended and presented the rule, and members of the public participated by telephone. The rulemaking notice was published in the *Florida Administrative Register* on March 10, 2017, Vol. 43, No. 48. On March 23, 2017, the proposed changes to Rule 19-8.028, F.A.C., Reimbursement Premium Formula, were presented to the FHCF Advisory Council. Members of the public were present and also participated by telephone. The Advisory Council voted to recommend approval of the Premium Formula, the filing of a Notice of Proposed Rule, and the filing of the Rule for adoption if no member of the public timely requests a rule hearing or if a hearing is requested but no Notice of Change is needed.

ACTION REQUESTED: It is requested that the proposed amendments to this rule along with the incorporated form be presented to the Cabinet Aides on April 5, 2017, and to the State Board of Administration Trustees on April 11, 2017, with a request to approve the filing of this rule for Notice of Proposed Rule and for adoption if no member of the public timely requests a rule hearing or if a hearing is requested but no Notice of Change is needed. A notice of the meeting of the Board will be published in the *Florida Administrative Register* on March 28, 2017, Vol. 43, No. 60.

ATTACHMENTS TO BE INCLUDED WITH SBA AGENDA ITEM 6:

- Memorandum dated March 24, 2017, from Anne Bert to Ash Williams regarding the 2017-2018 FHCF Reimbursement Premium Formula.
- “Florida Hurricane Catastrophe Fund: 2017 Ratemaking Formula Report Presented to the State Board of Administration of Florida, March 23, 2017”

ATTACHMENTS TO BE INCLUDED WITH SBA AGENDA ITEM 7:

- 2017-2018 Contract Year Summary of Changes
- Notice of Proposed Rule
- Notice of Meeting of Board filed in the *Florida Administrative Register*
- Rule 19-8.028, F.A.C., Reimbursement Premium Formula

The rule shows the proposed amendments with new language underscored and deleted language ~~stricken through~~.

Memo

To: Ash Williams, Executive Director & Chief Investment Officer
From: Anne Bert, Chief Operating Officer -- FHCF
Date: March 24, 2017
Re: SBA Cabinet Agenda for April 11, 2017-- The FHCF's 2017 Reimbursement Premium Formula

There are two (2) Florida Hurricane Catastrophe Fund (FHCF) agenda items for the April 11, 2017, SBA Cabinet meeting related to the FHCF premium formula. These items are as follows:

- 1) Vote to approve the 2017-2018 FHCF Reimbursement Premium Formula.
- 2) Vote to file a notice of proposed rule (Reimbursement Premium Formula Rule 19-8.028) and approval to file for adoption if no hearing is timely requested or if a hearing is requested but no Notice of Change is needed.

The Statutory Requirements

Section 215.555(5), F.S. requires:

- 1) The premium formula to be approved by a “*unanimous vote*” of the Trustees.
- 2) The premium formula to reflect “*actuarially indicated*” rates.
- 3) The premium formula to be developed by an “*independent consultant*.”

The 2017 Reimbursement Premium Formula and Rates

The following is a quick review for the Trustees of the premium formula:

The overall average impact to FHCF rates is **0.39%** and the premium is projected at **\$1.176 billion** for 2017 (up from \$1.140 billion in 2016 due primarily to projected exposure growth).

The beginning of the hurricane season and the start of the contract year is June 1, 2017. The FHCF rates have been relatively stable from year to year with most of the larger changes driven by statutory requirements. This year, the rate impact has increased 0.39% overall. The primary factors that are driving this rate change are:

- 1) Modeled loss adjustment due to the use of refined actual year built data compared to broader bands used in prior years.
- 2) Expenses for 2013A and 2016A pre-event notes decreased from \$54.2 million in 2016 to \$44.6 million in 2017 due to increased investment returns on held funds.

Estimated reinsurance premium ceded losses were included in this year's rate indication presentation based on 2016 projected ceded premium and 2017 ceded losses for the \$1 billion excess of \$11.5 billion layer. At this time, no decision has been made regarding the placement of private risk transfer for the 2017-2018 contract year. If none is placed, or there is a change in net reinsurance costs, a table to adjust premium, ceded losses, payout and retention multiples, and the indicated rate change is included in Exhibit XVII.

Overall FHCF premiums are expected to increase by **\$36 million** from \$1.140 billion to **\$1.176 billion**. The latest total available residential premium in the state is approximately \$10 billion. Our premium is approximately 10.0% of the residential property premiums (0.39% X 10.0% = **0.04%** potential consumer rate impact).

The Process: The premium formula is detailed in a document provided by Paragon Strategic Solutions Inc. whose actuary, Andrew Rapoport, serves as our independent consultant.¹ He has followed a routine process that the FHCF has been using since 1995. Exposure data is reported to the FHCF by September 1st of each year. The exposure data is trended, adjusted for changes in construction costs, and given to hurricane modelers to estimate losses. By law, the FHCF must use hurricane models found acceptable by the Florida Commission on Hurricane Loss Projection Methodology "to the extent feasible." Since five models have been found acceptable by the Commission, our actuary uses all of the models.²

After our actuary determines the "average annual hurricane loss,"³ he looks at the overall deductible for the industry (\$7.029 billion industry retention for this coming contract year – the number has increased from last year of \$6.929 billion), the co-pay (about 25% this year — based on coverage selected, the weighted average is 74.829% for 2017), and he adds administrative expenses and makes other adjustments. Since our post-event bonds have been defeased, participating insurers are allowed to lower coverage levels selected to one of three options -- 90%, 75%, and 45%.

Once ground-up losses are determined, three models are used to allocate results by rating cell.⁴ Losses are allocated to type-of-business: 1) personal residential, 2) tenants, 3) condominium unit owners, 4) mobile home, and 5) commercial residential (or commercial habitational).

¹ A series of phone calls are held as the premium formula is being developed. Along with Andrew Rapoport, also participating on the calls are other member(s) of Paragon's actuarial team, the actuary member on the FHCF Advisory Council, Floyd Yager, and FHCF staff members who provide information and oversee the process.

² Five models are used to determine the "average annual hurricane loss." The results from the five models are basically weighted from the highest to lowest (5%, 20%, 50%, 20%, and 5%). This weighting scheme tends to create stability over time since the highest model result and the lowest model result are only given a 5% weight each year. Any outlier in terms of the results cannot be given a high weight. The models which produce the middle results are given the greater weight (90%).

³ This number is estimated to be \$3.2 billion for the 2017-2018 FHCF reimbursement contract year. The FHCF is not obligated to reimburse insurers for this loss since insurers must absorb certain large deductibles (retentions) prior to triggering FHCF coverage and certain co-payments (ranging from 10-55%) are required.

⁴ These three models are equally weighted for distributing loss results to account for the various rating factors.

Rates are then created by spreading the losses to the various rating classes: type of business, deductible level, territory (25 ZIP Code groupings), and construction type (7 or so depending on the line-of-business). Lastly, mitigation credits are applied based on data reported by the insurers given the various construction features associated with their insured values reported to the FHCF.

The Results: In the “Florida Hurricane Catastrophe Fund 2017 Ratemaking Formula Report” behind the tab labeled Exhibit I, there is an Executive Summary with a table that summarizes the results. It should be noted that the “structure” of the FHCF changes each year so we are not always comparing “apples” to “apples” since last year’s FHCF structure is usually a little different from this year’s. Notably, the retention changes each year and it is higher this year due to an increase in reported exposure.

For the FHCF’s coverage, the average rate change is **0.39%**. In order to increase rating stability, the FHCF territory tempering method has been changed this year. Starting in 2017, a ZIP code is shifted by one territory to a new territory, only if the indication is for a shift of two or more territories or a shift of one territory has been consistent for three years. The idea is to mitigate volatility when changes are needed from year to year and thus dampen the impact. Model results can move dramatically in one direction one year and swing back in the other direction the next year. We desire “stable” rates and, therefore, our actuary attempts to employ techniques that moderate rate swings. As a general rule, we tend to think that a change of +/- 5% in a year is relatively stable and will not have a noticeable impact on individual consumers. This year, with an average 0.39% increase, the impact on consumer rates will be minimal.

When we break the rate change down by type-of-business, we see a greater variation in the results:

	<u>Percentage Change</u>
Personal Residential	0.33%
Tenants	-4.52%
Condominium Unit Owners	1.35%
Mobile Home	9.59%
Commercial Habitational	<u>-1.00%</u>
Total	0.39%

Will these changes impact consumers? The rate change should not be significant given that the FHCF premium is about 10.0% of all residential premiums. As noted above, the average impact on all residential premiums, in isolation, is **0.04% (0.39% x 10.0%)**. Other factors may impact residential premiums including the impact of private reinsurance prices.

FHCF Basic Summary Information:

Total FHCF premiums are expected to be **\$1.176 billion**.

The overall FHCF coverage for the upcoming year is **\$17 billion**.

The aggregate insurance industry retention (deductible) will be **\$7.029 billion**.

There are currently **159** participating insurers expected to write approximately **\$2.188 trillion** of insured values.

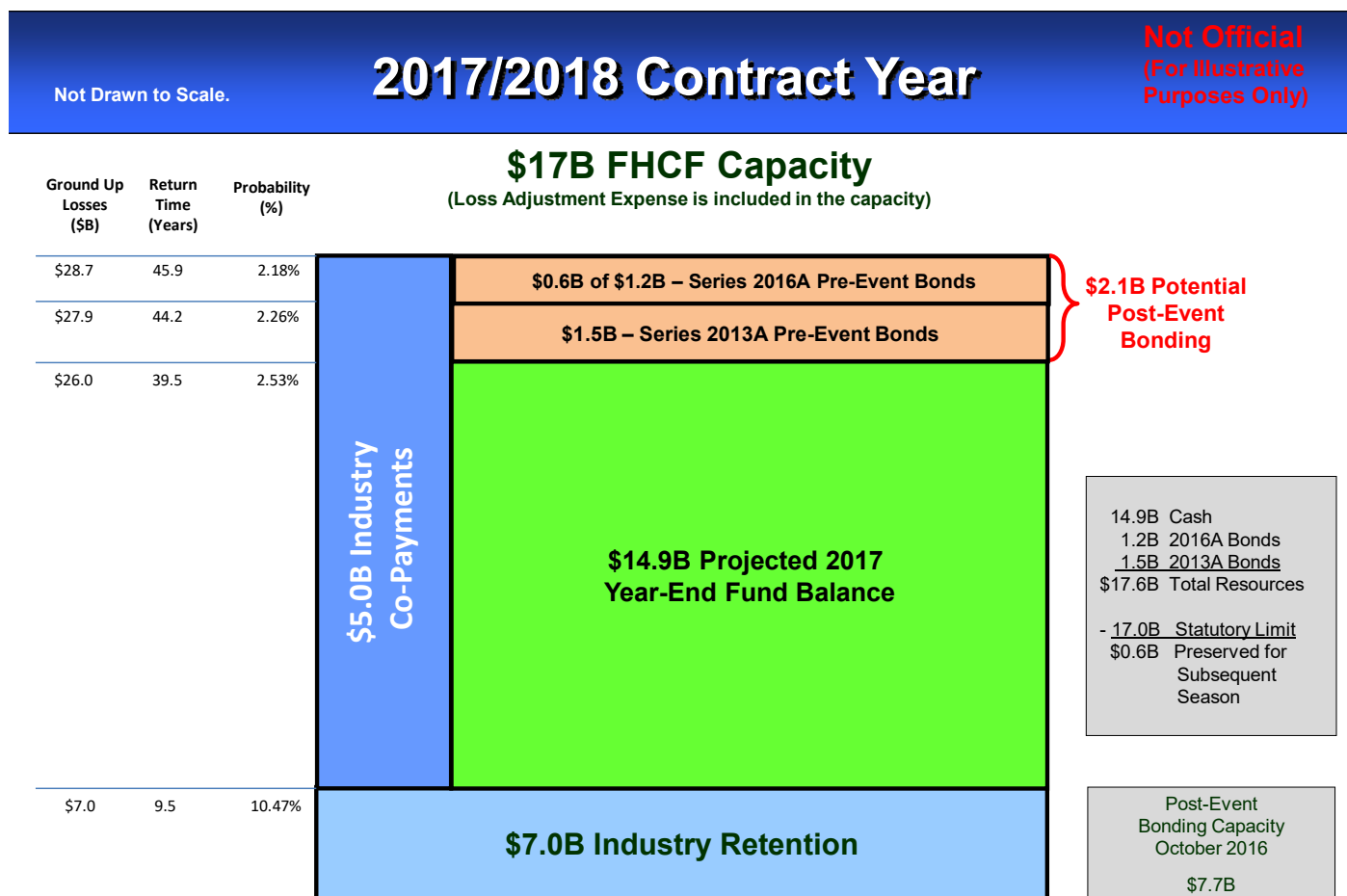
The cash balance of the FHCF is projected to be **\$14.9 billion** by calendar year-end.

Additionally, we have **\$1.5 billion** remaining of the \$2.0 billion of Series 2013A pre-event bonds issued on April 23, 2013, and **\$1.2 billion** of Series 2016A pre-event bonds that were issued on March 8, 2016, which will provide additional liquidity to “buy time” to issue post-event debt should a large event with rapid claim payments occur.

From a liquidity standpoint, the FHCF is in the strongest position that it has ever been with **\$17.6 billion** in liquidity.

The maximum post-event bonding that would be required is **\$2.1 billion** to meet all contractual obligations based on coverage provided without reinsurance and \$1.1 billion with reinsurance.

Below is a chart illustrating the resources identified for claims payment and potential bonding requirements for the 2017-2018 contract year.



Represents industry losses. FHCF probabilities are lower at the top loss levels and higher at the lower loss levels. All insurers would need to reach their maximum coverage limit in order to exhaust the last billion of FHCF Coverage. Insurers can trigger coverage below the industry retention.

Individual company retentions are their share of the industry retention.

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
Presented to the
State Board of Administration of Florida
March 23, 2017



Hurricane Matthew
Source: NASA Goddard MODIS Rapid Response Team

March 20, 2017

Enclosed is the Florida Hurricane Catastrophe Fund (FHCF) 2017 Ratemaking Formula Report which will be presented to the FHCF Advisory Council on March 23, 2017. The rates developed in this report assume an FHCF per event insurance industry aggregate retention of \$7.029 billion (which applies to a participating insurer's two largest events and drops to 1/3 for all other events) and an FHCF limit level of \$17.000 billion.

Also included in this report are windstorm mitigation construction rating factor relativities, as well as formulas to adjust the presented rates for any additional pre-event financing or changes to the reinsurance structure should they become applicable subsequent to the presentation of this report.

Distribution and Use

The attached report was prepared for the use of the State Board of Administration of Florida for the sole purpose of developing a formula for determining the actuarially indicated premium to be paid by individual companies for the FHCF for the 2017 contract year as specified by Section 215.555, Florida Statutes. The data, assumptions, methodology and results in this report may not be appropriate for other than the intended use. We recommend that any party using this report have its own actuary review this report to ensure that the party understands the assumptions and uncertainties inherent in our estimates.

Discussion of report limitations, including scope, data sources and variability of projections, can be found in Exhibit 1, Part III of the report.

A copy of this report will be available on the web site of the FHCF.

Sincerely,



Andrew J. Rapoport, FCAS, MAAA
Managing Director and Actuary
Paragon Strategic Solutions Inc.

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Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
Presented to the
State Board of Administration of Florida
March 23, 2017

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EXHIBIT

I

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
Presented to the
State Board of Administration of Florida
March 23, 2017

Executive Summary

1. **Rates:** Paragon recommends an average 0.39% increase in Florida Hurricane Catastrophe Fund (FHCF) rates for the 2017-2018 (2017) Contract Year, based on coverage under Section 215.555, Florida Statutes. This change assumes the purchase of reinsurance at the 2016 layer and premium level.
2. **Premium Change:** FHCF premium will increase by \$36 million (driven primarily by exposure growth) from \$1.140 billion to \$1.176 billion based on the recommended rate change.

	2017 Contract Year Modeled	2016 Contract Year Actual	2016 Contract Year Modeled Updated 04/19/2016
FHCF Coverage			
Industry Retention	\$7.029 billion	\$6.929 billion	\$6.966 billion
Limit	\$17 billion	\$17 billion	\$17 billion
Average Coverage	74.829%	75.527%	76.309%
FHCF Premium	\$1.176 billion	\$1.140 billion	\$1.157 billion
Overall Premium Change	3.16%	-6.31%	-4.71%
Due to Exposure Change	2.76%	3.23%	1.81%
Due to Annual Ratemaking	0.39%	-9.24%	-6.40%
Projected Payout Multiple	14.4616	14.9190	14.6873
90% Retention Multiple	4.9715	5.108	5.108
Exposure Base	\$2.188 trillion	\$2.130 trillion	\$2.099 trillion
Overall FHCF Rate/\$1,000 Exp.	0.5372	0.5351	0.5514

Part I: The Ratemaking Process

Overview

Paragon recommends an average 0.39% increase in Florida Hurricane Catastrophe Fund (FHCF) rates for the 2017 Contract Year based on a \$17.000 billion coverage limit and a \$7.029 billion per event retention, which drops to \$2.343 billion for the third largest and subsequent events (1/3 of \$7.029 billion). The rates in this report are developed for the limits and retentions, as specified by Section 215.555, Florida Statutes, for the 2017 Contract Year.

This rating formula will produce an estimated \$1.176 billion in total FHCF premium compared to \$1.140 billion in FHCF premium for the 2016 Contract Year. The increase in overall premium would be 3.16% and is based on projected growth in exposure of 2.76% and a 0.39% overall rate increase. There is no change in the statutory mandated cash build up factor of 25% from 2016 to 2017. This premium estimate assumes the same reinsurance structure as 2016 (\$1 billion excess of \$11.5 billion of FHCF losses) with no change in ceded premium. Exhibit XVII provides the methodology for adjusting 2017 rates for potential changes in reinsurance structure and contracted reinsurance premium.

For 2017, FHCF coverage is a layer of \$17.000 billion excess of \$7.029 billion.

There are two major factors affecting the FHCF layer of coverage for the 2017 Contract Year:

1. Pursuant to Section 215.555, Florida Statutes, the industry retention is equal to \$4.5 billion adjusted for the increase in reported exposure from 2004 through 2015. As exposures have grown 56.2% over this period, the modeled retention for 2017 is \$7.029 billion.
2. Pursuant to Section 215.555, Florida Statutes, the FHCF limit is equal to \$17.000 billion until there is sufficient estimated claims-paying capacity to fund \$17.000 billion of loss in subsequent Contract Years. As the State Board of Administration of Florida (SBA) has not made this determination, the FHCF limit for 2017 is \$17.000 billion.

The above changes will vary by deductible, construction, and territory. For 2017, we modified the methodology used in the previous ten years to develop territory relativities. To improve stability in ZIP Code rating groups, the new methodology will shift a ZIP Code to a different rating territory only if the indication is for a shift of two or more rating territories or if the indicated shift of one rating territories is consistent for three years.

Type of Business Allocation

Because we are projecting FHCF exposure growth, we have included columns showing indicated changes in exposure and premium as well as rate for Section I by type of business. The indications are as follows:

	Rate	Exposure	Premium
Residential	0.33%	3.00%	3.34%
Tenants	-4.52%	5.00%	0.26%
Condominium Unit Owner	1.35%	3.00%	4.39%
Mobile Home	9.59%	0.00%	9.59%
Commercial Habitational	-1.00%	0.00%	-1.00%
Total	0.39%	2.76%	3.16%

Territory Changes

The 2017 recommended territories, like the 2016 FHCF territories, are based on analysis of losses in the FHCF coverage as modeled by AIR Worldwide Corporation (AIR), Corelogic-EQECAT (EQE), and Risk Management Solutions (RMS). The relationship between lowest rate and highest rate is approximately 1:37, similar to 2016. As was done last year, this ratio was adjusted to accurately reflect the indicated loss costs for territory 1. Indicated territory changes were tempered so that ZIP Codes would only shift one

territory up or down if the indication was for a shift of two or more territories or if there has been an indicated one territory shift consistently for three years.

Premium Summary

We project premium, exposure, and retention changes as follows:

Exposure Growth (2016 to 2017)	2.76%
Retention	\$7.029 billion
Premium – 2016 (as of 10/24/16)	\$1.140 billion
Premium – 2017 (Projected)	\$1.176 billion

Use of Five Models Found Acceptable by the Florida Commission on Hurricane Loss Projection Methodology

For 2017, a weighting of five models found acceptable by the Florida Commission on Hurricane Loss Projection Methodology as of December 1, 2016, was used for aggregate results. The five models were AIR, EQE, RMS, Applied Research Associates (ARA), and the Florida Public Model (FPM). Model results were compared in detail to construct an industry distribution of losses by size. For the industry aggregate basis, consistent with the weighting methodology used in all years when the FHCF had five models, 5%, 20%, 50%, 20%, and 5% weights were applied to the models ranked from lowest to highest based on annual expected aggregate FHCF losses.

For analysis of detailed allocation to type of business, territory, construction, and deductible, and for special coverage questions, three models (AIR, EQE, and RMS) were used for all types of business. Model results were compared in detail and 1/3 weight was given to each model for all types of business.

Summary of Changes to the 2017 Ratemaking Formula

The changes that occurred in the 2017 ratemaking formula include:

1. The 2016 average coverage selection is 75.527%. The projected 2017 average coverage is 74.829% based on March 1, 2017 selections and adjustments for rating mitigation factor changes. This change affects the size of the 100% FHCF layer.
2. The projected exposure trend increased from 1.81% in 2016 to 2.76% in 2017.
3. The modeling for the 2017 per company retention limit adjustment is based on the average of the AIR and RMS models. The change in this adjustment factor this year produced an increased in projected losses of \$4.6 million.
4. Expenses for 2013A and 2016A pre event notes decreased from \$54.2 million in 2016 to \$44.6 million in 2017 due to increased investment returns on held funds.
5. Estimated reinsurance premium and ceded losses were included in this year's rate indication presentation based on 2016 projected ceded premium and 2017 ceded losses for the \$1 billion excess of \$11.5 billion layer. A table to adjust premium, ceded losses, payout and retention multiples, and the indicated rate change is included in Exhibit XVII to accommodate any reinsurance purchase changes subsequent to the presentation of the 2017 Ratemaking Formula Report.
6. Starting in 2016, companies report the actual year built of insured properties. The mitigation factor year built band for "2002 or later" has been split into two bands, "2002 to 2011" and "2012 or later." This will provide additional credit for newer construction.

Details of the overall changes can be found in Exhibit II, which contains the following exhibits:

1. Summary of 2017 Rate Calculation;
2. Adjustment to Exposure Base and Summary of Rate Change;
3. Summary of Results; and
4. Historical Comparison of Exposures, Premiums, and Rates.

Details of the Ratemaking Process

This ratemaking formula for the FHCF is based on Section 215.555, Florida Statutes. We have followed the same basic process used since 1995. Legislation enacted in 2005 (Chapter 2005-111, Laws of Florida, CS/SBN 1486) addressed retention in multiple-event seasons by creating a per event retention that applies to a participating insurer's two largest events and drops to 1/3 for all other events. This drop down coverage has again been incorporated into the 2017 rates.

A. Trend

For 2017 ratemaking, we reviewed construction data indices from Marshall & Swift and the actual exposures by coverage reported to the FHCF from 1995 to 2016. The Marshall & Swift construction indices for the Southeast were down 0.4% in 2016 compared to up 1.2% in 2015 as of October. Countrywide indices were up 0.1% compared to up 1.1% the prior year.

Our selection of exposure and risk count trends for 2017 was based predominantly on the last three years of historical FHCF data. The table below displays the last five years of annual growth in exposure and risks. In making selections, the FHCF trend data was benchmarked against the indications generated from the Marshall & Swift construction indices.

Historical FHCF exposure and risk counts can be found in Exhibit III. Note that the trended exposure data in Exhibit III is based on exposure reported to the FHCF as of 10/24/2016. This data was used in the catastrophe modeling process.

**Annual Growth in Exposure and Risk Counts Reported
by FHCF Participating Insurers as of 10/24/2016**

	Residential		Tenants		Condominiums		Mobile Homes		Commercial	
	Exposure	Risk Count	Exposure	Risk Count	Exposure	Risk Count	Exposure	Risk Count	Exposure	Risk Count
2011-2012	-2.0%	-1.2%	5.4%	7.7%	-0.4%	0.1%	-6.7%	-7.3%	-2.0%	-1.5%
2012-2013	-2.8%	-1.2%	7.3%	10.2%	0.9%	0.7%	-9.6%	-6.2%	-0.9%	-1.4%
2013-2014	1.6%	0.3%	7.3%	12.0%	2.1%	0.8%	-3.7%	-1.0%	-4.3%	-5.1%
2014-2015	2.1%	0.0%	1.3%	12.2%	2.0%	0.8%	-5.8%	-8.0%	-9.6%	-7.1%
2015-2016	3.9%	1.2%	12.9%	10.1%	5.6%	3.3%	0.3%	-1.9%	-5.3%	-7.8%
Selected	3.0%	0.5%	5.0%	9.0%	3.0%	1.5%	0.0%	0.0%	0.0%	0.0%

B. Insurance Industry Aggregate Retention for Ratemaking Purposes (Exhibit IV)

For development of this premium formula, it is necessary to assume a projected aggregate insurance industry retention to estimate losses in the aggregate layer of coverage.

Section 215.555, Florida Statutes, specifies the calculation of the retention multiple for each participating insurer. The numerator of the retention multiple is \$4.5 billion adjusted by the percentage growth in FHCF covered exposure from 2004 to the Contract Year two years prior to the current year. The historical exposure for 2015 is \$2,062.7 billion (as of 10/24/2016) as compared to \$1,320.6 billion in 2004. The percent adjustment is 56.2%, so the numerator of the retention multiple is \$7.029 billion (rounded to the nearest million).

The denominator of the retention multiple is the projected total FHCF reimbursement premium assuming all participating insurers have selected the 90% coverage option. Retention multiples by coverage % are displayed below.

Coverage %	90%	75%	45%
Retention Multiple	4.9715	5.9658	9.9430

Each participating insurer's provisional retention is the retention multiple (adjusted for coverage selection) times its provisional premium. An insurer's actual retention is the retention multiple times its actual premium.

Based on the above calculation, the retention multiple numerator of \$7.029 billion is used as the insurance industry aggregate retention for simulating losses in the aggregate layer of coverage. This value is equivalent to the sum of retentions for all insurers.

Since 2003, 100% of all FHCF premiums are calculated based on the premium formula rates applied to individual company exposures. This is called Section I premium. Section II premium refers to a premium calculated from exposure under covered policies that would require individual ratemaking, with each policy risk modeled and rated individually by company. There is currently no Section II exposure and therefore no Section II premium. The Section I insurance industry aggregate retention is \$7.029 billion (based on 100% of projected premium) and the Section II aggregate retention is \$0 (based on 0% of projected premium.)

C. Industry Excess Layer (Exhibit IV)

Under Section 215.555(4)(c)1, Florida Statutes, "The contract shall also provide that the obligation of the board with respect to all contracts covering a particular contract year shall not exceed the actual claims-paying capacity of the fund up to a limit of \$17 billion for that contract year, unless the board determines that there is sufficient estimated claims-paying capacity to provide \$17 billion of capacity for the current contract year and an additional \$17 billion of capacity for subsequent contract years."

As no such determination regarding capacity in excess of \$17 billion has been made, the limit for the 2017 Contract Year is \$17 billion. This \$17 billion represents the total capacity at selected coverage levels for loss and loss adjustment expense. Loss adjustment expense is statutorily set at 5% of losses recoverable from the FHCF. Participating insurers report only losses and do not report loss adjustment expenses.

The loss and loss expense limit of \$17 billion is first divided by 1.05 to produce a loss only limit of \$16,190,476,190. This limit is then split between Sections I and II based on trended actual premium at current selected coverage levels. We view this as the best indicator of expected losses in the layer. Based on this split, 100% of the \$16,190,476,190 limit is in Section I. This value is the Section I loss only limit.

The next step is to gross up the limit for coverage level. The 2016 average coverage level is 75.527%, which produced the actual 2016 100% loss limit of \$21,436,596,203. Final 2017 company coverage selections as of March 1, 2017 produced an average coverage level of 74.675% based on 2016 company market shares and rating group definitions. The 2016 market shares were then adjusted to 2017 rating group definitions, resulting in a projected 2017 coverage level of 74.829%.

Finally, the FHCF limit is grossed up for the 2017 projected average coverage level of 74.829% to get the 100% loss limit of \$21,636,739,731. The top end of the loss only layer is then an estimated projected aggregate retention of \$7,029,000,000 for ratemaking purposes plus this limit, which equals \$28,665,739,731.

In summary, for Section I and II loss only modeling purposes we use the following layer:

74.829% of \$21,636,739,731 xs \$7,029,000,000

For publication purposes, the Sections I and II loss and loss adjustment expense layer is:

74.829% of \$22,718,576,718 xs \$7,029,000,000

The simulations produced by the modelers are for producing manual rates per \$1,000 of exposure under covered policies. The rates resulting from such simulations are referred to as Section I rates.

D. Industry Detail Exposure Data

Actual 2016 industry FHCF exposures for buildings, contents, and appurtenant structures were summarized by:

1. Type of Business (residential, tenants, condominium unit owners, mobile home, commercial habitation);
2. ZIP Code;
3. Construction/Tie-Down Type; and
4. Deductible.

For modeling, we used data as of 6/30/2016 as reported through 10/24/2016 by 156 of 157 companies reporting FHCF Section I exposure for the 2016 year. This data was trended one year as described in Section A. Exhibit III contains trended control totals of the FHCF exposures used in the modeling process.

E. Modeling Assumption and Data Changes: Combining Five Models - AIR, EQE, RMS, ARA & FPM

Table of Models Used to Calculate Overall Industry Losses

Model	2006-2007	2008-2017
AIR	X	X
ARA	X	X
EQE	X	X
RMS	X	X
FPM		X

The table above lists the models that were used to calculate the overall FHCF losses by year. Only models that had been found acceptable by the Florida Commission on Hurricane Loss Projection Methodology as of December 1 of the prior year were used in that year's ratemaking session.

All five of the modelers produce a distribution of industry-wide losses based on trended reported exposures by type of business, deductible, construction, and ZIP Code. The AIR model produces a listing of losses for 50,000 simulated years while the FPM model losses are based on 57,000 simulated years. The ARA model produced a listing of losses for 300,000 simulated years. The other models produce a listing of losses by size with assigned annual frequencies. Since 2008, demand surge has been modeled directly by each of the accepted modelers. Adjustments to these loss distributions are described in the next section.

Exposure data for invalid ZIP Codes was provided to the modelers who then modeled such exposure at the county level. Less than 0.01% of total reported exposure comes from invalid ZIP Codes, which are either ZIP Codes that are located outside of the state of Florida, or are ZIP Codes that the U.S. Postal Service does not recognize or has decommissioned. In the latter case, the FHCF continues to produce rates for such codes for several years in order to give companies time to update their data.

Paragon used the results from each modeler to produce industry-wide gross (that is, net of policy deductibles and after application of policy limits) annual expected losses by type of business and to produce industry-wide FHCF excess losses for all coverages combined. Data from the modelers was combined by giving weights of 5%, 20%, 50%, 20%, and 5% to the model results from lowest to highest. A weighted loss distribution is included in Exhibit V.

The FHCF weighted loss curve in Exhibit V is developed solely for estimating excess hurricane losses within the FHCF layer. Estimates of losses above the FHCF layer were not taken into consideration in developing the curve. Shifts in modeler weights within the FHCF loss layer may have an amplified impact on loss estimates above the FHCF layer.

Although it is not used for ratemaking purposes, we have included an additional loss distribution based on uniform modeler weights (20% / 20% / 20% / 20% / 20%) in Exhibit V. Over time this curve may show greater stability for losses above the FHCF layer. As repeated in our disclaimer in Part III herein, we recommend that any party using this report have its own actuary review this report to ensure that the party understands the assumptions and uncertainties inherent in our estimates.

Table of Models Used for Classifications

Model	2006-2008	2009-2012	2013-2017
AIR	X	X	X
EQE	X	X	X
RMS	X	X	X
FPM		X	

Three of the modelers ran our 2016 Contract Year trended exposures through their models and provided more detailed outputs (i.e., losses by ZIP Code, construction, and deductible codes for each type of business) that were used to update the class plan relativities. We used a straight average of the indicated loss costs for each rating cell as a basis in order to populate our class plan with rates. Details of the allocation of rates to type of business, deductible, construction, and territory are described in Part III.

Exhibit V contains tables and graphs of modeled loss severity distributions:

1. Gross Loss per Event;
2. Excess Retention Aggregate;
3. Single Event FHCF Liabilities; and
4. FHCF Layer Aggregate.

F. Losses in the Layer at Coverage Percent

The limit for the 2017 Contract Year is \$17 billion. Because the size of the excess layer is dependent on the average coverage selections of all the FHCF participating insurers, losses must be modeled after coverage selection. Coverage percentage varies by type of business, so modeled losses need to also reflect this variation. As a result, we start with the allocation to type of business and apply the coverage percentages to the layered loss (a method used consistently since 2001). We calculate the overall rates and premiums at the different coverage percentages at the end of the calculations.

Excess losses are allocated to type of business based on their adjusted gross losses. The allocations are adjusted so that no type of business has an overall rate change exceeding 15% in any one year, prior to legislated rate changes. This allocation appears in line 9 of the summary in Exhibit II. See Exhibit VI for additional details.

G. Adjustments to Modeled Losses

- **Law and Ordinance Coverage**
- **Aggregate Wind Deductible Adjustment**

These adjustments are similar to the adjustments made in the 2016 ratemaking formula.

The projected industry retention was applied to the adjusted modeled losses to estimate the FHCF excess losses. Details on the Law and Ordinance adjustments discussed here are presented in Exhibit VII. The overall increase in modeled gross losses due to these adjustments is 4.23%, compared to an increase of 4.18% in 2016.

Law and Ordinance Coverage

Law and ordinance coverage provides extra limit for Coverage A (building) in the case where additional rebuilding costs are incurred in order to comply with local laws and ordinances.

We again recommend the FHCF continue to use the factor of 4.86% of residential modeled losses. We assume most companies charge approximately 3% of premium for law and ordinance coverage. We assume approximately 45% of the losses that would generate law and ordinance losses would be FHCF hurricane losses and 25% of the base premium is FHCF premium, so $3\% \times (45\%/25\%) = 5.4\%$. We also assume that only 90% of all residential policies will have this coverage in place at the time of a hurricane loss. Then the loading to FHCF residential modeled losses would be $5.4\% \times 90\% = 4.86\%$. See Exhibit VII for additional details.

Aggregate Wind Deductible Adjustment

Under Section 627.701, Florida Statutes, residential property insurance policies issued on or after May 1, 2005 must have hurricane deductibles that apply on an annual, rather than a per-event, basis. Insurers may apply the "other perils" deductible or any amount remaining from the hurricane deductible, whichever is greater, to a loss for a second hurricane and each subsequent hurricane that year.

The loss events were adjusted to account for this change in loss exposure. Adjustment factors by type of business were developed. Exhibit VII details the derivation of these factors. The take-up ratio only impacts the commercial type of business as only these policyholders have the option of having an annual hurricane deductible. The adjusted load was then weighted with the adjusted load from 2016 giving 33% weight and 67% weight to 2017. The selected adjustment factor is the rounded value of the weighted load after the "take-up" modification.

H. Adjustments for Per Company Limits and Retentions

In this year's ratemaking report Paragon has updated the adjustment to expected losses for individual company limits, retentions and coverage based on information from an analysis based on detailed loss projections run by Paragon from the RMS and AIR model runs used for 2017 ratemaking. The average of the results from the two separate analyses is 0.8549%. Weighting this result against the prior adjustment factor of 0.0075% (2/3 current indication, 1/3 prior selection), we recommend a factor of 0.5724%. To summarize the approach, using the same exposure inputs and assumptions used by AIR and RMS, Paragon generated files of simulated Florida statewide gross hurricane losses. Average gross losses were first adjusted by type of business for AIR and RMS to match the average gross loss generated by the five models used in FHCF ratemaking. Each simulated gross loss was then allocated to ZIP Code and type of business. Next, FHCF market shares were applied by ZIP Code and company (based on 2016 FHCF premium) to allocate each simulated gross loss to all the FHCF companies. Simulated gross losses for each individual company were then summed and applied the companies' projected retention, limit, and coverage percentage (based on 2016 FHCF premium market shares and 2017 selected coverages) to generate company FHCF losses. These were summed by simulated event to get FHCF total loss by event. Paragon summed losses by simulated year applying aggregate limits and impact of retention drop downs. Separately for the AIR and RMS runs, the average annual FHCF loss based individual company losses was compared to the average annual FHCF loss based on industry total losses, retention, limit and coverage percentage. The average of the resulting adjustment factors was 0.8549% indicating, on an average basis, the two approaches generate almost identical results.

As we stated in last year's Report:

Using this more detailed approach, we also observed that there is actually significant variability between industry gross losses and FHCF layer losses. This variability cannot be determined when using industry gross losses, limits, and retentions to calculate FHCF layered losses. One observation is that the return time for the FHCF to exhaust its total capacity is actually longer than the value based on industry gross losses. Another observation is that due to increased market share of a single FHCF participating insurer in specific parts of the state, losses in areas where that insurer has very limited market share cannot generate full capacity FHCF layer losses. On the

other hand, in parts of the state where one member company has significant market share, that company's retention becomes the effective retention for the industry on storm tracks in that area.

The current and prior special analyses indications can be found in Exhibit VIII.

The shape of the exceedance curves presented in Exhibits V and VIII are different, but the overall expected values of the FHCF loss layers are very similar. The Exhibit VIII curve is the more appropriate curve to use for analysis of interval FHCF losses within the FHCF layer because it more realistically recognizes the impact of company exposure distributions, retentions, and limits. Therefore Exhibit VIII is used for analysis of expected FHCF losses offset by potential risk transfer options in section P below.

I. Other Post-Model Adjustments: (5%)

There are a few coverages that may appear on some FHCF covered policies that are not explicitly modeled in the FHCF's requested simulation. These coverages include guaranteed replacement cost, inflation guard, and reimbursable amounts paid as fees on behalf of or inuring to the benefit of a policyholder. We do not believe there is sufficient FHCF exposure from these coverages to justify additional administrative reporting and modeling at this time, but we do believe it is appropriate to load for these coverages in the post model adjustment.

Consistent with prior years, we recommend judgmentally increasing the modeled excess loss costs by 5% for all types of business to account for these coverages and other factors that are not directly included in the modeled loss results.

J. Investment Income Credit – Eliminated in 2012

Since 2012, the FHCF has not used investment income in current year rates. Exhibit IX contains the following tables:

1. FHCF rate of return history;
2. Graph of Interest Rate Assumption; and
3. FHCF Financial Statement Investment Income.

K. Operating Expenses and Mitigation Funding

Operating expenses of \$7,748,000 are based on an estimate of 2017 fiscal year operating expenses provided by the SBA. This value is an increase of \$148,000 from the 2016 Contract Year projected expense of \$7,600,000.

Per section J, the estimated mitigation funding target underlying the rates is set at zero since no investment income will be used to reduce 2017 rates. Pursuant to Section 215.555, Florida Statutes, the minimum appropriation is \$10 million and the maximum appropriation is 35% of the prior fiscal year's investment income. In 2017, the calculated maximum amount subject to mitigation appropriation will be 35% of \$56,143,000 which equals \$19,650,050. Appropriation of mitigation funding will not affect the FHCF rates in 2017.

L. Pre-Event Notes Expense

This year's estimate of \$44.6 million is the sum of the projected cost estimates for 2013A and 2016A pre-event notes. The 2017 carrying cost estimates are provided by the FHCF's Financial Advisor, Raymond James & Associates. Raymond James' cost estimate is the projected difference between the interest payments to note holders and the investment income on the note proceeds during the 2017 Contract Year (see Exhibit X). Due to increased projected investment returns, costs are projected to be \$22.25 million for the 2013A notes and \$14.25 million for the 2016A notes, summing to \$36.50 million, which is a \$9.5 million reduction from 2016.

A 0.3% judgmental loading (based on historical FHCF information) is added to the carrying cost for potential asset loss during the Contract Year. The sum of this loading is \$8.1 million. The value for the 2013A notes is \$4.5 million (0.3% of \$1.5 billion). The value for the 2016A notes is \$3.6 million (0.3% of \$1.2 billion).

Should the SBA authorize additional expenditure for pre-event notes during the 2017 Contract Year, the rates, retention multiples, and payout multiple should be modified using the factors provided in Exhibit XI.

M. Premium Credits (Windstorm Mitigation Construction Credits)

We are using the same approach to windstorm mitigation construction factors as we used in the 2016 Ratemaking Formula Report, including the incorporation of factors for the following mitigation features recognized since 2012:

<i>Type of Business</i>	<i>Year Built</i>	<i>Structure Opening Protection</i>	<i>Roof Shape</i>
<i>Commercial Residential</i>	X	X	X
<i>Residential</i>	X	X	X
<i>Mobile Home</i>			
<i>Tenants</i>	X	X	X
<i>Condominium Owners</i>	X	X	X

For the 2017 ratemaking process, the FHCF contracted with three modeling firms (AIR, EQE, and RMS) to provide additional catastrophe modeling analyses to aid in the review of the year built windstorm mitigation construction factors. Because companies now report exposures with actual year built data, the FHCF was able to split the rating band “2002 or later” into two bands “2002 to 2011” and “2012 or later.” As a result of the study the size of the credits for construction in these bands was increased. These changes are offset by increases in the surcharge for construction from 1994 and earlier. The 2017 factor changes will not affect the total industry premium for the FHCF but will impact individual companies depending on the distribution of year built for their reported exposures.

The proposed rate factors associated with each variable are shown in Exhibit XIV. We propose that these be applied to calculate the final rate for any covered policy subject to the following:

- Year built, structure opening protection, and roof shape factors be applied multiplicatively;
- The combined factor for any risk will not be capped;
- Every risk will be evaluated for its rating factor; and
- A final factor will be applied by type of business so that the indicated premium levels for each type of business are achieved.

Exhibit XII includes:

1. Calculation of actual 2016 premium credits/surcharges;
2. 2016 distribution of credits/surcharges;
3. 2016 distribution of exposure and counts by rating region and type of business; and
4. Percentage Change in Windstorm Mitigation Construction Rating Classification Factors.

N. Section II (Excess) Adjustment

We included \$0 of Section II premium, based on the fact that there was no Section II exposure reported in 2016. Section II premium covers policies that require individual rating procedures. These exposures would be modeled and rated individually by company.

O. Adjustment for Updated Exposures

In the past, we have included an adjustment for change in premiums and exposures between November of the prior year and February of the current year. This change does not affect rate changes, but should improve the accuracy of projected premium. For this year, there was no material change to FHCF exposure, so an adjustment was not included.

P. Risk Transfer Options

The rates presented in this report include a loading for the cost of risk transfer for a ceded layer of \$1 billion excess of \$11.5 billion. The ceded premium is set equal to the 2016 initial premium of \$63.5 million. The final FHCF 2017 risk transfer structure and cost has not been determined at the time of this report presentation. Should the FHCF enter into a risk transfer arrangement, the cost shall be determined based on the actual ceded layer selected and contracted initial reinsurance premium. The 2017 FHCF premium rates and factors would be adjusted accordingly, by the formula specified in Exhibit XVII.

The estimates for FHCF loss credits are based on the average of 2017 AIR and RMS data distributions in Exhibit VIII. Exhibit XVII is based on the same loss severity distribution and displays probability of exceedance for specific FHCF layers with the adjustments to the FHCF loss layer level prior to fixed expenses. These values are used to illustrate a range of potential risk transfer structures and costs in Exhibit XVII. The details of the formula calculation, along with potential revised factors, are provided in Exhibit XVII.

The Net Risk Transfer Cost Premium in Exhibit XVII and the Estimated Additional Annual Cost of Pre-Event Notes in Exhibit XI are additive in their impact on FHCF premium and rates. Retention and Projected Payout Multiples can be adjusted with interpolation based on the sum of the combined impact on FHCF premiums.

Part II: Allocation of Premium

Within a type of business, premium is allocated to territory, construction, and deductible based on a set of relativities. This is the same process that has been used since the creation of the 2001 rates. In all cases, the relativities recommended for 2017 have been adjusted so that none of them has changed by more than 15%.

In 2017 the allocation process for territories was changed as described below. There were no other significant changes in the allocation process for 2017. Following is an overview of the FHCF rating classifications and the entire allocation process.

Overview of the Rating Classifications

1. Type of Business

The actuarially indicated FHCF premium is allocated first among the five types of business: commercial, residential, mobile home, tenants, and condominium unit owners. This allocation is based on the hurricane catastrophe modeling. For each modeled event, the proportion of FHCF layer losses allocated to each type of business is identical to the allocation of gross losses from that event. This process incorporates the varying weighted average coverage selection of each type of business. This approach produces indicated allocations, which are then adjusted so that no type of business has an indicated rate change of more than 15%. Actual allocations can be found in Exhibit VI.

2. Territorial Definitions

For 2001, the FHCF revised rating territories to incorporate information from three hurricane models: AIR, EQE, and RMS. Furthermore, territory definitions shifted from applying gross loss costs to excess layer loss costs, the latter being more indicative of what insurers might recover from the FHCF. Actual changes to territories were tempered each year since 2001, to minimize the magnitude of rate changes. For 2017, indicated territories have been recalculated for each ZIP Code using the latest data from these models.

In order to increase rating stability, the FHCF territory tempering method has been changed this year. Review of past FHCF rating history shows that there have been many years when there were large numbers of ZIP Codes shifting one territory in a year and then shifting back one territory the following year (see Exhibit XVIII). Starting in 2017 a ZIP Code is shifted by one territory to a new territory only if the indication is for a shift of two or more territories or a shift of one territory has been consistent for three years. The new methodology should improve the stability of rating territory definitions.

3. Construction

In 2016, FHCF data was collected for four residential, seven commercial, and three mobile home construction types. Tenants and condominium unit owners exposures have the same construction classes as commercial. The mobile home codes relate to the extent of their tie downs and their compliance with Federal Housing and Urban Development building codes that went into effect in July 1994.

4. Deductibles

The rates proposed are for the same sets of deductibles as for 2016. Relativities for each deductible vary by type of business. As with construction relativities, changes in deductible relativities were limited to changing no more than 15%.

General Overview of the Rate Allocation Process

Construction Classes

Relativities between the most common construction within a type of business and the other construction types were calculated using AIR, EQE, and RMS generated ZIP Code level loss costs. The indicated relativities were selected, except that they were limited to changing from the 2016 relativities by no more than 15%.

Rates for unknown construction are calculated using the same method as other construction types, not to exceed the highest rate for all known constructions in the same type of business.

Rating Region (Territory) Definition

To begin the process this year, we identified the 1,463 ZIP Codes for which rates would be produced. These are the currently valid U.S. Postal Service ZIP Codes in Florida, plus some recently deactivated ZIP Codes for which we continue to produce rates. We identified 935 of the ZIP Codes that had at least \$30 million of total exposure. The remaining 538 ZIP Codes were mapped to these 935 ZIP Codes by location. Most of these 538 ZIP Codes were exclusively post office boxes. They inherited their territory from the territory of the ZIP Code to which they were mapped. The purpose of this step was to avoid trying to assign ZIP Codes to territories if they had very little exposure. When a ZIP Code has no frame exposure, for example, the models produce a 0.00 loss cost. To avoid these problems and to increase the reliability of the modeled losses, this mapping technique was employed.

In order to define territories, residential base deductible ZIP Code level loss costs to the FHCF layer were used. The excess loss costs from three models (AIR, EQE, and RMS) were averaged and then weighted by the amount of construction in the three classes: frame, masonry, and masonry veneer. Together, these constructions account for over 99% of residential exposure. The result was a weighted average loss cost for each ZIP Code.

The ZIP Codes were ranked by weighted average loss cost and partitioned into 25 territories, or rating regions. We set the relativities between rating regions ahead of time, and then fit the ZIP Codes to these values. This enabled a more consistent spread of values between the highest and lowest rates. In keeping with past rates, the ratio of the rates in the highest and lowest regions was set at 35:1. Subject to these guidelines, statistical methods were used to maximize the differences between regions and minimize the variation within a region. This same procedure was performed for this year's rates. Subsequently, we judgmentally adjusted the territory 1 loss cost down to better reflect actual indications for territory 1. This adjustment had the effect of changing the ratio to approximately 37:1.

We tempered the change in territory from 2016 to 2017 by limiting the territory movement to no more than one from its 2016 territory assignment and only if there is an indication of a movement of two or more territories. This change has been made in 2017 to increase stability of territory definitions.

The proposed (tempered) territories, or rating groups, are presented in Exhibit XIII. Exhibit XV shows exposure and counts by territory. Exhibit XIX displays the proposed territories as maps.

Production of Rates

The total FHCF losses have been allocated to five types of business (Exhibit VI). Within each, construction and deductible relativities have been calculated. In this process, ZIP Code level modeled loss costs were combined using a straight average. Relativities between territories were determined in the territorial definition process.

An overall premium adjustment factor was calculated for each type of business, so that the modeled exposure, when rated using 90% coverage rates, produced the desired total premium for each type of business. In this last step, the premium required was adjusted to the 90% coverage level.

Rates for 75% and 45% coverage level were calculated as 75/90ths and 45/90ths, respectively, of the 90% coverage rates.

The proposed rates produced for the base set of deductibles are found in Exhibit XIV.

Exhibit XV shows exposure and counts by territory.

Exhibit XVI compares rate changes for Residential 2% Masonry by rating region across the state before application of windstorm mitigation credits.

The rates that are published in these exhibits are base rates. To calculate the final rate for an insured risk, one must take into consideration the relativities applicable for the three construction characteristics:

Preliminary factor = (year built factor) x (roof shape factor) x (opening protection factor)

2017 mitigation factors do not have a cap. Prior to 2014 the preliminary factor was tempered by minimum and maximum caps. In 2014 we removed the cap of plus or minus 30% to unlimited due to increased credibility in reported company data.

Actual factor = Preliminary Factor

A small on balance factor is applied so that the final rates will produce the indicated FHCF reimbursement premium levels by type of business.

Final rate = (Base rate) x (actual factor) x (on balance factor)

All rate factors for the windstorm mitigation construction rating classifications and the on balance factor are shown in Exhibit XIV.

Part III: Limitations

Scope

This report was prepared for the use of the State Board of Administration of Florida (SBA) for the sole purpose of developing a formula for determining the actuarially indicated premium to be paid by individual companies for the Florida Hurricane Catastrophe Fund (FHCF) for the 2017 Contract Year as specified by Section 215.555, Florida Statutes. The formula must be approved by unanimous vote of the SBA Trustees and they may, at any time, revise the formula pursuant to the procedure provided in Section 215.555(5)(b), Florida Statutes.

The rates in this report are developed for the limits and retentions specified by Section 215.555, Florida Statutes, for the 2017 Contract Year. No adjustments have been made to reflect availability of FHCF financial capacity during and subsequent to the 2017 Contract Year.

Actual coverage provided by the FHCF for the 2017 Contract Year is subject to modification due to legislative, judicial, or regulatory actions. Except where explicitly noted, such modifications are not considered in this report.

Data Sources

In developing the 2017 FHCF ratemaking formula, we have relied on the following data from various sources:

1. FHCF exposure data as of 6/30/2016 as reported by 156 FHCF companies and compiled by Paragon. This data has not been fully audited yet and could be subject to variability in terms of amounts and classifications of exposure data.
2. Historical FHCF exposure data from prior years, subject to audit by FHCF auditors and compiled by Paragon.
3. Projections of 2017 season hurricane losses prepared by AIR, ARA, EQE, FPM, and RMS for use in determining overall expected industry losses. All loss projections are based on catastrophe models that have been accepted by the Florida Commission on Hurricane Loss Projection Methodology as of December 1, 2016.
4. Allocations of projected 2017 season hurricane losses prepared by AIR, EQE, and RMS for use in developing various rating classifications.
5. Special analyses of mitigation rating factors prepared by AIR, ARA, EQE and RMS.
6. Special analyses of projected hurricane losses by county by ARA, EQE and RMS.
7. Special analyses of projected hurricane losses by ZIP Code by Paragon using AIR and RMS models.
8. Historical FHCF investment returns as reported by the SBA.
9. Industry residential construction cost trends for Florida and the United States as developed by Marshall & Swift.
10. Estimates of projected FHCF operating expenses by FHCF staff.
11. Estimates of projected net expenses for 2013A and 2016A Pre-Event Notes by Raymond James and Associates.

We have not audited or verified the sources of the data and information. If the underlying data or information is inaccurate or incomplete, the results of our formula report may be impacted.

Variability of Results

Ratemaking is the projection of future losses and expenses and their relationship to future exposures. The projected rates contained in the attached report represent our best professional judgment. In property catastrophe reinsurance, actual losses are likely to vary from expected losses. The degree of variation could be substantial and could be in either direction from estimates. There is also significant potential for future variability in projections of expenses and exposures.

Distribution and Use

This report was prepared for the use of the SBA for the sole purpose of developing a formula for determining the actuarially indicated premium to be paid by individual companies for the FHCF for the 2017 Contract Year as specified by Section 215.555, Florida Statutes. The data, assumptions, methodology, and results in this report may not be appropriate for other than the intended use. We recommend that any party using this report have its own actuary review this report to ensure that the party understands the assumptions and uncertainties inherent in our estimates.

A copy of this report will be available on the web site of the FHCF.

EXHIBIT

II

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
Summary of Rate Calculation

Section I : Retention, Attachment and Coverage		Residential	Tenants	Condos	Mobile Home	Commercial	Total	
Coverage Avg. % as of 10/24/2016		76.660%	77.690%	81.811%	88.875%	61.946%	75.527%	
Coverage Avg. % as of 03/01/2017		75.605%	77.691%	81.608%	88.871%	61.792%	74.675%	
Coverage Avg. % as of 03/01/2017 based on proj rates, mtigation		75.678%	77.638%	81.542%	88.917%	61.835%	74.829%	(1)
Coverage Change		-1.281%	-0.067%	-0.329%	0.047%	-0.179%	-0.925%	
Retention	7,029,000,000							(2)
Loss Only Limit	21,636,739,732							(3)
Retention + Limit	28,665,739,732							(4) (2)+(3)
Loss and LAE at Coverage Limit	17,000,000,000							(5) (3)*total(1)*1.05
Section I		Residential	Tenants	Condos	Mobile Home	Commercial	Total	
Gross Losses at 100% Unadjusted		2,378,433,183	21,886,960	179,903,875	100,769,181	370,299,054	3,051,292,253	(6)
Gross Losses at 100% Adjusted*		2,505,917,202	21,900,092	180,155,741	101,212,565	371,187,772	3,180,373,371	(7)
% Adjustment		5.360%	0.060%	0.140%	0.440%	0.240%	4.230%	(8) (7)/(6) - 1
* Adjustment includes factors for law and ordinance coverage and annual aggregate deductibles.								
Allocation of Excess Loss to Type of Business at Coverage Level		79.886%	0.767%	6.127%	3.660%	9.559%	100.000%	(9) [Alloc of Excess Losses] (7)
Excess Losses and LAE at Coverage		652,804,041	6,270,546	50,071,872	29,905,995	78,116,573	817,169,027	(10) (9)*total(10)
Per Company Analysis Factors								
Retention Adjustment								(11) (11 Factor)*(10)
Limit Adjustment								(14) (14 Factor)*(10)
Combined Retention and Limit Adjustment	0.572%	3,736,844	35,894	286,626	171,191	447,162	4,677,718	(15) (15 Factor)*(10)
Total Loss After Per Company Analysis Factors		656,540,885	6,306,441	50,358,498	30,077,185	78,563,736	821,846,745	(16) (10)+(15)
Post Model Adjustment Factors								
		5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	(17)
		32,827,044	315,322	2,517,925	1,503,859	3,928,187	41,092,337	(18) (17)*(16)
Total Gross Excess Loss and LAE		689,367,929	6,621,763	52,876,423	31,581,045	82,491,922	862,939,083	(19) (18)+(16)
Special Adjustments								
Investment Income	0.000%	0	0	0	0	0	0	(20) (20 Factor)*(19)
Ceded Loss & LAE (\$1 B xs. \$11.5 B)	-2.974%	-20,502,710	-196,940	-1,572,614	-939,262	-2,453,418	-25,664,945	(21) Estimated Ceded Losses from Exhibit XVII
Total Special Adjustment	-2.974%	-20,502,710	-196,940	-1,572,614	-939,262	-2,453,418	-25,664,945	(22) (20)+(21)
Net Loss & LAE Prior to Expense Loadings and Credits (Base Prem)		668,865,219	6,424,823	51,303,809	30,641,783	80,038,504	837,274,138	(23) (19)+(22)
Fixed Expense Loadings								
Operating Expense	0.925%	6,189,571	59,454	474,757	283,554	740,663	7,748,000	(24a) SBA Operating Expenses
2016A Note Expense	2.132%	14,259,660	136,972	1,093,755	653,258	1,706,355	17,850,000	(24b) Debt Service Payment & Held Asset Risk Charge
2013A Note Expense	3.195%	21,369,518	205,266	1,639,101	978,972	2,557,143	26,750,000	(24c) Debt Service Payment & Held Asset Risk Charge
Mitigation Funding	0.000%	0	0	0	0	0	0	(25) Paid from Investment Income (not from premium)
Offset for Premium Credits and Adjustments		0	0	0	0	0	0	(26) -((1+(33))*(1+(37))-1)*((24a+24b+24c+24d)+(25))/((1+(33))*(1+(37)))
Total Fixed Expense Loadings	6.252%	41,818,748	401,692	3,207,613	1,915,784	5,004,162	52,348,000	(27) (24a)+(24b)+(24c)+(24d)+(25)+(26)
2017 Section I Base Premium at Coverage Level prior to Cash Build Up		710,683,968	6,826,515	54,511,422	32,557,566	85,042,666	889,622,138	(34)

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
Section I: Adjustment to 11/10/2016 Exposure Base And Summary of Rate Change

			2	4	6	3	1		
			Residential	Tenants	Condos	Mobile Home	Commercial	Total	
Adjustment for Change in Reportings 11/10/2016 to 11/10/2016									
2016 Section I Base Premium	as of 11/10/2016		908,761,071	8,997,273	69,002,510	39,255,768	113,505,081	1,139,521,703	(35)
(Net of Credits)	as of 11/10/2016		908,761,071	8,997,273	69,002,510	39,255,768	113,505,081	1,139,521,703	(36)
	Change		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	(37) (36)/(35) - 1
2016 Section I Exposure	as of 11/10/2016		1,823,113,728,771	25,411,606,383	93,388,534,943	25,960,036,639	161,744,631,029	2,129,618,537,765	(38)
(All ZIP Codes)	as of 11/10/2016		1,823,113,728,771	25,411,606,383	93,388,534,943	25,960,036,639	161,744,631,029	2,129,618,537,765	(39)
	Change		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	(40) (39)/(38) - 1
Exposure Trend (2016 to 2017)			3.00%	5.00%	3.00%	0.00%	0.00%	2.76%	(41)
2017 Section I Exposure			1,877,807,140,634	26,682,186,702	96,190,190,991	25,960,036,639	161,744,631,029	2,188,384,185,996	(42) (1+(41))*(39)
2017 Section I Actuarially Indicated Base Premium at Coverage Level			710,683,968	6,826,515	54,511,422	32,557,566	85,042,666	889,622,138	(43) (34)
2017 Section I Actuarially Indicated Base Premium at Cove. Level Adj For Reporting Change			710,683,968	6,826,515	54,511,422	32,557,566	85,042,666	889,622,138	(43.01) (1+(37))*(43)
Cash Build-up Factor									
2017 Adjusted Sect. I Base Premium at Coverage at 2017 Cash Build Up Level	25%		888,354,959	8,533,144	68,139,278	40,696,958	106,303,333	1,112,027,672	(45) (43.01)*1.25
Variable Expense Loading									
Reinsurance Factor	5.710%		50,727,640	487,267	3,890,950	2,323,914	6,070,228	63,500,000	(45a) (45)*(1/(1-Reins %))
2017 Section I Base Premium at Coverage with CashBuild Up & Variable Expenses	5.4018%		939,082,600	9,020,411	72,030,228	43,020,872	112,373,561	1,175,527,672	(45b) (45)+(45a)
Summary of Section I , Premium, Exposure and Rate Change									
			Residential	Tenants	Condos	Mobile Home	Commercial	Total	
Base Premium (25% CB)	2016	as of 11/10/2016	908,761,071	8,997,273	69,002,510	39,255,768	113,505,081	1,139,521,703	(46) (36)
	2017		939,082,600	9,020,411	72,030,228	43,020,872	112,373,561	1,175,527,672	(47)
	Change		3.34%	0.26%	4.39%	9.59%	-1.00%	3.16%	(48) ((47)/(46))-1
Exposure	2016	as of 11/10/2016	1,823,113,728,771	25,411,606,383	93,388,534,943	25,960,036,639	161,744,631,029	2,129,618,537,765	(49) (39)
	2017		1,877,807,140,634	26,682,186,702	96,190,190,991	25,960,036,639	161,744,631,029	2,188,384,185,996	(50) (42)
	Change		3.00%	5.00%	3.00%	0.00%	0.00%	2.76%	(51) ((50)/(49))-1
Rate (at 25% CB)	2016	as of 11/10/2016	0.4985	0.3541	0.7389	1.5122	0.7018	0.5351	(52) 1000*(46)/(49)
	2017		0.5001	0.3381	0.7488	1.6572	0.6948	0.5372	(53) 1000*(47)/(50)
	Change		0.33%	-4.52%	1.35%	9.59%	-1.00%	0.39%	(54) ((53)/(52))-1
Rate at 25% CB	2017		0.5001	0.3381	0.7488	1.6572	0.6948	0.5372	(54.01)
Rate Change			0.33%	-4.52%	1.35%	9.59%	-1.00%	0.39%	(55) ((1000*(45b)/(50))/(52))-1

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
Summary of Results

	Retention	Limit	Residential	Tenants	Condos	Mobile Home	Commercial	Total	
Premium									
Sect. I: Basic Cov.			939,082,600	9,020,411	72,030,228	43,020,872	112,373,561	1,175,527,672	(69) (45b)
Sect I: Extended Cov.			-	-	-	-	-	-	(70) There is no Extended Coverage Charge for Citizens
Section I : Subtotal	7,029,000,000	17,000,000,000	939,082,600	9,020,411	72,030,228	43,020,872	112,373,561	1,175,527,672	(71) (70)+(69)
Section II	0	0	0	0	0	0	0	0	(72) There is no Section II exposure
Total	7,029,000,000	17,000,000,000	939,082,600	9,020,411	72,030,228	43,020,872	112,373,561	1,175,527,672	(73) (71)+(72)
Coverage %			75.678%	77.638%	81.542%	88.917%	61.835%	74.829%	(74) (1)
Projected Payout Multiple		14.4616							(73Limit)/(73total prem)
Retention Multiples	100%	4.4743	1,240,890,771	11,618,576	88,335,642	48,383,269	181,731,485	1,570,959,742	(75) (73ret)/(73 tot prem)*(74tot)/100%)
	90%	4.9715	1,116,801,694	10,456,718	79,502,077	43,544,942	163,558,337	1,413,863,767	(76) (73ret)/(73 tot prem)*(74tot)/90%)
	75%	5.9658	930,668,078	8,713,932	66,251,731	36,287,451	136,298,614	1,178,219,806	(77) (73ret)/(73 tot prem)*(74tot)/75%)
	45%	9.9430	558,400,847	5,228,359	39,751,039	21,772,471	81,779,168	706,931,884	(78) (73ret)/(73 tot prem)*(74tot)/45%)
Sec I Projected Exposure		2017	1,877,807,140,634	26,682,186,702	96,190,190,991	25,960,036,639	161,744,631,029	2,188,384,185,996	(79) (49)
Sec I Avg Basic Rates	100%		0.6608	0.4354	0.9183	1.8638	1.1236	0.7179	(80) 1000*(69)/(79)*((100%/(74))
	90%		0.5947	0.3919	0.8265	1.6774	1.0112	0.6461	(81) 1000*(69)/(79)*((90%/(74))
	75%		0.4956	0.3266	0.6888	1.3978	0.8427	0.5384	(82) 1000*(69)/(79)*((75%/(74))
	45%		0.2974	0.1959	0.4133	0.8387	0.5056	0.3230	(83) 1000*(69)/(79)*((45%/(74))
Average Coverage			0.5001	0.3381	0.7488	1.6572	0.6948	0.5372	(84) 1000*(69)/(79) or (52)
Overall Section I Rate Change									
Total Premium		2016	908,761,071	8,997,273	69,002,510	39,255,768	113,505,081	1,139,521,703	(85) (45)
		2017	939,082,600	9,020,411	72,030,228	43,020,872	112,373,561	1,175,527,672	(86) (73)
Total Exposure		2016	1,823,113,728,771	25,411,606,383	93,388,534,943	25,960,036,639	161,744,631,029	2,129,618,537,765	(87) (48)
		2017	1,877,807,140,634	26,682,186,702	96,190,190,991	25,960,036,639	161,744,631,029	2,188,384,185,996	(88) (49)
Average Rate (000s)		2016	0.4985	0.3541	0.7389	1.5122	0.7018	0.5351	(89) 1000*(85)/(87)
		2017	0.5001	0.3381	0.7488	1.6572	0.6948	0.5372	(90) 1000*(86)/(88)
Overall Rate Change			0.33%	-4.52%	1.35%	9.59%	-1.00%	0.39%	(91) (90)/(89) - 1

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
Section I: Historical Exposures and Premiums

	Residential 2	Tenants* 4	Condo-Owners 6	Mobile Home 3	Commercial 1	Total
Section I Exposures (as of 10/24/2016)	7					
5 2008	\$1,783,139,166,905	\$17,897,307,503	\$79,407,858,258	\$37,368,104,549	\$197,900,227,178	\$2,115,512,664,393
4 2009	\$1,815,472,177,828	\$17,345,852,866	\$84,198,948,574	\$36,781,961,986	\$212,460,681,802	\$2,186,239,623,056
3 2010	\$1,817,862,481,519	\$17,569,203,805	\$83,886,023,190	\$35,542,039,480	\$209,853,976,263	\$2,184,513,724,257
2011	\$1,777,677,567,002	\$18,329,345,968	\$84,448,798,032	\$33,837,366,975	\$203,072,396,562	\$2,117,365,474,539
2 2012	\$1,742,101,137,356	\$19,311,739,294	\$84,152,063,133	\$31,569,203,791	\$199,076,994,510	\$2,076,211,138,084
2013	\$1,692,585,905,910	\$20,716,140,015	\$84,939,169,492	\$28,539,351,997	\$197,362,838,239	\$2,024,143,405,653
2014	\$1,719,567,803,513	\$22,229,245,146	\$86,702,102,354	\$27,474,291,575	\$188,824,739,041	\$2,044,798,181,629
2015	\$1,755,391,542,183	\$22,511,196,987	\$88,456,399,349	\$25,920,223,302	\$170,638,350,230	\$2,062,917,712,051
2016 **	\$1,823,113,728,771	\$25,411,606,383	\$93,388,534,943	\$25,960,036,639	\$161,744,631,029	\$2,129,618,537,765
2017 (Proj.)	\$1,877,807,140,634	\$26,682,186,702	\$96,190,190,991	\$25,960,036,639	\$161,744,631,029	\$2,188,384,185,998
2018						

Section I Premiums (as of 10/24/2016)						
2008	\$751,531,398	\$7,069,055	\$48,188,923	\$35,517,945	\$149,973,088	\$992,280,410
2009	\$821,700,186	\$6,499,295	\$52,307,156	\$39,714,714	\$155,523,244	\$1,075,744,595
2010	\$859,864,344	\$6,502,492	\$51,872,015	\$43,539,127	\$153,444,469	\$1,115,222,446
2011	\$880,754,111	\$6,505,495	\$53,683,414	\$45,968,427	\$150,384,875	\$1,137,296,322
2012	\$981,901,520	\$8,032,833	\$60,505,008	\$43,863,584	\$167,063,181	\$1,261,366,127
2013	\$977,906,580	\$9,143,951	\$64,528,991	\$37,315,378	\$175,438,169	\$1,264,333,070
2014	\$981,990,781	\$10,188,137	\$66,375,860	\$35,208,908	\$173,880,302	\$1,267,643,988
2015	\$975,338,163	\$9,277,170	\$67,840,387	\$34,740,400	\$129,024,607	\$1,216,220,727
2016 **	\$908,761,071	\$8,997,273	\$69,002,510	\$39,255,768	\$113,505,081	\$1,139,521,703
2017 (Proj.)	\$939,082,600	\$9,020,411	\$72,030,228	\$43,020,872	\$112,373,561	\$1,175,527,672
2018						

Section I Average Rates (per \$1000)						
2008	0.4215	0.3994	0.6069	0.9505	0.7578	0.4690
2009	0.4526	0.3747	0.6212	1.0803	0.7320	0.4966
2010	0.4731	0.3701	0.6184	1.2250	0.7312	0.5152
2011	0.4955	0.3549	0.6357	1.3585	0.7405	0.5371
2012	0.5636	0.4160	0.7190	1.3894	0.8392	0.6075
2013	0.5778	0.4414	0.7597	1.3075	0.8889	0.6246
2014	0.5711	0.4583	0.7656	1.2815	0.9209	0.6199
2015	0.5556	0.4121	0.7669	1.3403	0.7561	0.5896
2016	0.4985	0.3541	0.7389	1.5122	0.7018	0.5351
2017 (Proj.)	0.5001	0.3381	0.7488	1.6572	0.6948	0.5372
2018						

Percent Change in Rates						
2008-09	7.39%	-6.20%	2.37%	13.66%	-3.41%	5.87%
2009-10	4.52%	-1.22%	-0.46%	13.39%	-0.11%	3.75%
2010-11	4.73%	-4.10%	2.80%	10.90%	1.28%	4.25%
2011-12	13.76%	17.20%	13.10%	2.28%	13.32%	13.11%
2012-13	2.51%	6.12%	5.66%	-5.90%	5.93%	2.81%
2013-14	-1.16%	3.84%	0.77%	-1.99%	3.59%	-0.75%
2014-15	-2.70%	-10.08%	0.18%	4.59%	-17.89%	-4.90%
2015-16	-10.29%	-14.09%	-3.66%	12.82%	-7.19%	-9.24%
2016-17	0.33%	-4.52%	1.35%	9.59%	-1.00%	0.39%

Historical Rates as Percent of 2017 Rates						
2008	84%	118%	81%	57%	109%	87%
2009	91%	111%	83%	65%	105%	92%
2010	95%	109%	83%	74%	105%	96%
2011	99%	105%	85%	82%	107%	100%
2012	113%	123%	96%	84%	121%	113%
2013	116%	131%	101%	79%	128%	116%
2014	114%	136%	102%	77%	133%	115%
2015	111%	122%	102%	81%	109%	110%
2016	100%	105%	99%	91%	101%	100%
2017	100%	100%	100%	100%	100%	100%

Historical Rate on Line (Mandatory Coverage only)						
	Limit(\$)					
2008	16,530					6.0%
2009	17,175					6.3%
2010	17,000					6.6%
2011	17,000					6.7%
2012	17,000					7.4%
2013	17,000					7.4%
2014	17,000					7.5%
2015	17,000					7.2%
2016	17,000					6.7%
2017	17,000					6.9%

*Includes Inland Marine/Stand Alone & Other Contents Type Policies
** 2016 exposure and premium as of 11/10/2016.

EXHIBIT

III

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2016 Reported Exposures as of 11/10/16 (Trended to 6/30/17)

Trended Control Totals By Type

Type	Units	Percent of Units	Primary Exposure	Average Exposure	Percent of Exposure
Commercial	152,511	2.3%	\$161,744,631,029	\$1,060,544	7.4%
Residential	4,396,829	64.9%	\$1,877,807,140,634	\$427,082	85.8%
Mobile Home	337,690	5.0%	\$25,960,036,639	\$76,875	1.2%
Tenants	1,041,128	15.4%	\$26,682,186,702	\$25,628	1.2%
Condominium Unit Owners	847,757	12.5%	\$96,190,190,991	\$113,464	4.4%
Total	6,775,915	100.0%	\$2,188,384,185,996	\$322,965	100.0%

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2016 Reported Exposures as of 11/10/16 (Trended to 6/30/17)

Trended Commercial Control Totals By Construction

Construction	Units	Percent of Units	Primary Exposure	Average Exposure	Percent of Exposure
Frame	30,106	19.7%	\$19,301,359,270	\$641,113	11.9%
Masonry	106,660	69.9%	\$76,202,220,262	\$714,440	47.1%
Masonry with Reinforced Concrete Roof	9,113	6.0%	\$21,764,111,932	\$2,388,249	13.5%
Superior	468	0.3%	\$5,173,482,954	\$11,054,451	3.2%
Superior with Reinforced Concrete Roof	2,172	1.4%	\$36,720,950,013	\$16,906,515	22.7%
Masonry Veneer	1,461	1.0%	\$807,069,219	\$552,409	0.5%
Unknown/Non Mobile Home Default	2,531	1.7%	\$1,775,437,379	\$701,477	1.1%
Total	152,511	100.0%	\$161,744,631,029	\$1,060,544	100.0%

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2016 Reported Exposures as of 11/10/16 (Trended to 6/30/17)

Trended Residential Control Totals By Construction

Construction	Units	Percent of Units	Primary Exposure	Average Exposure	Percent of Exposure
Frame	919,680	20.9%	\$367,830,268,908	\$399,955	19.6%
Masonry	3,172,544	72.2%	\$1,365,997,413,715	\$430,568	72.7%
Masonry Veneer	269,207	6.1%	\$135,596,014,709	\$503,687	7.2%
Unknown/Non Mobile Home Default	35,398	0.8%	\$8,383,443,302	\$236,834	0.4%
Total	4,396,829	100.0%	\$1,877,807,140,634	\$427,082	100.0%

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2016 Reported Exposures as of 11/10/16 (Trended to 6/30/17)

Trended Mobile Home Control Totals By Construction

Construction	Units	Percent of Units	Primary Exposure	Average Exposure	Percent of Exposure
Mobile Home - Fully Tied Down, Mfg before 7/13/94	179,257	53.1%	\$10,214,820,458	\$56,984	39.3%
Mobile Home - Fully Tied Down, Mfg on or after 7/13/94	146,308	43.3%	\$14,776,784,166	\$100,998	56.9%
Mobile Home - Other Than Fully Tied Down or Unknown	12,125	3.6%	\$968,432,015	\$79,871	3.7%
Total	337,690	100.0%	\$25,960,036,639	\$76,875	100.0%

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2016 Reported Exposures as of 11/10/16 (Trended to 6/30/17)

Trended Tenants Control Totals By Construction

Construction	Units	Percent of Units	Primary Exposure	Average Exposure	Percent of Exposure
Frame	124,005	11.9%	\$3,403,470,481	\$27,446	12.8%
Masonry	180,565	17.3%	\$6,671,681,121	\$36,949	25.0%
Masonry with Reinforced Concrete Roof	473	0.0%	\$50,696,507	\$107,181	0.2%
Superior	6,845	0.7%	\$347,998,026	\$50,840	1.3%
Superior with Reinforced Concrete Roof	972	0.1%	\$120,641,362	\$124,117	0.5%
Masonry Veneer	16,048	1.5%	\$612,033,214	\$38,138	2.3%
Unknown/Non Mobile Home Default	712,220	68.4%	\$15,475,665,992	\$21,729	58.0%
Total	1,041,128	100.0%	\$26,682,186,702	\$25,628	100.0%

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2016 Reported Exposures as of 11/10/16 (Trended to 6/30/17)

Trended Condominium Unit Owners Control Totals By Construction

Construction	Units	Percent of Units	Primary Exposure	Average Exposure	Percent of Exposure
Frame	85,544	10.1%	\$8,374,558,241	\$97,898	8.7%
Masonry	499,704	58.9%	\$48,902,984,767	\$97,864	50.8%
Masonry with Reinforced Concrete Roof	74,916	8.8%	\$8,379,638,619	\$111,854	8.7%
Superior	73,902	8.7%	\$9,996,104,730	\$135,262	10.4%
Superior with Reinforced Concrete Roof	99,623	11.8%	\$18,787,386,627	\$188,585	19.5%
Masonry Veneer	6,916	0.8%	\$740,515,941	\$107,073	0.8%
Unknown/Non Mobile Home Default	7,152	0.8%	\$1,009,002,066	\$141,080	1.0%
Total	847,757	100.0%	\$96,190,190,991	\$113,464	100.0%

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2016 Reported Exposures as of 11/10/16 (Trended to 6/30/17)

Trended Commercial Control Totals By Deductible Code

Deductible Code	Units	Percent of Units	Primary Exposure	Average Exposure	Percent of Exposure
CA (\$0 to \$2,500)	87	0.1%	\$75,454,073	\$867,288	0.0%
CB (\$2,501 to \$7,500)	25	0.0%	\$5,676,201	\$227,048	0.0%
CC (\$7,501 to \$15,000)	35	0.0%	\$110,301,582	\$3,151,474	0.1%
CD (\$15,001 to \$50,000)	132	0.1%	\$53,873,598	\$408,133	0.0%
C1 (1%)	31	0.0%	\$138,919,037	\$4,481,259	0.1%
C2 (2%)	12,224	8.0%	\$12,049,846,103	\$985,753	7.4%
C3 (3%)	86,006	56.4%	\$94,034,076,145	\$1,093,343	58.1%
C4 (4%)	50	0.0%	\$1,087,160,713	\$21,743,214	0.7%
C5 (5%)	53,259	34.9%	\$52,192,506,829	\$979,975	32.3%
C6 (6%)	31	0.0%	\$757,512,662	\$24,435,892	0.5%
C7 (7%)	8	0.0%	\$90,262,278	\$11,282,785	0.1%
C8 (8%)	31	0.0%	\$109,478,606	\$3,531,568	0.1%
C9 (9%)	11	0.0%	\$114,556,522	\$10,414,229	0.1%
C0 (10%)	581	0.4%	\$925,006,680	\$1,592,094	0.6%
Total	152,511	100.0%	\$161,744,631,029	\$1,060,544	100.0%

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2016 Reported Exposures as of 11/10/16 (Trended to 6/30/17)

Trended Residential Control Totals By Deductible Code

Deductible Code	Units	Percent of Units	Primary Exposure	Average Exposure	Percent of Exposure
RM (\$0)	24,657	0.6%	\$1,063,842,978	\$43,146	0.1%
RA (\$1 to \$500)	132,721	3.0%	\$44,619,260,653	\$336,188	2.4%
RB (\$501 to \$1,500)	9,809	0.2%	\$4,525,337,198	\$461,345	0.2%
RC (\$1,501 to \$2,500)	1,991	0.0%	\$401,292,950	\$201,553	0.0%
RD (Greater Than \$2,500)	2,008	0.0%	\$1,295,699,752	\$645,269	0.1%
R1 (1%)	9,311	0.2%	\$5,451,930,397	\$585,537	0.3%
R2 (2%)	3,813,198	86.7%	\$1,628,049,243,908	\$426,951	86.7%
R3 (3%)	39,880	0.9%	\$13,854,234,015	\$347,398	0.7%
R4 (4%)	4,466	0.1%	\$2,557,867,549	\$572,742	0.1%
R5 (5%)	315,594	7.2%	\$147,346,856,202	\$466,887	7.8%
R6 (6%)	131	0.0%	\$43,296,188	\$330,505	0.0%
R7 (7%)	101	0.0%	\$32,158,625	\$318,402	0.0%
R8 (8%)	59	0.0%	\$32,081,582	\$543,756	0.0%
R9 (9%)	11	0.0%	\$4,164,658	\$378,605	0.0%
R0 (10% to 14%)	41,448	0.9%	\$25,727,493,341	\$620,717	1.4%
RZ (15% or Greater)	1,444	0.0%	\$2,802,380,639	\$1,940,707	0.1%
Total	4,396,829	100.0%	\$1,877,807,140,634	\$427,082	100.0%

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2016 Reported Exposures as of 11/10/16 (Trended to 6/30/17)

Trended Mobile Home Control Totals By Deductible Code

Deductible Code	Units	Percent of Units	Primary Exposure	Average Exposure	Percent of Exposure
MM (\$0)	197	0.1%	\$1,406,818	\$7,141	0.0%
MA (\$1 to \$250)	1,192	0.4%	\$12,485,392	\$10,474	0.0%
MB (\$251 to \$500)	141,483	41.9%	\$8,864,134,637	\$62,652	34.1%
MC (Greater Than \$500)	6,152	1.8%	\$522,534,631	\$84,937	2.0%
M1 (1%)	340	0.1%	\$48,528,397	\$142,731	0.2%
M2 (2%)	104,961	31.1%	\$10,937,982,053	\$104,210	42.1%
M3 (3%)	158	0.0%	\$14,818,884	\$93,790	0.1%
M4 (4%)	17	0.0%	\$871,830	\$51,284	0.0%
M5 (5%)	71,162	21.1%	\$4,923,291,129	\$69,184	19.0%
M6 (6%)	5	0.0%	\$500,560	\$100,112	0.0%
M7 (7%)	0	0.0%	\$0	\$0	0.0%
M8 (8%)	0	0.0%	\$0	\$0	0.0%
M9 (9%)	110	0.0%	\$12,176,500	\$110,695	0.0%
M0 (10% or Greater)	11,913	3.5%	\$621,305,808	\$52,154	2.4%
Total	337,690	100.0%	\$25,960,036,639	\$76,875	100.0%

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2016 Reported Exposures as of 11/10/16 (Trended to 6/30/17)

Trended Tenants Control Totals By Deductible Code

Deductible Code	Units	Percent of Units	Primary Exposure	Average Exposure	Percent of Exposure
RM (\$0)	317,421	30.5%	\$6,008,809,276	\$18,930	22.5%
RA (\$1 to \$500)	429,302	41.2%	\$11,399,681,923	\$26,554	42.7%
RB (\$501 to \$1,500)	219,864	21.1%	\$5,454,262,905	\$24,807	20.4%
RC (\$1,501 to \$2,500)	2,160	0.2%	\$90,213,933	\$41,766	0.3%
RD (Greater Than \$2,500)	1,749	0.2%	\$105,852,461	\$60,522	0.4%
R1 (1%)	358	0.0%	\$32,383,869	\$90,458	0.1%
R2 (2%)	61,873	5.9%	\$3,229,792,814	\$52,200	12.1%
R3 (3%)	18	0.0%	\$3,558,798	\$197,711	0.0%
R4 (4%)	4	0.0%	\$3,569,664	\$892,416	0.0%
R5 (5%)	6,606	0.6%	\$280,612,645	\$42,478	1.1%
R6 (6%)	0	0.0%	\$0	\$0	0.0%
R7 (7%)	0	0.0%	\$0	\$0	0.0%
R8 (8%)	0	0.0%	\$0	\$0	0.0%
R9 (9%)	15	0.0%	\$812,820	\$54,188	0.0%
R0 (10% to 14%)	1,694	0.2%	\$50,668,377	\$29,910	0.2%
RZ (15% or Greater)	64	0.0%	\$21,967,218	\$343,238	0.1%
Total	1,041,128	100.0%	\$26,682,186,702	\$25,628	100.0%

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2016 Reported Exposures as of 11/10/16 (Trended to 6/30/17)

Trended Condominium Unit Owners Control Totals By Deductible Code

Deductible Code	Units	Percent of Units	Primary Exposure	Average Exposure	Percent of Exposure
RM (\$0)	4,213	0.5%	\$181,505,989	\$43,082	0.2%
RA (\$1 to \$500)	262,644	31.0%	\$18,515,134,511	\$70,495	19.2%
RB (\$501 to \$1,500)	76,460	9.0%	\$9,059,704,320	\$118,489	9.4%
RC (\$1,501 to \$2,500)	9,404	1.1%	\$1,409,732,233	\$149,908	1.5%
RD (Greater Than \$2,500)	2,081	0.2%	\$466,834,920	\$224,332	0.5%
R1 (1%)	74	0.0%	\$39,242,165	\$530,300	0.0%
R2 (2%)	436,180	51.5%	\$56,690,761,058	\$129,971	58.9%
R3 (3%)	900	0.1%	\$342,589,525	\$380,655	0.4%
R4 (4%)	258	0.0%	\$51,495,417	\$199,595	0.1%
R5 (5%)	44,346	5.2%	\$7,226,355,091	\$162,954	7.5%
R6 (6%)	51	0.0%	\$106,283,676	\$2,083,994	0.1%
R7 (7%)	1	0.0%	\$65,376,881	\$65,376,881	0.1%
R8 (8%)	1	0.0%	\$216,300	\$216,300	0.0%
R9 (9%)	2	0.0%	\$1,160,038	\$580,019	0.0%
R0 (10% to 14%)	10,241	1.2%	\$1,352,860,255	\$132,102	1.4%
RZ (15% or Greater)	901	0.1%	\$680,938,614	\$755,759	0.7%
Total	847,757	100.0%	\$96,190,190,991	\$113,464	100.0%

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2016 Reported Exposures as of 11/10/16 (Trended to 6/30/17)

Trended Exposures and Risks from Invalid ZIP Codes

Type	Invalid ZIP Code Data			Valid Zip Code Data		
	Units	Exposure	Average	Units	Exposure	Average
Commercial	2	\$2,467,700	\$1,233,850	152,509	161,742,163,329	\$1,060,542
Residential	34	\$11,883,984	\$349,529	4,396,795	1,877,795,256,650	\$427,083
Mobile Home	109	\$5,014,406	\$46,004	337,581	25,955,022,233	\$76,885
Tenants	46	\$1,052,147	\$22,873	1,041,082	26,681,134,555	\$25,628
Condo Owners	7	\$517,554	\$73,936	847,750	96,189,673,437	\$113,465
Total	198	\$20,935,792	\$105,736	6,775,717	\$2,188,363,250,203	\$322,971

Type	All Data			% from Invalid ZIP Codes	
	Units	Exposure	Average	Units	Exposure
Commercial	152,511	\$161,744,631,029	\$1,060,544	0.00%	0.00%
Residential	4,396,829	\$1,877,807,140,634	\$427,082	0.00%	0.00%
Mobile Home	337,690	\$25,960,036,639	\$76,875	0.03%	0.02%
Tenants/Other	1,041,128	\$26,682,186,702	\$25,628	0.00%	0.00%
Condo Owners	847,757	\$96,190,190,991	\$113,464	0.00%	0.00%
Total	6,775,915	\$2,188,384,185,996	\$322,965	0.00%	0.00%

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
Exposures, Unit Counts and Averages
As of 10/24/16

Exposures (\$)						Annual Change (%)**					
	Commercial	Residential*	Mobile Home	Stand Alone I.M.**	Total		Commercial	Residential*	Mobile Home	Stand Alone I.M.**	Total
1994	250,798,066,574	573,595,663,128	27,708,002,887	N/A	852,101,732,589	1994-1995	NA	12.9	(0.9)	N/A	N/A
1995	72,259,223,184	647,611,806,441	27,471,321,323	N/A	747,342,350,948	1995-1996	(0.3)	1.3	(3.0)	N/A	0.9
1996	72,045,415,920	655,747,424,327	26,641,265,399	N/A	754,434,105,646	1996-1997	(6.9)	1.5	3.6	N/A	0.8
1997	67,060,941,081	665,706,907,693	27,603,802,377	N/A	760,371,651,151	1997-1998	(6.9)	2.1	3.2	N/A	1.3
1998	62,406,306,257	679,581,831,252	28,500,346,256	N/A	770,488,483,765	1998-1999	(0.2)	4.1	2.9	N/A	3.7
1999	62,310,422,803	707,168,630,617	29,321,225,365	N/A	798,800,278,785	1999-2000	28.9	9.0	1.7	N/A	10.3
2000	80,327,371,492	771,151,251,493	29,805,027,583	N/A	881,283,650,568	2000-2001	19.4	3.2	1.8	N/A	4.6
2001	95,903,685,545	795,830,648,826	30,336,699,432	N/A	922,071,033,803	2001-2002	17.9	19.2	12.6	N/A	19.3
2002	113,055,152,173	948,240,567,004	34,158,045,008	4,649,506,167	1,100,103,270,352	2002-2003	8.5	8.3	(0.1)	78.7	8.4
2003	122,711,546,221	1,027,400,432,961	34,109,501,584	8,307,577,221	1,192,529,057,987	2003-2004	(1.7)	12.5	2.7	9.4	10.7
2004	120,567,809,498	1,155,969,925,095	35,014,550,966	9,090,209,248	1,320,642,494,807	2004-2005	4.1	17.2	3.7	16.6	15.6
2005	125,518,806,067	1,354,455,492,240	36,309,216,467	10,602,304,913	1,526,885,819,687	2005-2006	8.6	19.4	4.8	N/A	17.3
2006	136,340,614,829	1,617,264,717,950	38,069,099,793	N/A	1,791,674,432,572	2006-2007	37.0	11.2	(1.5)	N/A	12.9
2007	186,827,864,101	1,798,433,070,223	37,500,069,047	N/A	2,022,761,003,371	2007-2008	5.9	4.5	(0.4)	N/A	4.6
2008	197,900,227,178	1,880,244,332,666	37,368,104,549	N/A	2,115,512,664,393	2008-2009	7.4	2.0	(1.6)	N/A	2.4
2009	212,460,681,802	1,917,016,979,268	36,761,961,986	N/A	2,166,239,623,056	2009-2010	(1.2)	0.1	(3.3)	N/A	(0.1)
2010	209,853,976,263	1,919,117,708,514	35,542,039,480	N/A	2,164,513,724,257	2010-2011	(3.2)	(2.0)	(4.8)	N/A	(2.2)
2011	203,072,396,562	1,880,455,711,002	33,837,366,975	N/A	2,117,365,474,539	2011-2012	(2.0)	(1.9)	(6.7)	N/A	(1.9)
2012	199,076,994,510	1,845,564,939,783	31,569,203,791	N/A	2,076,211,138,084	2012-2013	(0.9)	(2.6)	(9.6)	N/A	(2.5)
2013	197,362,838,239	1,798,241,215,417	28,539,351,997	N/A	2,024,143,405,653	2013-2014	(4.3)	1.7	(3.7)	N/A	1.0
2014	188,824,739,041	1,828,499,151,013	27,474,291,575	N/A	2,044,798,181,629	2014-2015	(9.6)	2.1	(5.8)	N/A	0.9
2015	170,638,350,230	1,866,209,323,850	25,889,034,742	N/A	2,062,736,708,822	2015-2016	(5.3)	4.1	0.3	N/A	3.2
2016	161,596,099,948	1,941,905,462,097	25,960,036,639	N/A	2,129,461,598,684	Avg. 95-16	4.5	5.6	(0.2)	N/A	5.3

Unit Counts						Unit Counts					
	Commercial	Residential*	Mobile Home	Stand Alone I.M.**	Total		Commercial	Residential*	Mobile Home	Stand Alone I.M.**	Total
1994	667,009	4,523,478	630,092	N/A	5,820,579	1994-1995	NA	3.1	(0.1)	N/A	N/A
1995	217,433	4,662,527	629,593	N/A	5,509,553	1995-1996	7.1	(1.6)	(6.1)	N/A	(1.8)
1996	232,810	4,589,144	590,981	N/A	5,412,935	1996-1997	(14.4)	2.9	1.7	N/A	2.0
1997	199,267	4,722,716	601,167	N/A	5,523,150	1997-1998	(13.8)	(0.6)	(0.5)	N/A	(1.0)
1998	171,866	4,695,966	598,446	N/A	5,466,278	1998-1999	(23.1)	(1.4)	1.5	N/A	(1.8)
1999	132,195	4,627,958	607,162	N/A	5,367,315	1999-2000	(8.9)	4.2	(0.2)	N/A	3.4
2000	120,422	4,820,714	606,046	N/A	5,547,182	2000-2001	39.5	1.2	(2.1)	N/A	1.6
2001	167,961	4,877,216	593,148	N/A	5,638,325	2001-2002	13.2	0.3	(0.3)	N/A	3.7
2002	190,197	4,889,766	591,094	174,492	5,845,549	2002-2003	(5.4)	(0.1)	(2.3)	99.5	2.5
2003	179,954	4,885,715	577,547	348,037	5,991,253	2003-2004	(15.1)	2.3	(2.5)	(5.9)	0.8
2004	152,720	4,998,614	562,979	327,482	6,041,795	2004-2005	(4.6)	4.6	(3.3)	2.9	3.6
2005	145,657	5,229,215	544,433	336,976	6,256,281	2005-2006	(2.7)	9.8	(4.1)	N/A	2.4
2006	141,782	5,742,372	522,009	N/A	6,406,163	2006-2007	36.7	0.5	(6.0)	N/A	0.7
2007	193,852	5,768,968	490,926	N/A	6,453,746	2007-2008	(3.6)	(0.6)	(1.9)	N/A	(0.8)
2008	186,851	5,736,170	481,647	N/A	6,404,668	2008-2009	4.8	0.4	(2.7)	N/A	0.3
2009	195,884	5,757,481	468,744	N/A	6,422,109	2009-2010	(0.8)	0.2	(3.4)	N/A	(0.1)
2010	194,310	5,767,950	452,889	N/A	6,415,149	2010-2011	(0.6)	0.3	(4.1)	N/A	(0.0)
2011	193,114	5,784,513	434,355	N/A	6,411,982	2011-2012	(1.5)	(0.1)	(7.3)	N/A	(0.7)
2012	190,172	5,776,731	402,738	N/A	6,369,641	2012-2013	(1.4)	0.3	(6.2)	N/A	(0.1)
2013	187,504	5,794,914	377,877	N/A	6,360,295	2013-2014	(5.1)	1.8	(1.0)	N/A	1.4
2014	178,004	5,896,356	374,055	N/A	6,448,415	2014-2015	(7.1)	1.7	(8.0)	N/A	0.9
2015	165,425	5,999,272	344,255	N/A	6,508,952	2015-2016	(7.8)	2.8	(1.9)	N/A	2.3
2016	152,501	6,166,516	337,690	N/A	6,656,707	Avg. 95-16	(0.7)	1.4	(2.9)	N/A	0.9

Averages (\$)						Averages					
	Commercial	Residential*	Mobile Home	Stand Alone I.M.**	Total		Commercial	Residential*	Mobile Home	Stand Alone I.M.**	Total
1994	376,004	126,804	43,975	N/A	146,395	1994-1995	NA	9.5	(0.8)	N/A	N/A
1995	332,329	138,897	43,633	N/A	135,645	1995-1996	(6.9)	2.9	3.3	N/A	2.8
1996	309,460	142,891	45,080	N/A	139,376	1996-1997	8.8	(1.4)	1.9	N/A	(1.2)
1997	336,538	140,958	45,917	N/A	137,670	1997-1998	7.9	2.7	3.7	N/A	2.4
1998	363,110	144,716	47,624	N/A	140,953	1998-1999	29.8	5.6	1.4	N/A	5.6
1999	471,352	152,804	48,292	N/A	148,827	1999-2000	41.5	4.7	1.8	N/A	6.7
2000	667,049	159,966	49,179	N/A	158,871	2000-2001	(14.4)	2.0	4.0	N/A	2.9
2001	570,988	163,173	51,145	N/A	163,536	2001-2002	4.1	18.8	13.0	N/A	15.1
2002	594,411	193,924	57,788	26,646	188,195	2002-2003	14.7	8.4	2.2	(10.4)	5.8
2003	681,905	210,287	59,059	23,870	199,045	2003-2004	15.8	10.0	5.3	16.3	9.8
2004	789,470	231,258	62,195	27,758	218,584	2004-2005	9.2	12.0	7.2	13.3	11.7
2005	861,742	259,017	66,692	31,463	244,056	2005-2006	11.6	8.7	9.4	N/A	14.6
2006	961,621	281,637	72,928	N/A	279,680	2006-2007	0.2	10.7	4.7	N/A	12.1
2007	963,765	311,743	76,386	N/A	313,424	2007-2008	9.9	5.1	1.6	N/A	5.4
2008	1,059,134	327,787	77,584	N/A	330,308	2008-2009	2.4	1.6	1.1	N/A	2.1
2009	1,084,625	332,961	78,427	N/A	337,310	2009-2010	(0.4)	(0.1)	0.1	N/A	0.0
2010	1,079,996	332,721	78,478	N/A	337,407	2010-2011	(2.6)	(2.3)	(0.7)	N/A	(2.1)
2011	1,051,567	325,085	77,903	N/A	330,220	2011-2012	(0.5)	(1.7)	0.6	N/A	(1.3)
2012	1,046,826	319,483	78,386	N/A	325,954	2012-2013	0.5	(2.9)	(3.6)	N/A	(2.4)
2013	1,052,579	310,314	75,526	N/A	318,247	2013-2014	0.8	(0.1)	(2.7)	N/A	(0.4)
2014	1,060,789	310,107	73,450	N/A	317,101	2014-2015	(2.8)	0.3	2.4	N/A	(0.1)
2015	1,031,515	311,073	75,203	N/A	316,908	2015-2016	2.7	1.2	2.2	N/A	0.9
2016	1,059,640	314,911	76,875	N/A	319,897	Avg. 95-16	6.3	4.1	2.8	N/A	4.3

* Includes Residential, Tenants, and Condominium Unit Owner policies.

**2002 was the first year Stand Alone Inland Marine data was reported. Stand Alone Inland Marine was defined as inland marine policies not associated with the policy that covers the main building/structure.

In 2003, it was referred to as "Stand Alone/Contents Type Policies" and also included scheduled personal property written under attachments, endorsements, and riders.

In 2004, it was referred to as "Other Contents Policies or Endorsements."

In 2006, it was removed.

Florida Hurricane Catastrophe Fund
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2016 Reported Exposures as of 11/10/16 (Trended to 6/30/17)

Commercial Totals By Mitigation Features

Mitigation Feature	Units	Percent of Units	Primary Exposure	Average Exposure	Percent of Exposure
YEAR BUILT					
Unknown	1,161	0.8%	\$511,430,311	\$440,508	0.3%
1994 or Earlier	113,122	74.2%	\$104,116,484,933	\$920,391	64.4%
1995-2001	13,304	8.7%	\$16,344,194,424	\$1,228,517	10.1%
2002-2011	22,414	14.7%	\$36,764,648,691	\$1,640,254	22.7%
2012 or Later	2,510	1.6%	\$4,007,872,670	\$1,596,762	2.5%
TOTAL	152,511	100.0%	\$161,744,631,029	\$1,060,544	100.0%
STRUCTURE OPENING PROTECTION					
No Credit is Given to Policyholder	139,889	91.7%	\$126,351,998,610	\$903,230	78.1%
Credit is Given to Policyholder	12,622	8.3%	\$35,392,632,419	\$2,804,043	21.9%
TOTAL	152,511	100.0%	\$161,744,631,029	\$1,060,544	100.0%
ROOF SHAPE					
Hip, Mansard, or Pyramid	44,944	29.5%	\$35,213,000,644	\$783,486	21.8%
Gable, Other, or Unknown	107,567	70.5%	\$126,531,630,385	\$1,176,305	78.2%
TOTAL	152,511	100.0%	\$161,744,631,029	\$1,060,544	100.0%

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2016 Reported Exposures as of 11/10/16 (Trended to 6/30/17)

Residential Totals By Mitigation Features

Mitigation Feature	Units	Percent of Units	Primary Exposure	Average Exposure	Percent of Exposure
YEAR BUILT					
Unknown	23,886	0.5%	\$5,027,641,963	\$210,485	0.3%
1994 or Earlier	2,579,641	58.7%	\$930,497,143,651	\$360,708	49.6%
1995-2001	628,854	14.3%	\$319,165,747,859	\$507,536	17.0%
2002-2011	951,367	21.6%	\$500,108,192,488	\$525,673	26.6%
2012 or Later	213,081	4.8%	\$123,008,414,673	\$577,285	6.6%
TOTAL	4,396,829	100.0%	\$1,877,807,140,634	\$427,082	100.0%
STRUCTURE OPENING PROTECTION					
No Credit is Given to Policyholder	3,751,377	85.3%	\$1,481,170,042,830	\$394,834	78.9%
Credit is Given to Policyholder	645,452	14.7%	\$396,637,097,804	\$614,511	21.1%
TOTAL	4,396,829	100.0%	\$1,877,807,140,634	\$427,082	100.0%
ROOF SHAPE					
Hip, Mansard, or Pyramid	1,295,649	29.5%	\$713,599,857,492	\$550,766	38.0%
Gable, Other, or Unknown	3,101,180	70.5%	\$1,164,207,283,142	\$375,408	62.0%
TOTAL	4,396,829	100.0%	\$1,877,807,140,634	\$427,082	100.0%

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2016 Reported Exposures as of 11/10/16 (Trended to 6/30/17)

Mobile Home Totals By Mitigation Features

Mitigation Feature	Units	Percent of Units	Primary Exposure	Average Exposure	Percent of Exposure
YEAR BUILT					
Unknown or Mobile Home	337,690	100.0%	\$25,960,036,639	\$76,875	100.0%
1994 or Earlier	0	0.0%	\$0	\$0	0.0%
1995-2001	0	0.0%	\$0	\$0	0.0%
2002 or Later	0	0.0%	\$0	\$0	0.0%
TOTAL	337,690	100.0%	\$25,960,036,639	\$76,875	100.0%
STRUCTURE OPENING PROTECTION					
No Credit is Given to Policyholder	337,690	100.0%	\$25,960,036,639	\$76,875	100.0%
Credit is Given to Policyholder	0	0.0%	\$0	\$0	0.0%
TOTAL	337,690	100.0%	\$25,960,036,639	\$76,875	100.0%
ROOF SHAPE					
Hip, Mansard, or Pyramid	33	0.0%	\$502,600	\$15,230	0.0%
Gable, Other, or Unknown	337,657	100.0%	\$25,959,534,039	\$76,881	100.0%
TOTAL	337,690	100.0%	\$25,960,036,639	\$76,875	100.0%

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2016 Reported Exposures as of 11/10/16 (Trended to 6/30/17)

Tenants Totals By Mitigation Features

Mitigation Feature	Units	Percent of Units	Primary Exposure	Average Exposure	Percent of Exposure
YEAR BUILT					
Unknown	612,639	58.8%	\$11,018,007,879	\$17,985	41.3%
1994 or Earlier	201,369	19.3%	\$7,008,312,374	\$34,803	26.3%
1995-2001	75,944	7.3%	\$2,756,455,230	\$36,296	10.3%
2002-2011	118,035	11.3%	\$4,786,749,537	\$40,554	17.9%
2012 or Later	33,141	3.2%	\$1,112,661,683	\$33,574	4.2%
TOTAL	1,041,128	100.0%	\$26,682,186,702	\$25,628	100.0%
STRUCTURE OPENING PROTECTION					
No Credit is Given to Policyholder	1,035,784	99.5%	\$26,214,000,380	\$25,308	98.2%
Credit is Given to Policyholder	5,344	0.5%	\$468,186,322	\$87,610	1.8%
TOTAL	1,041,128	100.0%	\$26,682,186,702	\$25,628	100.0%
ROOF SHAPE					
Hip, Mansard, or Pyramid	16,840	1.6%	\$1,125,316,100	\$66,824	4.2%
Gable, Other, or Unknown	1,024,288	98.4%	\$25,556,870,602	\$24,951	95.8%
TOTAL	1,041,128	100.0%	\$26,682,186,702	\$25,628	100.0%

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2016 Reported Exposures as of 11/10/16 (Trended to 6/30/17)

Condominium Unit Owners Totals By Mitigation Features

Mitigation Feature	Units	Percent of Units	Primary Exposure	Average Exposure	Percent of Exposure
YEAR BUILT					
Unknown	7,480	0.9%	\$757,345,475	\$101,249	0.8%
1994 or Earlier	571,445	67.4%	\$52,714,302,514	\$92,247	54.8%
1995-2001	89,783	10.6%	\$13,598,693,278	\$151,462	14.1%
2002-2011	166,247	19.6%	\$26,636,869,282	\$160,225	27.7%
2012 or Later	12,802	1.5%	\$2,482,980,442	\$193,953	2.6%
TOTAL	847,757	100.0%	\$96,190,190,991	\$113,464	100.0%
STRUCTURE OPENING PROTECTION					
No Credit is Given to Policyholder	732,883	86.4%	\$70,482,808,133	\$96,172	73.3%
Credit is Given to Policyholder	114,874	13.6%	\$25,707,382,858	\$223,788	26.7%
TOTAL	847,757	100.0%	\$96,190,190,991	\$113,464	100.0%
ROOF SHAPE					
Hip, Mansard, or Pyramid	109,217	12.9%	\$14,322,118,544	\$131,135	14.9%
Gable, Other, or Unknown	738,540	87.1%	\$81,868,072,447	\$110,851	85.1%
TOTAL	847,757	100.0%	\$96,190,190,991	\$113,464	100.0%

EXHIBIT

IV

Florida Hurricane Catastrophe Fund
2017 Calculation of Layer of Coverage
Using 6/30/2016 FHCF Premium and Exposure Data as of 10/24/2016

Type of Business	Coverage Option	Total Insured Risks	Total Exposure	Gross FHCF Premium	Net FHCF Premium	Net FHCF Prem at 100%
Section I						
1	45%	149,463	97,154,541,574	50,681,682	51,387,415	114,194,256
1	75%	0	0	0	0	0
1	90%	63,020	64,441,558,374	65,765,933	62,080,731	68,978,590
2	45%	933,538	441,787,330,181	145,659,764	146,013,269	324,473,932
2	75%	246,327	109,860,402,423	66,964,618	60,600,362	80,800,482
2	90%	3,194,425	1,271,457,588,167	711,816,650	702,146,516	780,162,796
3	45%	9,840	454,594,712	497,018	497,018	1,104,484
3	75%	0	0	0	0	0
3	90%	327,850	25,505,441,927	38,758,751	38,758,751	43,065,279
4	45%	319,845	7,763,215,086	1,404,073	1,415,754	3,146,119
4	75%	4,316	126,217,100	52,394	49,510	66,013
4	90%	632,321	17,522,174,197	7,493,983	7,532,009	8,368,899
6	45%	113,562	16,188,484,284	6,575,232	5,888,292	13,085,094
6	75%	71,122	5,843,974,460	4,251,849	5,095,410	6,793,880
6	90%	651,060	71,356,076,199	59,338,539	58,018,808	64,465,342
Section II						
1	45%		0	0	0	0
1	75%		0	0	0	0
1	90%		0	0	0	0
Section I Totals						
1	xx	212,483	161,596,099,948	116,447,616	113,468,146	183,172,846
2	xx	4,374,290	1,823,105,320,771	924,441,031	908,760,147	1,185,437,210
3	xx	337,690	25,960,036,639	39,255,768	39,255,768	44,169,762
4	xx	956,482	25,411,606,383	8,950,450	8,997,273	11,581,031
6	xx	835,744	93,388,534,943	70,165,621	69,002,510	84,344,316
xx	45%	1,526,248	563,348,165,837	204,817,769	205,201,748	456,003,884
xx	75%	321,765	115,830,593,983	71,268,860	65,745,281	87,660,375
xx	90%	4,868,676	1,450,282,838,864	883,173,856	868,536,815	965,040,906
Section I Total		6,716,689	2,129,461,598,684	1,159,260,485	1,139,483,845	1,508,705,165
Section II Total*		0	0	0	0	0
Grand Total		6,716,689	2,129,461,598,684	1,159,260,485	1,139,483,845	1,508,705,165
* We last had a very small amount of Section II exposure in 2002.						
Weighted Average Coverage Multiples - Section I Only					For Exh II Ratemaking	
	Risks	Exposure			Premium	
1	Commercial	0.58346	0.62945		0.61946	
2	Residential	0.79552	0.78191		0.76660	
3	Mobile Home	0.88689	0.89212		0.88875	
4	Tenants	0.74884	0.76178		0.77690	
6	Condos	0.82609	0.81261		0.81811	
Total		0.79056	0.77279		0.75527	
Weighted Average Coverage Multiple - Sections I and II						
Total		0.79056	0.77279		0.75527	

Florida Hurricane Catastrophe Fund
2017 Calculation of Layer of Coverage
Using 6/30/2016 FHCF Premium and Exposure Data as of 10/24/2016

1. Calculate Section I and II Retention

Historical Exposure

		Data as of 10/24/2016	Estimate of Missing Data	Total	
2004	Total	1,320,642,494,807	-	1,320,642,494,807	
2015	Total	2,062,736,708,822	-	2,062,736,708,822	
Growth in exposure, 2004 to 2015			56.192%		[1a]
Base FHCF Retention			4,500,000,000		[1b]
2016 Retention (Actual, based on premiums paid)			6,928,763,231		
2017 Target Retention			7,028,635,854	Change 2016 to 2017	[1c]=[1a]+[1b]
2017 Selected Retention			7,029,000,000	1.45%	[1d]=[1c], rounded to \$M

2. Allocate Retention to Sections I and II

2016 Net Full Coverage FHCF Premium (ie at 100%)					
	Section I	1,508,705,165	100.000%	[2a]	
	Section II	-	0.000%	[2b]	
	Total	1,508,705,165	100.000%	[2c]=[2a]+[2b]	
<i>Note: Allocate Retention based on full coverage premium, which is the best indicator of expected ground-up losses</i>					
2017 Selected Retention (using full coverage FHCF premium for weighting)					
	Section I	7,029,000,000	100.000%	[2d]	
	Section II	-	0.000%	[2e]	
	Total	7,029,000,000	100.000%	[2f]=[2d]+[2e]	

3. Calculate FHCF Limit

Estimated Claims Paying Capacity Average		\$25,200,000,000		[3a]	
Source: Raymond James: FHCF Estimated Claims Paying Capacity, Oct. 18, 2016 Page 15					
Dollar growth in cash balance over prior calendar year					
Cash Balance @12/31/2015	\$	12,632,750,167		[3b]	
Est Cash Balance @ 12/31/2016	\$	13,796,046,968		[3c]	
Change in Cash Balance	\$	1,163,296,801		[3d]=[3c]-[3b]	
2016 Statutory Maximum Coverage Limit		17,000,000,000		[3e]=[3g prior year]	
2017 Statutory Coverage Limit Prior to Change in Cash Balance Limit		17,000,000,000		[3f]=17Billion + .5*(max(3a-\$34 billion	
2017 Statutory Coverage Limit	\$	17,000,000,000	0.00%	[3g]=[3e]+min([3f]-[3e],[3d])	

Florida Hurricane Catastrophe Fund
2017 Calculation of Layer of Coverage
Using 6/30/2016 FHCF Premium and Exposure Data as of 10/24/2016

4. Allocate Limit to Sections I and II

Total FHCF Capacity	17,000,000,000	[4a]
Pure Loss	16,190,476,190	[4b] = [4a]/1.05
Loss Adjustment Expenses	809,523,810	[4c] = [4a] - [4b]
Actual Coverage FHCF Premium		
Section I	1,139,483,845	100.000% [4d]
Section II	-	0.000% [4e]
Total	1,139,483,845	100.000% [4f]=[4d]+[4e]

Note: Allocate Limit based on **actual** premium, which is the best indicator of expected FHCF losses.

Sections I and II Limit Allocations

	Pure loss	LAE	Total
Section I	16,190,476,190	809,523,810	17,000,000,000
Section II	-	-	-
Total	16,190,476,190	809,523,810	17,000,000,000

5. FHCF Layer Structure for Sections I and II

Section I

	Based on 2016 Selections	Based on 2017 Selections	
Retention	7,029,000,000	7,029,000,000	[5a] = [2d]
Pure Loss Limit Available	16,190,476,190	16,190,476,190	[5b] from Part 3
Total Limit Available	17,000,000,000	17,000,000,000	[5c] from Part 3
Wtd Average Coverage	75.527%	74.829%	[5d]
Top of Loss Layer	28,465,596,204	28,665,739,732	[5e]=[5a]+[5b]/[5d]

Layer used for modeled losses: 74.829% of \$21,636,739,732 xs \$7,029,000,000
(Modeled losses are Section I losses only, no LAE)

Sections I and II

	2016 Selections	2017 Selections	
Retention	7,029,000,000	7,029,000,000	[5f] = [2f]
Pure Loss Limit Available	16,190,476,190	16,190,476,190	[5g] from Part 3
Total Limit Available	17,000,000,000	17,000,000,000	[5h] from Part 3
Wtd Average Coverage	75.527%	74.829%	[5i]
Top of Loss Layer	28,465,596,204	28,665,739,732	[5j]=[5f]+[5g]/[5i]

Layer used for FHCF publications:
Loss only: 74.829% of \$21,636,739,732 xs \$7,029,000,000
Loss + LAE: 74.829% of \$22,718,576,719 xs \$7,029,000,000

EXHIBIT

V

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
Modeled Adjusted Loss Severity Distributions

Summary

	Size of Event(s)	Probability	Return Time (Years)	5 Year Probability	10 Year Probability
Single Event					
Attach industry retention	\$7,029,000,000	10.47%	9.5	42.49%	66.92%
Exhaust FHCF Projected Cash Balance	\$14,936,291,446	2.46%	40.7	11.70%	22.03%
Exhaust Estimated Claims Paying Capacity	\$17,000,000,000	2.11%	47.3	10.13%	19.23%
Exhaust FHCF limit	\$17,000,000,000	2.11%	47.3	10.13%	19.23%
Annual Aggregate					
Exhaust FHCF Projected Cash Balance	\$14,936,291,446	2.53%	39.48	12.04%	22.63%
Exhaust Estimated Claims Paying Capacity	\$17,000,000,000	2.18%	45.91	10.43%	19.77%
Exhaust FHCF limit	\$17,000,000,000	2.18%	45.91	10.43%	19.77%
Expected Annual Losses					
Adjusted Gross losses at 100% coverage	\$3,180,373,371				
Loss to Mandatory FHCF layer, at actual coverage					
Loss only	\$778,256,216				
Loss + LAE	\$817,169,027				

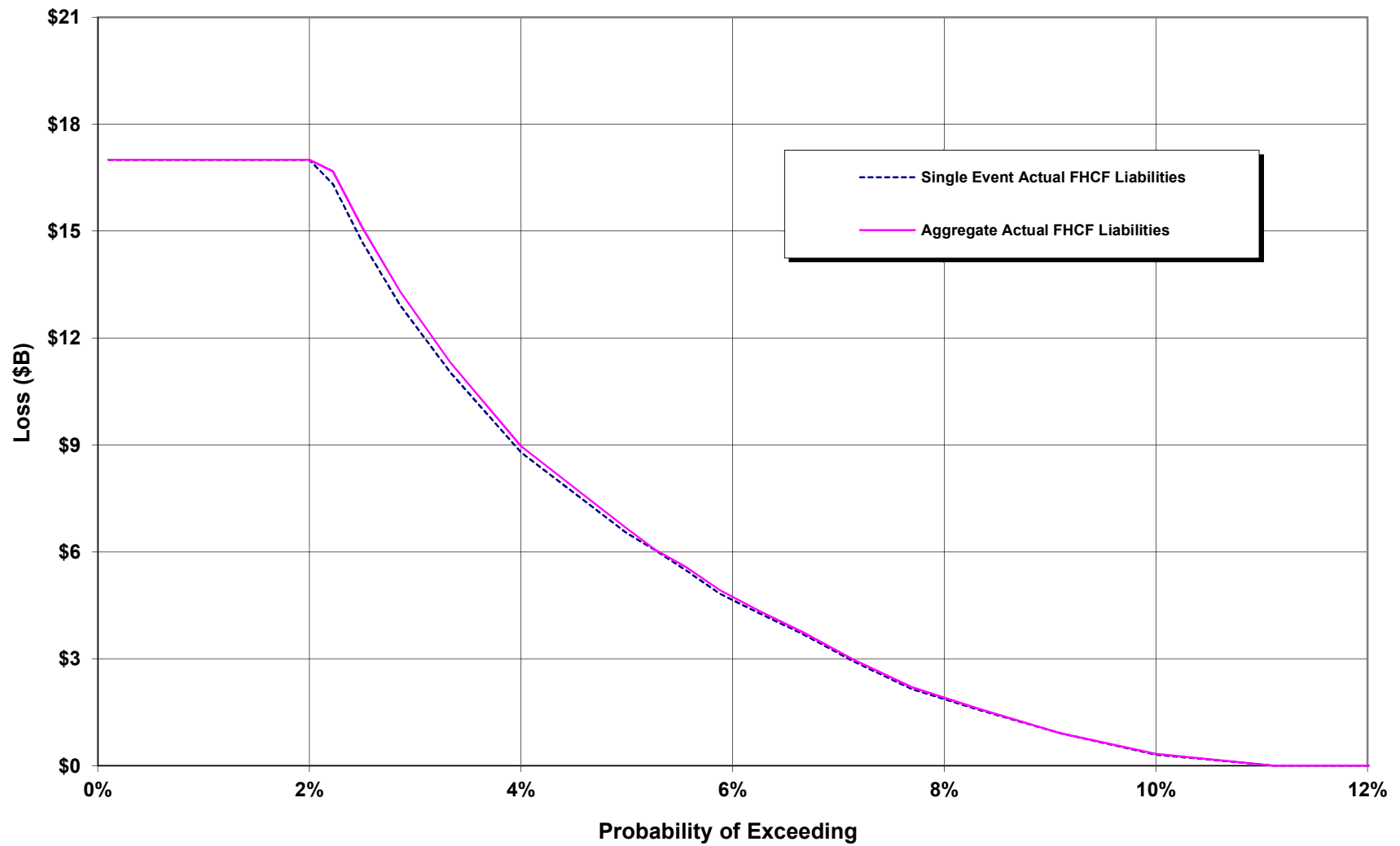
Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
Modeled Adjusted Loss Severity Distributions

Return Time	Probability of Exceedance	Traditional FHCF Only Layer			Single Event Actual Liabilities	Aggregate Actual Liabilities
		Uniform Weighted Section I Gross Per Event (100% Coverage, no LAE)	FHCF Layer Weighted Section I Gross Per Event (100% Coverage, no LAE)	Section I Excess Retention Aggregate (100% Coverage, no LAE)		
1000	0.0010	\$113,221,417,354	\$116,909,872,712	\$112,596,110,524	\$17,000,000,000	\$17,000,000,000
900	0.0011	\$109,610,838,520	\$113,221,417,354	\$107,447,697,173	\$17,000,000,000	\$17,000,000,000
800	0.0013	\$105,277,145,458	\$108,807,438,584	\$103,071,152,386	\$17,000,000,000	\$17,000,000,000
700	0.0014	\$100,345,323,340	\$104,036,405,959	\$98,881,594,883	\$17,000,000,000	\$17,000,000,000
600	0.0017	\$95,660,329,729	\$97,901,341,816	\$92,867,702,747	\$17,000,000,000	\$17,000,000,000
500	0.0020	\$90,205,412,754	\$91,346,621,220	\$86,108,083,512	\$17,000,000,000	\$17,000,000,000
400	0.0025	\$83,064,238,215	\$82,865,931,334	\$78,097,118,600	\$17,000,000,000	\$17,000,000,000
300	0.0033	\$75,364,704,682	\$73,389,641,150	\$68,804,583,139	\$17,000,000,000	\$17,000,000,000
250	0.0040	\$70,736,531,078	\$68,866,071,146	\$63,225,695,211	\$17,000,000,000	\$17,000,000,000
200	0.0050	\$64,676,172,236	\$62,600,817,213	\$56,760,249,457	\$17,000,000,000	\$17,000,000,000
150	0.0067	\$57,574,841,484	\$55,195,765,894	\$49,241,577,590	\$17,000,000,000	\$17,000,000,000
100	0.0100	\$47,533,186,499	\$45,161,712,138	\$38,694,639,701	\$17,000,000,000	\$17,000,000,000
90	0.0111	\$45,127,672,368	\$42,479,029,229	\$36,605,300,193	\$17,000,000,000	\$17,000,000,000
80	0.0125	\$42,099,746,551	\$39,940,994,495	\$33,720,218,067	\$17,000,000,000	\$17,000,000,000
70	0.0143	\$38,955,447,821	\$37,075,105,972	\$30,695,465,981	\$17,000,000,000	\$17,000,000,000
65	0.0154	\$37,546,678,513	\$35,310,107,146	\$29,186,509,456	\$17,000,000,000	\$17,000,000,000
60	0.0167	\$35,492,592,588	\$33,680,560,297	\$27,455,162,896	\$17,000,000,000	\$17,000,000,000
55	0.0182	\$33,710,797,394	\$31,662,751,058	\$25,568,770,864	\$17,000,000,000	\$17,000,000,000
50	0.0200	\$31,613,233,334	\$29,572,192,028	\$23,323,101,750	\$17,000,000,000	\$17,000,000,000
45	0.0222	\$29,346,335,101	\$27,794,659,894	\$21,222,057,645	\$16,315,592,024	\$16,674,184,024
40	0.0250	\$27,229,097,081	\$25,728,427,091	\$19,220,346,618	\$14,692,151,613	\$15,101,438,412
35	0.0286	\$24,763,275,368	\$23,469,432,491	\$16,941,306,141	\$12,917,258,136	\$13,310,794,878
30	0.0333	\$22,128,950,389	\$21,070,674,732	\$14,396,416,887	\$11,032,552,658	\$11,311,273,792
25	0.0400	\$19,148,622,492	\$18,217,971,387	\$11,409,511,681	\$8,791,181,848	\$8,964,460,496
20	0.0500	\$15,988,478,286	\$15,331,008,069	\$8,470,178,725	\$6,522,892,955	\$6,655,024,746
19	0.0526	\$15,236,514,378	\$14,734,218,783	\$7,724,304,171	\$6,053,995,238	\$6,068,990,640
18	0.0556	\$14,520,508,502	\$14,015,115,477	\$7,094,626,034	\$5,488,995,319	\$5,574,252,132
17	0.0588	\$13,747,285,361	\$13,163,367,874	\$6,263,229,516	\$4,819,776,692	\$4,921,023,366
16	0.0625	\$12,937,071,862	\$12,474,493,097	\$5,524,636,689	\$4,278,527,347	\$4,340,710,517
15	0.0667	\$12,123,140,778	\$11,719,369,660	\$4,761,858,009	\$3,685,226,388	\$3,741,394,829
14	0.0714	\$11,305,333,538	\$10,755,632,746	\$3,782,670,824	\$2,928,017,690	\$2,972,046,843
13	0.0769	\$10,378,323,214	\$9,765,700,099	\$2,805,022,278	\$2,150,226,987	\$2,203,907,766
12	0.0833	\$9,437,559,756	\$9,018,818,288	\$2,023,502,307	\$1,563,401,479	\$1,589,867,034
11	0.0909	\$8,587,366,484	\$8,194,345,213	\$1,165,345,213	\$915,612,466	\$915,612,466
10	0.1000	\$7,731,642,437	\$7,427,753,060	\$423,380,322	\$313,300,530	\$332,650,185
9	0.1111	\$6,669,545,090	\$6,491,308,785	\$0	\$0	\$0
8	0.1250	\$5,680,648,283	\$5,567,072,913	\$0	\$0	\$0
7	0.1429	\$4,720,943,180	\$4,787,830,786	\$0	\$0	\$0
6	0.1667	\$3,567,482,324	\$3,642,397,142	\$0	\$0	\$0
5	0.2000	\$2,416,979,718	\$2,467,951,026	\$0	\$0	\$0
4	0.2500	\$1,383,881,039	\$1,497,719,704	\$0	\$0	\$0
3	0.3333	\$513,746,296	\$587,421,710	\$0	\$0	\$0

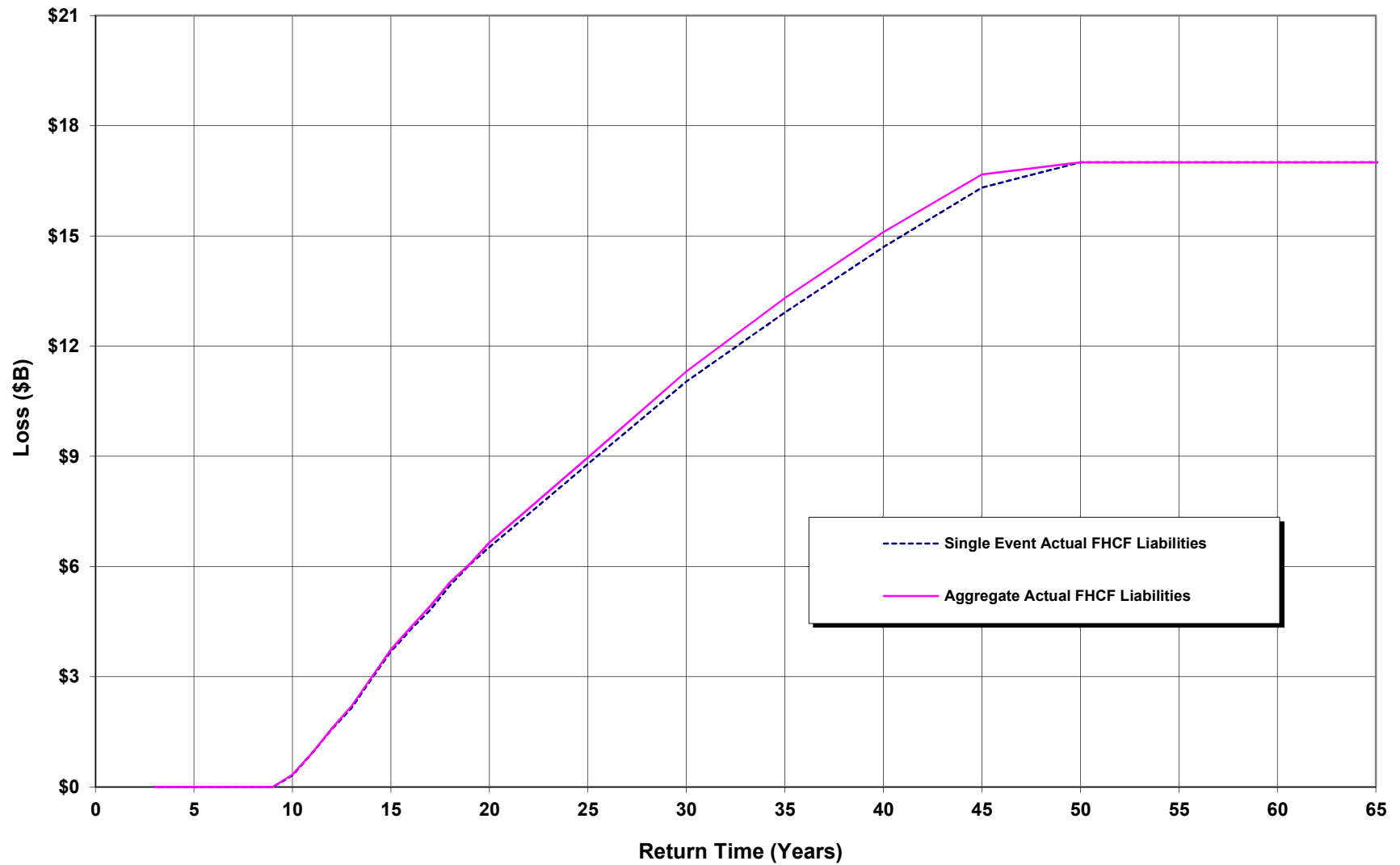
Notes:

Aggregate FHCF Liabilities include Sections I, II and LAE, and are at weighted average coverage.
2017 severity distributions based on AIR, EQE, RMS, ARA and FPM models.

2017 Actual FHCF Liabilities



2017 Actual FHCF Liabilities



EXHIBIT

VI

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
Allocation of Excess Losses to Type of Business at Coverage Level

	Evaluated	Residential	Tenants	Condos	Mobile Home	Commercial	Total
(1) Coverage Selection by Type of Business	10/24/16	76.660%	77.690%	81.811%	88.875%	61.946%	75.527%
(2) Coverage Selection by Type of Business	03/01/17	75.678%	77.638%	81.542%	88.917%	61.835%	74.829%
(3) Allocation of XS Loss Using 100% Adjusted Gross Losses		78.79%	0.69%	5.66%	3.18%	11.67%	100.00%
(4) Allocation of XS Loss at Coverage Level (2) x (3)		59.63%	0.53%	4.62%	2.83%	7.22%	74.83%
(5) Allocation of XS Loss at Cov. Level to Type of Business (4)/Total(4)		79.69%	0.71%	6.17%	3.78%	9.64%	100.00%
(6) Balance Adjustment to Allocation (5)/Total (5)		79.69%	0.71%	6.17%	3.78%	9.64%	100.00%
(7) Selected Allocation of XS Loss at Coverage Level for Ratemaking		79.89%	0.77%	6.13%	3.66%	9.56%	100.00%
(8) Rate Change by Type of Business		0.33%	-4.52%	1.35%	9.59%	-1.00%	0.39%

EXHIBIT

VII

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
Law and Ordinance Adjustment Factors

FHCF Premium as a Percentage of Base Premium

<u>Distribution of Premium</u>	Expenses	Liability	Non-hurr. Property	Hurricane Outside FHCF Layer	Hurricane Within FHCF Layer [*]	Total
Commercial Habitational	30%	10%	10%	33%	17%	100%
Residential	30%	10%	10%	33%	17%	100%
Mobile Home	30%	10%	10%	33%	17%	100%
Tenants	30%	10%	10%	33%	17%	100%
Condo-Owners	30%	10%	10%	33%	17%	100%

% of Law and Ordinance Premium Applicable to FHCF Layer

	Expenses	Liability	Non-hurr. Property	Hurricane Outside FHCF Layer	Hurricane Within FHCF Layer [**]	Total
Commercial Habitational	0%	0%	10%	60%	30%	100%
Residential	0%	0%	10%	60%	30%	100%
Mobile Home	0%	0%	10%	60%	30%	100%
Tenants	0%	0%	10%	60%	30%	100%
Condo-Owners	0%	0%	10%	60%	30%	100%

Selections for 2017 Ratemaking

Type of Business	% of Base Premium for Law and Ordinance Coverage [1] Insurer Survey	% of Law and Ordinance Premium Applicable to FHCF Layer [2] = [**]	FHCF Premium as a Percentage of Base Premium [3] = [*]	Law and Ordinance Premium as a Percentage of Base Premium [4] = [1] x [2]/[3]	Percent of Policies with Coverage [5] Insurer Survey	Implied Law and Ordinance Adjustment Factors [6] = [4] x [5]	Selected Law and Ordinance Adjustment Factors [7]
Commercial Habitational	6.50%	30.00%	16.67%	11.70%	5%	0.59%	0.00%
Residential	3.00%	30.00%	16.67%	5.40%	95%	5.13%	4.86%
Mobile Home	0.00%	30.00%	16.67%	0.00%	0%	0.00%	0.00%
Tenants	0.00%	30.00%	16.67%	0.00%	50%	0.00%	0.00%
Condo-Owners	0.00%	30.00%	16.67%	0.00%	65%	0.00%	0.00%

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
Wind Deductible Adjustment Factor

Calculation of Loading Factor to Adjust Modeled Losses for the Impact of Aggregate Wind Deductibles

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Type of Business	Per Event Deductibles	Annual Wind Deductible + AOP Deductible	Ratio	Implied Load	Take-up Rate	2017 Adjusted Load	2016 Adjusted Load	2016/2017 Weighted Load	2017 Selected Load
Commercial Residential	394,066,983	395,892,215	1.00463	0.463%	50%	0.232%	0.243%	0.235%	0.240%
Residential	2,694,525,260	2,707,388,029	1.00477	0.477%	100%	0.477%	0.480%	0.478%	0.480%
Mobile Home	156,024,868	156,716,682	1.00443	0.443%	100%	0.443%	0.431%	0.439%	0.440%
Tenants	32,468,281	32,487,344	1.00059	0.059%	100%	0.059%	0.068%	0.062%	0.060%
Condo	213,859,863	214,142,755	1.00132	0.132%	100%	0.132%	0.163%	0.142%	0.140%
Total	3,490,945,254	3,506,627,025	1.00449						

Notes:

AIR Deliverable 2 is per event, AIR Deliverable 5 is aggregate

(1) Based on AIR study (Deliverable 2) completed in 2017

(2) Based on AIR study (Deliverable 5) completed in 2017

(3) = (2) / (1)

(4) = (3) - 1

(5) Judgementally Selected

(6) = (4) * (5)

(7) Indication in 2016

(8) = (6)*2/3+(7)*1/3

EXHIBIT

VIII

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
RMS 2017 Retention Limit Analysis: Adjustment to Expected FHCF Layer Losses
AIR 2017 Retention Limit Analysis: Adjustment to Expected FHCF Layer Losses
Coverage Selections as of 3/01/2017

		RMS Adjusted Aggregate Run	AIR Adjusted Aggregate Run	Average RMS AIR Adjusted Aggregate Runs	RMS/WTD	AIR/WTD	AVE/WTD	
	2017 (WTD)							
1 Wtd Ave. Expected Gross Loss Adjusted	3,180,373,371	3,173,758,380	3,180,355,534	3,177,056,957	99.792%	99.999%	99.896%	2017 Ex. 2 (7)
2 Expected FHCF Wtd Ave.Aggregate Layer Loss and LAE at Coverage Level	817,169,027	789,062,665	778,994,464	784,028,565	96.561%	95.328%	95.944%	2017 Ex. 2 (10)
2a Expected FHCF RMS Aggregate Layer Loss and LAE at Coverage Level Using Company Limits, Retentions		807,081,819	774,380,547	790,731,183				
3 Model Adjustment Factor		1.022836150	0.994077085	1.008548946				(2a)/(2)
4 Indicated Adjustment Factor		2.284%	-0.592%	0.8549%	(3)-1.00			Weights 67%
5 Prior Selected Factor (2016)				0.0075%				33%
6 Current Year Selected Factor Weighted (2/3 Indicated , 1/3 Prior)				0.5724%				2017 Ex. 2 (15)

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
Retention and Limit Adjustment Factor Calculation History

Year	Indicated	Selected	Modeler Data
2013	-1.9000%	-0.7347%	ARA
2014	0.3103%	-0.0371%	RMS
2015	0.3103%	-0.0371%	RMS (prior year , no update)
2016	0.0298%	0.0075%	AIR,RMS run by Paragon
2017	0.8549%	0.5724%	AIR,RMS run by Paragon

Florida Hurricane Catastrophe Fund 2017 Ratemaking Formula Report
Average (AIR,RMS) Modeled Adjusted Loss Severity Distributions
Coverage Selections 03/01/2017

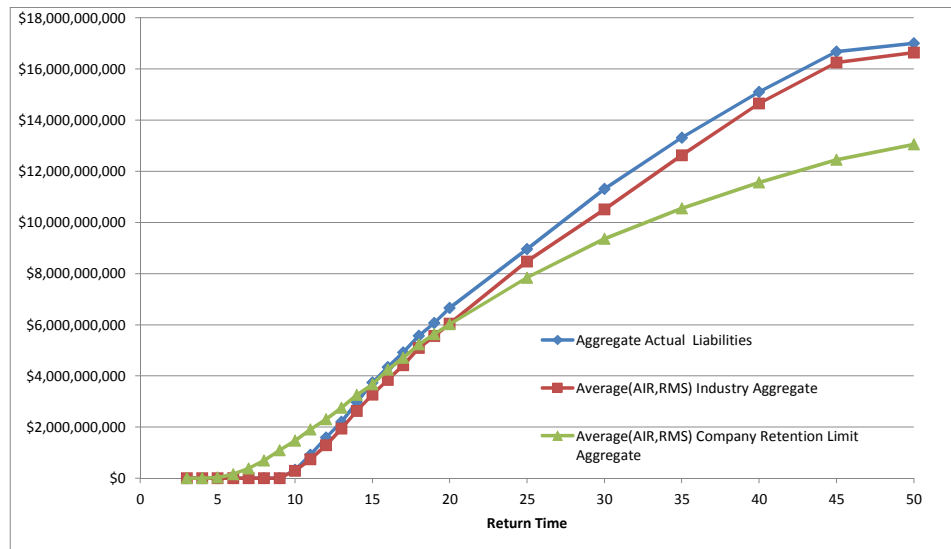
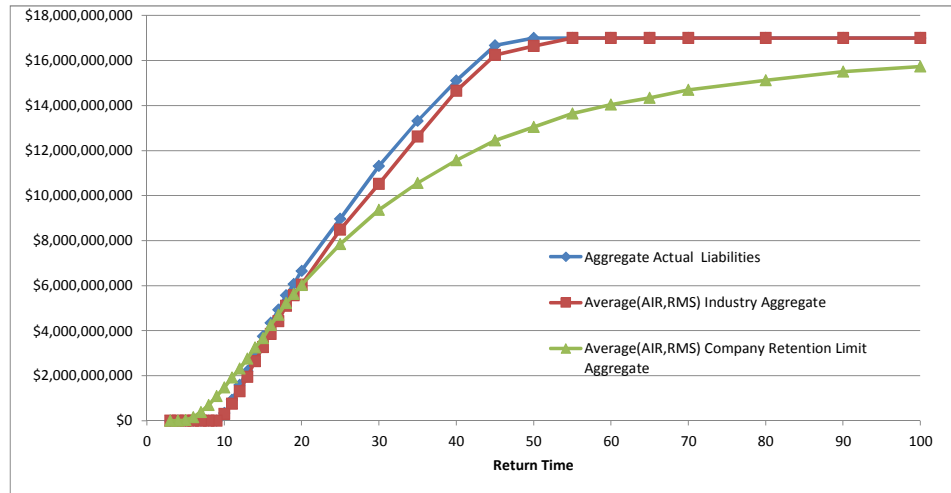
Return Time	Probability of Exceedance	Uniform Weighted Section I Gross Per Event (100% Coverage, no LAE)	FHCF Layer Weighted Section I Gross Per Event (100% Coverage, no LAE)	Section I Excess Retention Aggregate (100% Coverage, no LAE)	Traditional FHCF Only Layer		FHCF Layer adj Average (AIR,RMS) Section I Gross Annual (100% Coverage, no LAE)	Average(AIR,RMS) Industry Aggregate	Average(AIR,RMS) Company Retention Limit Aggregate
					Single Event Actual Liabilities	Aggregate Actual Liabilities			
1000	0.0010	\$113,221,417,354	\$116,909,872,712	\$112,596,110,524	\$17,000,000,000	\$17,000,000,000	125,004,410,049	17,000,000,000	16,996,444,029
900	0.0011	\$109,610,838,520	\$113,221,417,354	\$107,447,697,173	\$17,000,000,000	\$17,000,000,000	120,069,948,527	17,000,000,000	16,994,890,998
800	0.0013	\$105,277,145,458	\$108,807,438,584	\$103,071,152,386	\$17,000,000,000	\$17,000,000,000	116,430,171,339	17,000,000,000	16,991,092,424
700	0.0014	\$100,345,323,340	\$104,036,405,959	\$98,881,594,883	\$17,000,000,000	\$17,000,000,000	111,457,432,454	17,000,000,000	16,987,548,863
600	0.0017	\$95,660,329,729	\$97,901,341,816	\$92,867,702,747	\$17,000,000,000	\$17,000,000,000	106,356,149,302	17,000,000,000	16,982,403,434
500	0.0020	\$90,205,412,754	\$91,346,621,220	\$86,108,083,512	\$17,000,000,000	\$17,000,000,000	100,067,911,844	17,000,000,000	16,962,693,133
400	0.0025	\$83,064,238,215	\$82,865,931,334	\$78,097,118,600	\$17,000,000,000	\$17,000,000,000	90,441,912,254	17,000,000,000	16,936,865,293
300	0.0033	\$75,364,704,682	\$73,389,641,150	\$68,804,583,139	\$17,000,000,000	\$17,000,000,000	79,671,919,128	17,000,000,000	16,879,313,519
250	0.0040	\$70,736,531,078	\$68,866,071,146	\$63,225,695,211	\$17,000,000,000	\$17,000,000,000	73,574,247,668	17,000,000,000	16,822,128,168
200	0.0050	\$64,676,172,236	\$62,600,817,213	\$56,760,249,457	\$17,000,000,000	\$17,000,000,000	67,246,571,131	17,000,000,000	16,736,719,014
150	0.0067	\$57,574,841,484	\$55,195,765,894	\$49,241,577,590	\$17,000,000,000	\$17,000,000,000	58,563,878,693	17,000,000,000	16,475,930,818
100	0.0100	\$47,533,186,499	\$45,161,712,138	\$38,694,639,701	\$17,000,000,000	\$17,000,000,000	47,929,220,858	17,000,000,000	15,730,454,582
90	0.0111	\$45,127,672,368	\$42,479,029,229	\$36,605,300,193	\$17,000,000,000	\$17,000,000,000	45,467,988,437	17,000,000,000	15,505,169,089
80	0.0125	\$42,099,746,551	\$39,940,994,495	\$33,720,218,067	\$17,000,000,000	\$17,000,000,000	42,156,836,441	17,000,000,000	15,115,113,952
70	0.0143	\$38,955,447,821	\$37,075,105,972	\$30,695,465,981	\$17,000,000,000	\$17,000,000,000	38,811,887,720	17,000,000,000	14,691,452,963
65	0.0154	\$37,546,678,513	\$35,310,107,146	\$29,186,509,456	\$17,000,000,000	\$17,000,000,000	37,240,015,513	17,000,000,000	14,333,029,618
60	0.0167	\$35,492,592,588	\$33,680,560,297	\$27,455,162,896	\$17,000,000,000	\$17,000,000,000	35,340,977,962	17,000,000,000	14,043,832,260
55	0.0182	\$33,710,797,394	\$31,662,751,058	\$25,568,770,864	\$17,000,000,000	\$17,000,000,000	33,629,075,238	17,000,000,000	13,643,308,158
50	0.0200	\$31,613,233,334	\$29,572,192,028	\$23,323,101,750	\$17,000,000,000	\$17,000,000,000	31,749,242,949	16,639,805,450	13,045,851,530
45	0.0222	\$29,346,335,101	\$27,794,659,894	\$21,222,057,645	\$16,315,592,024	\$16,674,184,024	29,851,832,702	16,246,866,789	12,444,933,844
40	0.0250	\$27,229,097,081	\$25,728,427,091	\$19,220,346,618	\$14,692,151,613	\$15,101,438,412	27,245,764,789	14,647,510,292	11,566,633,298
35	0.0286	\$24,763,275,368	\$23,469,432,491	\$16,941,306,141	\$12,917,258,136	\$13,310,794,878	24,830,657,410	12,624,436,204	10,552,525,402
30	0.0333	\$22,128,950,389	\$21,070,674,732	\$14,396,416,887	\$11,032,552,658	\$11,311,273,792	22,007,458,027	10,508,004,773	9,360,337,359
25	0.0400	\$19,148,622,492	\$18,217,971,387	\$11,409,511,681	\$8,791,181,848	\$8,964,460,496	19,181,775,775	8,478,150,917	7,840,371,731
20	0.0500	\$15,988,478,286	\$15,331,008,069	\$8,470,178,725	\$6,522,892,955	\$6,655,024,746	16,031,499,327	6,040,331,772	6,022,456,526
19	0.0526	\$15,236,514,378	\$14,734,218,783	\$7,724,304,171	\$6,053,995,238	\$6,068,990,640	15,367,477,516	5,562,335,960	5,629,241,246
18	0.0556	\$14,520,508,502	\$14,015,115,477	\$7,094,626,034	\$5,488,995,319	\$5,574,252,132	14,600,207,850	5,095,875,291	5,231,167,188
17	0.0588	\$13,747,285,361	\$13,163,367,874	\$6,263,229,516	\$4,819,776,692	\$4,921,023,366	13,963,679,198	4,415,028,583	4,703,184,786
16	0.0625	\$12,937,071,862	\$12,474,493,097	\$5,524,636,689	\$4,278,527,347	\$4,340,710,517	13,088,168,533	3,845,794,035	4,241,876,232
15	0.0667	\$12,123,140,778	\$11,719,369,660	\$4,761,858,009	\$3,685,226,388	\$3,741,394,829	12,309,745,064	3,267,975,996	3,664,003,057
14	0.0714	\$11,305,333,538	\$10,755,632,746	\$3,782,670,824	\$2,928,017,690	\$2,972,046,843	11,511,688,688	2,635,507,389	3,253,708,557
13	0.0769	\$10,378,323,214	\$9,765,700,099	\$2,805,022,278	\$2,150,226,987	\$2,203,907,766	10,709,758,600	1,943,106,762	2,750,836,631
12	0.0833	\$9,437,559,756	\$9,018,818,288	\$2,023,502,307	\$1,563,401,479	\$1,589,867,034	9,785,995,475	1,296,437,377	2,309,553,329
11	0.0909	\$8,587,366,484	\$8,194,345,213	\$1,165,345,213	\$915,612,466	\$915,612,466	8,844,852,886	746,233,072	1,910,314,228
10	0.1000	\$7,731,642,437	\$7,427,753,060	\$423,380,322	\$313,300,530	\$332,650,185	8,015,542,250	294,082,794	1,470,099,421
9	0.1111	\$6,669,545,090	\$6,491,308,785	\$0	\$0	\$0	7,153,264,703	-	1,087,916,032
8	0.1250	\$5,680,648,283	\$5,567,072,913	\$0	\$0	\$0	6,112,207,141	-	689,370,498
7	0.1429	\$4,720,943,180	\$4,787,830,786	\$0	\$0	\$0	5,169,988,619	-	385,121,244
6	0.1667	\$3,567,482,324	\$3,642,397,142	\$0	\$0	\$0	4,175,593,228	-	151,216,560
5	0.2000	\$2,416,979,718	\$2,467,951,026	\$0	\$0	\$0	2,914,476,889	-	24,894,061
4	0.2500	\$1,383,881,039	\$1,497,719,704	\$0	\$0	\$0	1,777,063,756	-	602,731
3	0.3333	\$513,746,296	\$587,421,710	\$0	\$0	\$0	727,618,438	-	-

Notes:

Aggregate FHCF Liabilities include Sections I, II and LAE, and are at weighted average coverage.
2017 Severity distributions based on AIR, EQE, RMS, ARA and FPM models.

FHCF: Adjusted Curve for Company Retentions and Limits

Based on Average (AIR, RMS) 2017 Analysis



EXHIBIT

IX

**Florida Hurricane Catastrophe Fund
Monthly Investment Return History
Most Recent Five Years**

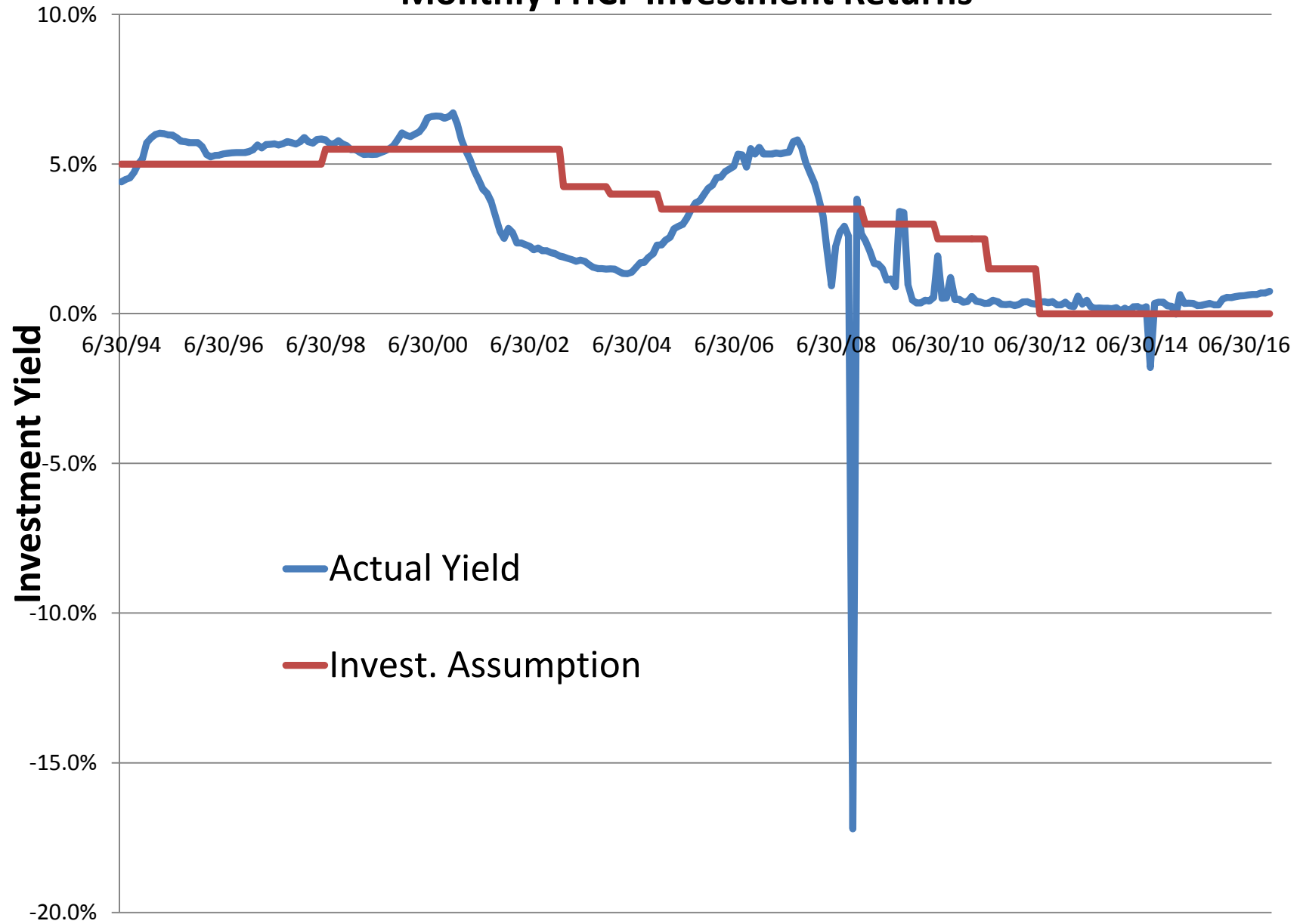
	Month Ending	FHCF Rate of Return	12 Month Rolling Average		Month Ending	FHCF Rate of Return	12 Month Rolling Average
1	01/31/12	0.31		31	07/31/14	0.23	0.18
2	02/29/12	0.40		32	08/31/14	-1.79	0.02
3	03/31/12	0.41		33	09/30/14	0.35	0.03
4	04/30/12	0.34		34	10/31/14	0.39	0.05
5	05/31/12	0.32		35	11/30/14	0.39	0.07
6	06/30/12	0.39		36	12/31/14	0.26	0.07
7	07/31/12	0.41		37	01/31/15	0.25	0.09
8	08/31/12	0.37		38	02/28/15	-0.01	0.07
9	09/30/12	0.40		39	03/31/15	0.64	0.11
10	10/31/12	0.30		40	04/30/15	0.34	0.12
11	11/30/12	0.30		41	05/31/15	0.36	0.13
12	12/31/12	0.39	0.36	42	06/30/15	0.35	0.15
13	01/31/13	0.26	0.36	43	07/31/15	0.27	0.15
14	02/28/13	0.24	0.34	44	08/31/15	0.28	0.32
15	03/31/13	0.59	0.36	45	09/30/15	0.31	0.32
16	04/30/13	0.32	0.36	46	10/31/15	0.34	0.32
17	05/31/13	0.46	0.37	47	11/30/15	0.30	0.31
18	06/30/13	0.23	0.36	48	12/31/15	0.30	0.31
19	07/31/13	0.19	0.34	49	01/31/16	0.49	0.33
20	08/31/13	0.19	0.32	50	02/29/16	0.55	0.38
21	09/30/13	0.19	0.30	51	03/31/16	0.54	0.37
22	10/31/13	0.18	0.29	52	04/30/16	0.57	0.39
23	11/30/13	0.17	0.28	53	05/31/16	0.60	0.41
24	12/31/13	0.20	0.27	54	06/30/16	0.60	0.43
25	01/31/14	0.10	0.26	55	07/31/16	0.63	0.46
26	02/28/14	0.18	0.25	56	08/31/16	0.65	0.49
27	03/31/14	0.11	0.21	57	09/30/16	0.65	0.52
28	04/30/14	0.24	0.20	58	10/31/16	0.69	0.55
29	05/31/14	0.24	0.19	59	11/30/16	0.69	0.58
30	06/30/14	0.17	0.18	60	12/31/16	0.75	0.62

RM Report	Average
1 year	0.62
2 year	0.46
3 year	0.33
4 year	0.32
5 year	0.33
Incept to date	2.94

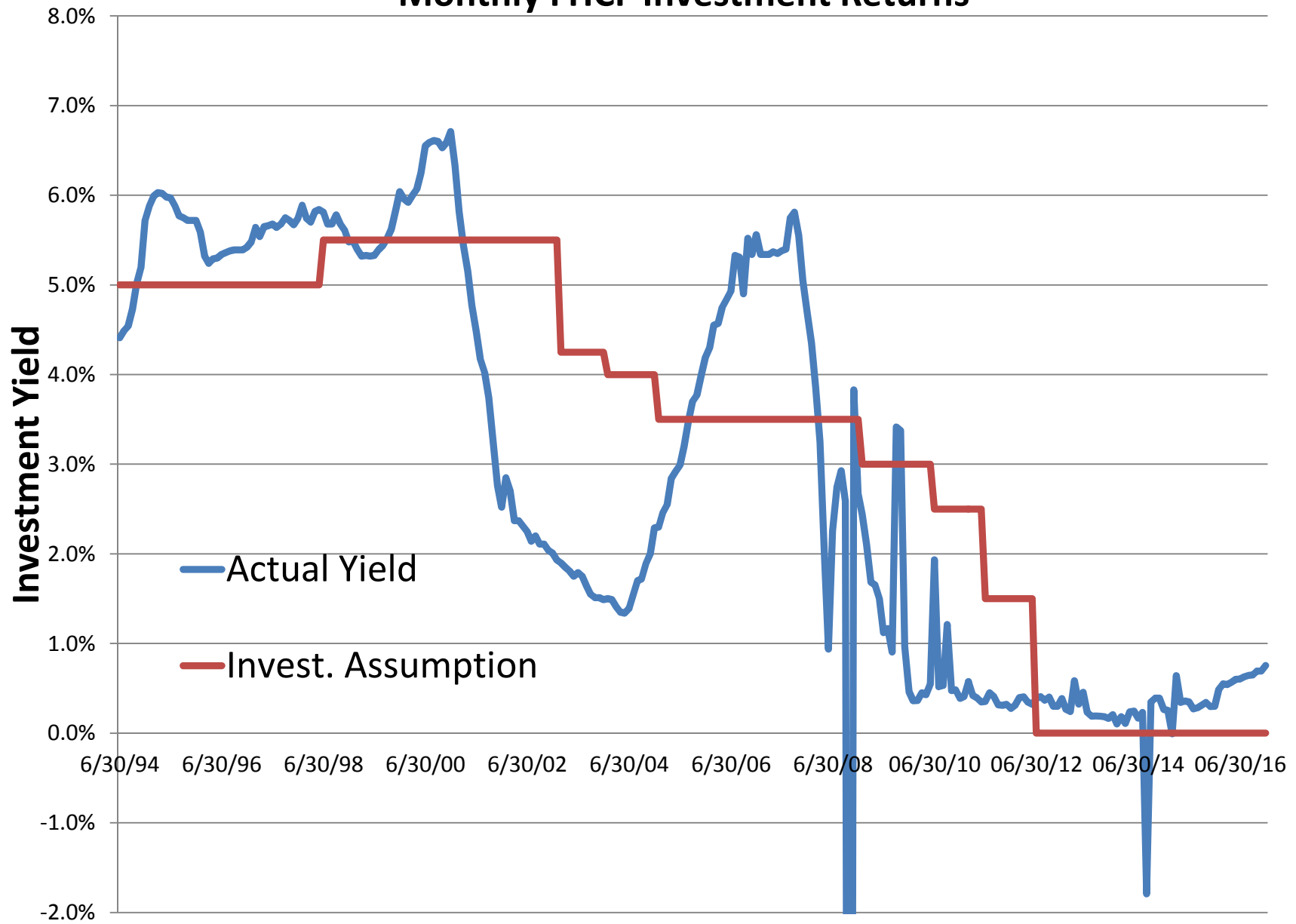
* Return values prior to 01/31/2016 were based on original cost. Values 01/31/2016 and subsequent are based on amortized cost, which is consistent with FHCF investment policy. Going forward we will use the amortized cost annualized returns and we do not expect to revise evaluations prior to 01/31/2016.

Source State Board of Administration
Fixed Income Department

Monthly FHCF Investment Returns



Monthly FHCF Investment Returns



FHCF INVESTMENT INCOME*

(Excludes Finance Corporation)

<u>Year</u>	<u>Investment Income</u>	35% of <u>Investment Income</u>
1 June 30, 1995	20,183,000	7,064,050
2 June 30, 1996	46,379,000	16,232,650
3 June 30, 1997	74,425,000	26,048,750
4 June 30, 1998	109,979,000	38,492,650
5 June 30, 1999	132,516,000	46,380,600
6 June 30, 2000	173,839,000	60,843,650
7 June 30, 2001	220,915,000	77,320,250
8 June 30, 2002	122,535,000	42,887,250
9 June 30, 2003	104,939,000	36,728,650
10 June 30, 2004	58,127,000	20,344,450
11 June 30, 2005	108,672,000	38,035,200
12 June 30, 2006	103,175,000	36,111,250
13 June 30, 2007	36,065,000	12,622,750
14 June 30, 2008	46,816,000	16,385,600
15 June 30, 2009	7,803,000	2,731,050
16 June 30, 2010	54,298,000	19,004,300
17 June 30, 2011	29,983,000	10,494,050
18 June 30, 2012	26,634,000	9,321,900
19 June 30, 2013	34,636,000	12,122,600
20 June 30, 2014	19,086,000	6,680,100
21 June 30, 2015	29,009,000	10,153,150
22 June 30, 2016	56,143,000	19,650,050
	\$1,616,157,000	\$565,654,950

*Source: FHCF Audited Financial Statements

F.S. 215.555(7)(c) Each fiscal year, the Legislature shall appropriate from the investment income of the Florida Hurricane Catastrophe Fund an amount no less than \$10 million and no more than 35 percent of the investment income based upon the most recent fiscal year-end audited financial statements for the purpose of providing funding for local governments, state agencies, public and private educational institutions, and nonprofit organizations to support programs intended to improve hurricane preparedness, reduce potential losses in the event of a hurricane, provide research into means to reduce such losses, educate or inform the public as to means to reduce hurricane losses, assist the public in determining the appropriateness of particular upgrades to structures or in the financing of such upgrades, or protect local infrastructure from potential damage from a hurricane. Moneys shall first be available for appropriation under this paragraph in fiscal year 1997-1998. Moneys in excess of the \$10 million specified in this paragraph shall not be available for appropriation under this paragraph if the State Board of Administration finds that an appropriation of investment income from the fund would jeopardize the actuarial soundness of the fund.

EXHIBIT

X

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
Pre-Event Note Expense Loading
Contract Term: 6/01/2017 to 5/31/2018

	2013A Projected Debt Service	2016A Projected Debt Service	Total Debt Service Net Cost
Reimbursement Deposit			
1 Premium	22,250,000	14,250,000	36,500,000
2 Average Market Value	1,500,000,000	1,200,000,000	2,700,000,000
3 Exp. Default Loading %	0.3%	0.3%	
4 Exp. Default Cost (2)*(3)	4,500,000	3,600,000	8,100,000
Total Projected Liquidity			
5 Facility Cost (1)+(4)	26,750,000	17,850,000	44,600,000

Notes

- This method uses values projected by the FHCF's Financial Advisor, Raymond James (6/05/2013 for 2013A); (2/29/2016 for 2016A); plus a judgmental loading for potential asset loss.

EXHIBIT

XI

**Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
Additional Pre-Event Note Options**

1 Est. FHCF Premium (with cash build up)	1,175,527,672	Exhibit 2, Line 73	
2 Cash Build Up Factor	25%		
3 Limit	\$17,000,000,000	Projected Payout Multiple	14.4616
4 Retention	\$7,029,000,000	Retention Multiple 100%	4.4743
5 Coverage %	74.829%	Retention Multiple 90%	4.9715
		Retention Multiple 75%	5.9658
		Retention Multiple 45%	9.9430

	Est. Additional Annual Cost	Change in Cost + Cash Build Up	Impact on Rate	Projected Payout Multiple	Retention Multiple 90%	Retention Multiple 75%	Retention Multiple 45%
1	At Current Level Costs	0	0.00%	14.4616	4.9715	5.9658	9.9430
2	5,000,000	6,250,000	0.53%	14.3851	4.9452	5.9342	9.8904
3	10,000,000	12,500,000	1.06%	14.3094	4.9192	5.9030	9.8384
4	15,000,000	18,750,000	1.60%	14.2345	4.8934	5.8721	9.7869
5	20,000,000	25,000,000	2.13%	14.1604	4.8680	5.8415	9.7359
6	25,000,000	31,250,000	2.66%	14.0871	4.8427	5.8113	9.6855
7	30,000,000	37,500,000	3.19%	14.0145	4.8178	5.7814	9.6356
8	35,000,000	43,750,000	3.72%	13.9427	4.7931	5.7517	9.5862
9	40,000,000	50,000,000	4.25%	13.8716	4.7687	5.7224	9.5373
10	45,000,000	56,250,000	4.79%	13.8012	4.7445	5.6933	9.4889
11	50,000,000	62,500,000	5.32%	13.7315	4.7205	5.6646	9.4410
12	55,000,000	68,750,000	5.85%	13.6625	4.6968	5.6362	9.3936
13	60,000,000	75,000,000	6.38%	13.5943	4.6733	5.6080	9.3466

EXHIBIT

XII

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2016 FHCF Reimbursement Premium Credits as of 11/10/16

	2016 FHCF Premium (Base Premium)					
	Commercial	Residential	Mobile Home	Tenants	Condo-Owners	Total
Total Gross FHCF Premium	\$116,483,048	\$924,441,785	\$39,255,768	\$8,950,450	\$70,165,621	\$1,159,296,672
FHCF Premium Credits/Debits	-\$2,977,967	-\$15,680,715	\$0	\$46,823	-\$1,163,110	-\$19,774,970
Net FHCF Premium	\$113,505,081	\$908,761,071	\$39,255,768	\$8,997,273	\$69,002,510	\$1,139,521,703

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2016 FHCF Reimbursement Premium Credits as of 11/10/16

	Percent of Gross Premium					
	Commercial	Residential	Mobile Home	Tenants	Condo-Owners	Total
Total Gross FHCF Premium	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
FHCF Premium Credits/Debits	-2.56%	-1.70%	0.00%	0.52%	-1.66%	-1.71%
Net FHCF Premium	97.44%	98.30%	100.00%	100.52%	98.34%	98.29%

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2016 FHCF Reimbursement Premium Credits as of 11/10/16

	2016 FHCF Exposure					
	Commercial	Residential	Mobile Home	Tenants	Condo-Owners	Total
Total Exposure	\$161,744,631,029	\$1,823,113,728,771	\$25,960,036,639	\$25,411,606,383	\$93,388,534,943	\$2,129,618,537,765
Debit = 30% or greater	\$0	\$612,344,346,524	\$0	\$6,299,935,919	\$36,815,185,312	\$655,459,467,755
20%<Debit<30%	\$80,018,914,141	\$102,386,424,635	\$0	\$0	\$0	\$182,405,338,776
15%<Debit<20%	\$0	\$148,337,526,453	\$0	\$0	\$653,668,749	\$148,991,195,202
10%<Debit<15%	\$0	\$0	\$0	\$1	\$4,009,076,078	\$4,009,076,079
5%<Debit <10%	\$13,863,054,677	\$0	\$0	\$10,691,781,550	\$0	\$24,554,836,227
0%<Debit<=5%	\$511,425,811		\$115,110,445	\$64,657,297	\$9,038,689,568	\$9,729,883,121
No Credit/Debit	\$0	\$0	\$25,844,926,194	\$0	\$0	\$25,844,926,194
0%<Credit<=5%	\$9,367,355,387	\$0	\$0	\$0	\$0	\$9,367,355,387
5%<Credit<10%	\$0	\$45,207,263,607	\$0	\$0	\$0	\$45,207,263,607
10%<Credit<15%	\$4,500	\$121,320,599,337	\$0	\$0	\$44,676,598	\$121,365,280,435
15%<Credit<20%	\$867,160,728	\$0	\$0	\$84,681,957	\$7,981,164,429	\$8,933,007,114
20%<Credit<30%	\$0	\$929,668	\$0	\$2,412,381,552	\$0	\$2,413,311,220
Credit =30% or greater	\$57,116,715,785	\$793,516,638,547	\$0	\$5,858,168,107	\$34,846,074,209	\$891,337,596,648

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2016 FHCF Reimbursement Premium Credits as of 11/10/16

	Percent of Total Exposure					
	Commercial	Residential	Mobile Home	Tenants	Condo-Owners	Total
Total Exposure	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Debit = 30% or greater	0.00%	33.59%	0.00%	24.79%	39.42%	30.78%
20%<Debit<30%	49.47%	5.62%	0.00%	0.00%	0.00%	8.57%
15%<Debit<20%	0.00%	8.14%	0.00%	0.00%	0.70%	7.00%
10%<Debit<15%	0.00%	0.00%	0.00%	0.00%	4.29%	0.19%
5%<Debit <10%	8.57%	0.00%	0.00%	42.07%	0.00%	1.15%
0%<Debit<=5%	0.32%	0.00%	0.44%	0.25%	9.68%	0.46%
No Credit/Debit	0.00%	0.00%	99.56%	0.00%	0.00%	1.21%
0%<Credit<=5%	5.79%	0.00%	0.00%	0.00%	0.00%	0.44%
5%<Credit<10%	0.00%	2.48%	0.00%	0.00%	0.00%	2.12%
10%<Credit<15%	0.00%	6.65%	0.00%	0.00%	0.05%	5.70%
15%<Credit<20%	0.54%	0.00%	0.00%	0.33%	8.55%	0.42%
20%<Credit<30%	0.00%	0.00%	0.00%	9.49%	0.00%	0.11%
Credit =30% or greater	35.31%	43.53%	0.00%	23.05%	37.31%	41.85%

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2016 FHCF Reimbursement Premium Credits as of 11/10/16

	2016 FHCF Risk Counts					
	Commercial	Residential	Mobile Home	Tenants	Condo-Owners	Total
Total Risk Counts	152,511	4,374,339	337,690	956,482	835,744	6,656,766
Debit = 30% or greater	0	1,915,051	0	190,030	455,599	2,560,680
20%<Debit<30%	85,965	257,220	0	0	0	343,185
15%<Debit<20%	0	355,407	0	0	6,554	361,961
10%<Debit<15%	0	0	0	1	44,098	44,099
5%<Debit <10%	23,056	0	0	548,243	0	571,299
0%<Debit<=5%	1,160	0	1,432	543	56,112	59,247
No Credit/Debit	0	0	336,258	0	0	336,258
0%<Credit<=5%	2,904	0	0	0	0	2,904
5%<Credit<10%	0	64,325	0	0	0	64,325
10%<Credit<15%	1	286,525	0	0	477	287,003
15%<Credit<20%	1,197	0	0	2,413	65,348	68,958
20%<Credit<30%	0	23	0	69,173	0	69,196
Credit =30% or greater	38,228	1,495,788		146,079	207,556	1,887,651

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2016 FHCF Reimbursement Premium Credits as of 11/10/16

	Percent of All Risks					
	Commercial	Residential	Mobile Home	Tenants	Condo-Owners	Total
Total Risk Counts	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Debit = 30% or greater	0.00%	43.78%	0.00%	19.87%	54.51%	38.47%
20%<Debit<30%	56.37%	5.88%	0.00%	0.00%	0.00%	5.16%
15%<Debit<20%	0.00%	8.12%	0.00%	0.00%	0.78%	5.44%
10%<Debit<15%	0.00%	0.00%	0.00%	0.00%	5.28%	0.66%
5%<Debit <10%	15.12%	0.00%	0.00%	57.32%	0.00%	8.58%
0%<Debit<=5%	0.76%	0.00%	0.42%	0.06%	6.71%	0.89%
No Credit/Debit	0.00%	0.00%	99.58%	0.00%	0.00%	5.05%
0%<Credit<=5%	1.90%	0.00%	0.00%	0.00%	0.00%	0.04%
5%<Credit<10%	0.00%	1.47%	0.00%	0.00%	0.00%	0.97%
10%<Credit<15%	0.00%	6.55%	0.00%	0.00%	0.06%	4.31%
15%<Credit<20%	0.78%	0.00%	0.00%	0.25%	7.82%	1.04%
20%<Credit<30%	0.00%	0.00%	0.00%	7.23%	0.00%	1.04%
Credit =30% or greater	25.07%	34.19%	0.00%	15.27%	24.83%	28.36%

Florida Hurricane Catastrophe Fund

2017 Ratemaking Formula Report

Windstorm Mitigation Construction Rating Classification Factors: % **Change from 2016**

Rating Factor	Description	Type of Business				
		Commercial	Residential	Mobile Home	Tenants	Condos
Year Built	2012 or later	-23.1%	-21.0%	0.0%	-11.0%	-17.2%
	2002 - 2011	-18.4%	-15.2%	0.0%	-5.2%	-12.4%
	1995-2001	-3.6%	-1.4%	0.0%	4.7%	0.5%
	1994 or Earlier	6.1%	5.6%	0.0%	3.3%	4.3%
	Unknown or Mobile Home	7.2%	-2.4%	0.0%	-1.0%	-1.3%
Roof Shape	Hip, Mansard, or Pyramid	0.7%	0.1%	0.0%	0.0%	0.1%
	Gable, Other or Unknown	0.7%	0.1%	0.0%	0.0%	0.1%
Opening Protection	Structure Opening Protection**	0.2%	0.1%	0.0%	-0.6%	0.1%
	No Structure Opening Protection	0.2%	0.1%	0.0%	-0.6%	0.1%
On Balance Factor		-0.9%	-0.5%	0.0%	0.0%	-0.3%

**Structure Opening Protection Credit requires that primary policy has structure opening protection credit.

EXHIBIT

XIII

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2017 County Rating Groups

County	Dominant Group	Other Groups	County	Dominant Group	Other Groups
ALACHUA	1	2	LAKE	4	2,3,5
BAKER	1		LEE	8	7,9,10,12,13,14,15,16,17
BAY	3	1,2,4,5,6,7,10	LEON	1	
BRADFORD	1		LEVY	2	4,5
BREVARD	5	4,6,7,8,9,10,11,12,13,14,15	LIBERTY	1	
BROWARD	11	10,12,13,14,17,18,19,20,21,22,23	MADISON	1	
CALHOUN	1		MANATEE	6	5,7,8,9,10,13,14,15
CHARLOTTE	7	6,8,9,13	MARION	2	1,3
CITRUS	3	2	MARTIN	18	11,13,14,16,17
CLAY	1		MIAMI-DADE	13	11,12,14,15,16,17,18,19,20,21,22,23,24,25
COLLIER	10	7,8,9,11,14,15,16,18	MONROE	20	18,21,24,25
COLUMBIA	1		NASSAU	1	2
DE SOTO	6		OKALOOSA	10	1,2,5,6,7
DIXIE	1	3,4	OKEECHOBEE	8	11
DUVAL	1	2,3	ORANGE	4	3,6
ESCAMBIA	8	1,2,3,4,5,6,7,9,10,11	OSCEOLA	4	3,5
FLAGLER	6	2,4	PALM BEACH	12	9,10,11,13,14,15,16,17,18,19,20,21,22
FRANKLIN	4	6,7	PASCO	4	5,6,7,8
GADSDEN	1		PINELLAS	7	4,5,6,8,9,10,11,12,13
GILCHRIST	1		POLK	5	3,4
GLADES	8		PUTNAM	1	2
GULF	6	1	SAINT JOHNS	1	2,3,5
HAMILTON	1		SAINT LUCIE	10	9,11,12,13,14,15,18
HARDEE	5	4	SANTA ROSA	3	2,8,11,13
HENDRY	7	10	SARASOTA	11	5,6,7,8,9,10
HERNANDO	4	3,6	SEMINOLE	3	2
HIGHLANDS	5	6,7	SUMTER	3	2
HILLSBOROUGH	4	5,6,7,8,9,11	SUWANNEE	1	
HOLMES	1		TAYLOR	1	
INDIAN RIVER	12	7,9,10,13,14,16	UNION	1	
JACKSON	1		VOLUSIA	5	2,3,4,7,8
JEFFERSON	1		WAKULLA	1	3
LAFAYETTE	1		WALTON	2	1,3,7,9,11
			WASHINGTON	1	2,7

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
County Rating Regions

County Number	County Name	2017 Region	County Number	County Name	2017 Region
1	ALACHUA	1	71	LEE	8
3	BAKER	1	73	LEON	1
5	BAY	5	75	LEVY	2
7	BRADFORD	1	77	LIBERTY	1
9	BREVARD	7	79	MADISON	1
11	BROWARD	13	81	MANATEE	6
13	CALHOUN	1	83	MARION	2
15	CHARLOTTE	7	85	MARTIN	14
17	CITRUS	2	86	MIAMI-DADE	16
19	CLAY	1	87	MONROE	22
21	COLLIER	10	89	NASSAU	2
23	COLUMBIA	1	91	OKALOOSA	6
27	DE SOTO	5	93	OKEECHOBEE	9
29	DIXIE	1	95	ORANGE	3
31	DUVAL	1	97	OSCEOLA	4
33	ESCAMBIA	6	99	PALM BEACH	14
35	FLAGLER	3	101	PASCO	4
37	FRANKLIN	6	103	PINELLAS	8
39	GADSDEN	1	105	POLK	4
41	GILCHRIST	1	107	PUTNAM	1
43	GLADES	7	109	SAINT JOHNS	2
45	GULF	5	111	SAINT LUCIE	10
47	HAMILTON	1	113	SANTA ROSA	7
49	HARDEE	4	115	SARASOTA	7
51	HENDRY	8	117	SEMINOLE	2
53	HERNANDO	3	119	SUMTER	2
55	HIGHLANDS	5	121	SUWANNEE	1
57	HILLSBOROUGH	5	123	TAYLOR	1
59	HOLMES	1	125	UNION	1
61	INDIAN RIVER	12	127	VOLUSIA	3
63	JACKSON	1	129	WAKULLA	1
65	JEFFERSON	1	131	WALTON	7
67	LAFAYETTE	1	133	WASHINGTON	1
69	LAKE	3			

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2017 Rating Group Definitions by Group

Group 1 224 Zips	32003	32066	32203	32246	32330	32424	32607
	32006	32067	32204	32247	32331	32425	32608
	32008	32068	32205	32254	32332	32426	32609
	32009	32071	32207	32255	32333	32427	32610
	32011	32072	32208	32256	32334	32428	32611
	32013	32073	32209	32257	32336	32430	32612
	32024	32079	32210	32258	32337	32431	32614
	32025	32081	32211	32259	32340	32432	32615
	32026	32083	32212	32260	32341	32438	32616
	32030	32087	32214	32277	32343	32440	32618
	32033	32091	32216	32301	32344	32442	32619
	32038	32092	32217	32302	32345	32443	32622
	32040	32094	32218	32303	32347	32445	32627
	32041	32096	32219	32304	32348	32446	32628
	32042	32097	32220	32305	32350	32447	32631
	32043	32099	32221	32306	32351	32448	32635
	32044	32113	32222	32307	32352	32449	32640
	32046	32134	32223	32308	32353	32452	32641
	32050	32138	32224	32309	32355	32455	32643
	32052	32140	32225	32310	32356	32460	32653
	32053	32145	32226	32311	32357	32463	32654
	32054	32147	32229	32312	32358	32464	32655
	32055	32148	32231	32313	32359	32465	32656
	32056	32160	32232	32314	32360	32535	32658
	32058	32177	32234	32315	32361	32538	32662
	32059	32178	32236	32316	32362	32567	32666
	32060	32182	32237	32317	32395	32601	32667
	32061	32185	32238	32318	32399	32602	32669
	32062	32187	32239	32321	32420	32603	32680
	32063	32189	32241	32324	32421	32604	32693
	32064	32201	32244	32326	32422	32605	32694
	32065	32202	32245	32327	32423	32606	32697

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2017 Rating Group Definitions by Group

Group 2 89 Zips	32007	32157	32435	32633	32720	34430	34476
	32034	32164	32462	32634	32721	34431	34477
	32035	32179	32466	32639	32722	34432	34478
	32095	32180	32531	32644	32723	34433	34479
	32102	32181	32536	32663	32724	34434	34480
	32105	32183	32537	32664	32736	34445	34481
	32110	32190	32539	32668	32744	34449	34482
	32111	32192	32564	32681	32752	34470	34483
	32112	32193	32565	32683	32763	34471	34484
	32124	32206	32568	32686	32767	34472	34488
	32130	32235	32617	32696	32774	34473	34489
	32131	32433	32621	32702	32779	34474	
	32139	32434	32626	32706	32791	34475	

Group 3 143 Zips	32004	32404	32713	32765	32821	33538	34461
	32082	32409	32714	32766	32822	33585	34464
	32084	32439	32715	32771	32825	33597	34465
	32085	32444	32716	32772	32826	33849	34487
	32086	32530	32718	32773	32828	33897	34491
	32128	32533	32719	32776	32829	34420	34492
	32133	32560	32725	32784	32831	34421	34601
	32158	32570	32728	32789	32833	34423	34613
	32159	32571	32730	32790	32835	34428	34614
	32162	32572	32732	32792	32837	34429	34636
	32163	32577	32733	32793	32860	34436	34661
	32174	32583	32738	32794	32861	34441	34713
	32195	32648	32739	32795	32867	34442	34714
	32227	32701	32745	32799	32868	34446	34731
	32228	32703	32746	32810	32872	34447	34747
	32233	32704	32747	32812	32877	34448	34762
	32240	32707	32750	32814	32878	34450	34785
	32250	32708	32751	32816	32887	34451	
	32266	32709	32753	32817	33513	34452	
	32346	32710	32762	32818	33514	34453	
	32403	32712	32764	32820	33521	34460	

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2017 Rating Group Definitions by Group

Group 4 164 Zips	32129	32803	32885	33563	33687	33890	34734
	32137	32804	32886	33564	33688	33896	34736
	32168	32805	32891	33565	33689	34498	34737
	32322	32806	32896	33566	33694	34602	34741
	32323	32807	33508	33567	33801	34603	34742
	32405	32808	33509	33574	33802	34604	34743
	32509	32809	33510	33576	33803	34605	34745
	32526	32811	33511	33583	33804	34606	34746
	32534	32819	33523	33584	33805	34608	34748
	32559	32824	33524	33587	33806	34609	34749
	32692	32827	33525	33592	33807	34610	34753
	32726	32830	33526	33593	33809	34611	34755
	32727	32832	33527	33594	33810	34637	34758
	32735	32836	33530	33595	33811	34638	34759
	32754	32839	33537	33596	33812	34639	34761
	32756	32853	33540	33613	33813	34654	34786
	32757	32854	33543	33617	33815	34655	34787
	32768	32855	33544	33618	33836	34669	34788
	32775	32856	33548	33620	33837	34685	34789
	32777	32857	33549	33624	33840	34688	34797
	32778	32858	33550	33625	33846	34705	
	32798	32859	33556	33626	33848	34711	
	32801	32862	33558	33637	33858	34712	
	32802	32869	33559	33647	33868	34715	
Group 5 107 Zips	32080	32406	33539	33682	33845	33877	34677
	32114	32514	33541	33782	33847	33880	34684
	32116	32578	33542	33820	33850	33881	34729
	32117	32580	33545	33823	33851	33882	34739
	32119	32588	33547	33825	33853	33883	34744
	32120	32625	33568	33826	33854	33884	34756
	32121	32759	33569	33827	33855	33885	34769
	32122	32780	33571	33830	33856	33888	34770
	32123	32781	33573	33831	33859	33898	34771
	32125	32783	33578	33834	33860	34201	34772
	32127	32796	33579	33835	33863	34211	34773
	32132	32815	33598	33838	33865	34251	
	32141	32926	33604	33839	33867	34286	
	32173	32927	33610	33841	33872	34289	
	32175	32959	33612	33843	33873	34653	
	32198	33503	33674	33844	33875	34656	

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2017 Rating Group Definitions by Group

Group 6 92 Zips	32135	32512	33602	33761	34202	34266	34679
	32136	32516	33603	33763	34203	34267	34680
	32142	32542	33614	33764	34204	34268	34690
	32143	32547	33619	33766	34208	34269	34692
	32328	32904	33633	33780	34212	34270	34740
	32401	32907	33635	33781	34219	34287	34760
	32402	32908	33646	33870	34222	34288	34777
	32410	32909	33655	33871	34232	34290	34778
	32412	32910	33660	33876	34233	34291	
	32456	32934	33661	33938	34235	34607	
	32457	32955	33662	33954	34240	34667	
	32505	32956	33672	33960	34241	34668	
	32506	33534	33673	33982	34243	34673	
	32511	33601	33680	33983	34265	34674	
						</	

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2017 Rating Group Definitions by Group

Group 10 47 Zips	32408	32548	32941	33412	33772	34133	34210	34953
	32411	32549	32950	33414	33774	34137	34229	34983
	32520	32569	32952	33440	33775	34138	34272	34984
	32540	32901	32967	33703	34104	34139	34274	34987
	32541	32902	32970	33704	34109	34141	34275	34988
	32544	32919	33076	33734	34110	34209	34280	

Group 11 77 Zips	32502	33067	33319	33415	33711	34113	34954
	32521	33068	33320	33418	33712	34223	34956
	32522	33071	33321	33421	33731	34230	34974
	32550	33073	33322	33430	33737	34231	34981
	32562	33075	33324	33449	33740	34236	34990
	32563	33077	33329	33467	33747	34242	
	32925	33082	33338	33470	33767	34276	
	33016	33093	33345	33472	33776	34277	
	33028	33097	33351	33616	33785	34284	
	33063	33198	33388	33621	33786	34285	
	33065	33317	33411	33701	34105	34295	
	33066	33318	33413	33707	34112	34951	

Group 12 38 Zips	32937	32978	33323	33417	33448	33493	34136
	32949	33025	33325	33428	33454	33496	34947
	32957	33029	33327	33433	33459	33497	
	32958	33055	33328	33434	33463	33498	
	32962	33175	33355	33437	33473	33705	
	32965	33313	33359	33446	33488	34134	

Group 13 67 Zips	32561	33011	33027	33166	33199	33331	33736	34952
	32903	33012	33056	33169	33222	33332	33738	34985
	32920	33013	33069	33172	33247	33442	33741	34991
	32960	33014	33072	33174	33266	33458	33744	34997
	32961	33015	33084	33178	33269	33482	33922	
	32964	33017	33102	33183	33283	33484	33945	
	32976	33018	33112	33184	33314	33706	33946	
	33002	33024	33122	33188	33326	33708	34228	
	33010	33026	33152	33192	33330	33715	34946	

Group 14 37 Zips	32931	33083	33177	33309	33436	34994
	32932	33126	33182	33310	33956	34995
	32971	33144	33185	33311	34108	
	33021	33147	33186	33312	34215	
	33023	33165	33193	33336	34216	
	33054	33167	33265	33340	34218	
	33081	33173	33299	33409	34982	

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2017 Rating Group Definitions by Group

Group 15 30 Zips	32951	33116	33176	33242	33420	34103		
	33030	33134	33187	33255	33438	34217		
	33034	33142	33194	33406	33445	34948		
	33090	33155	33196	33410	33476	34950		
	33114	33168	33234	33416	33957	34979		
Group 16 23 Zips	32963	33033	33092	33179	33461	33931	34102	34140
	33031	33035	33150	33238	33466	33932	34106	34992
	33032	33039	33170	33422	33921	34101	34107	
Group 17 16 Zips	33064	33307	33407	33426	33474	33924		
	33074	33334	33424	33427	33475			
	33125	33335	33425	33455	33486			
Group 18 33 Zips	33042	33136	33161	33191	33315	33465	34957	
	33043	33143	33162	33197	33403	33481	34958	
	33060	33146	33164	33243	33404	34145	34996	
	33127	33156	33189	33257	33419	34146		
	33135	33157	33190	33261	33462	34949		
Group 19 20 Zips	33020	33137	33153	33303	33401	33441	33469	
	33022	33138	33245	33305	33408	33443	33477	
	33061	33145	33301	33394	33431	33468		
Group 20 21 Zips	33004	33045	33128	33158	33233	33296	33444	
	33040	33101	33132	33181	33256	33302	33487	
	33041	33124	33133	33195	33280	33304	33499	
Group 21 18 Zips	33008	33051	33131	33308	33346	33405		
	33009	33052	33231	33316	33348	33435		
	33050	33130	33306	33339	33402	33480		
Group 22 11 Zips	33062	33129	33180	33429	33460	33483		
	33106	33163	33206	33432	33464			

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2017 Rating Group Definitions by Group

Group 23 3 Zips	33019	33154	33160	
Group 24 8 Zips	33001 33036	33037 33119	33139 33140	33141 33239
Group 25 3 Zips	33070	33109	33149	

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2017 Rating Group Definitions by ZIP Code

ZIP Code	2017 Group	ZIP Code	2017 Group	ZIP Code	2017 Group	ZIP Code	2017 Group
32003	1	32099	1	32180	2	32256	1
32004	3	32102	2	32181	2	32257	1
32006	1	32105	2	32182	1	32258	1
32007	2	32110	2	32183	2	32259	1
32008	1	32111	2	32185	1	32260	1
32009	1	32112	2	32187	1	32266	3
32011	1	32113	1	32189	1	32277	1
32013	1	32114	5	32190	2	32301	1
32024	1	32115	7	32192	2	32302	1
32025	1	32116	5	32193	2	32303	1
32026	1	32117	5	32195	3	32304	1
32030	1	32118	8	32198	5	32305	1
32033	1	32119	5	32201	1	32306	1
32034	2	32120	5	32202	1	32307	1
32035	2	32121	5	32203	1	32308	1
32038	1	32122	5	32204	1	32309	1
32040	1	32123	5	32205	1	32310	1
32041	1	32124	2	32206	2	32311	1
32042	1	32125	5	32207	1	32312	1
32043	1	32126	7	32208	1	32313	1
32044	1	32127	5	32209	1	32314	1
32046	1	32128	3	32210	1	32315	1
32050	1	32129	4	32211	1	32316	1
32052	1	32130	2	32212	1	32317	1
32053	1	32131	2	32214	1	32318	1
32054	1	32132	5	32216	1	32320	7
32055	1	32133	3	32217	1	32321	1
32056	1	32134	1	32218	1	32322	4
32058	1	32135	6	32219	1	32323	4
32059	1	32136	6	32220	1	32324	1
32060	1	32137	4	32221	1	32326	1
32061	1	32138	1	32222	1	32327	1
32062	1	32139	2	32223	1	32328	6
32063	1	32140	1	32224	1	32329	7
32064	1	32141	5	32225	1	32330	1
32065	1	32142	6	32226	1	32331	1
32066	1	32143	6	32227	3	32332	1
32067	1	32145	1	32228	3	32333	1
32068	1	32147	1	32229	1	32334	1
32071	1	32148	1	32231	1	32336	1
32072	1	32157	2	32232	1	32337	1
32073	1	32158	3	32233	3	32340	1
32079	1	32159	3	32234	1	32341	1
32080	5	32160	1	32235	2	32343	1
32081	1	32162	3	32236	1	32344	1
32082	3	32163	3	32237	1	32345	1
32083	1	32164	2	32238	1	32346	3
32084	3	32168	4	32239	1	32347	1
32085	3	32169	8	32240	3	32348	1
32086	3	32170	7	32241	1	32350	1
32087	1	32173	5	32244	1	32351	1
32091	1	32174	3	32245	1	32352	1
32092	1	32175	5	32246	1	32353	1
32094	1	32176	7	32247	1	32355	1
32095	2	32177	1	32250	3	32356	1
32096	1	32178	1	32254	1	32357	1
32097	1	32179	2	32255	1	32358	1

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ZIP Code	2017 Group	ZIP Code	2017 Group	ZIP Code	2017 Group	ZIP Code	2017 Group
32359	1	32465	1	32583	3	32697	1
32360	1	32466	2	32588	5	32701	3
32361	1	32501	8	32591	8	32702	2
32362	1	32502	11	32601	1	32703	3
32395	1	32503	8	32602	1	32704	3
32399	1	32504	7	32603	1	32706	2
32401	6	32505	6	32604	1	32707	3
32402	6	32506	6	32605	1	32708	3
32403	3	32507	9	32606	1	32709	3
32404	3	32508	9	32607	1	32710	3
32405	4	32509	4	32608	1	32712	3
32406	5	32511	6	32609	1	32713	3
32407	7	32512	6	32610	1	32714	3
32408	10	32513	8	32611	1	32715	3
32409	3	32514	5	32612	1	32716	3
32410	6	32516	6	32614	1	32718	3
32411	10	32520	10	32615	1	32719	3
32412	6	32521	11	32616	1	32720	2
32413	7	32522	11	32617	2	32721	2
32417	7	32523	8	32618	1	32722	2
32420	1	32524	8	32619	1	32723	2
32421	1	32526	4	32621	2	32724	2
32422	1	32530	3	32622	1	32725	3
32423	1	32531	2	32625	5	32726	4
32424	1	32533	3	32626	2	32727	4
32425	1	32534	4	32627	1	32728	3
32426	1	32535	1	32628	1	32730	3
32427	1	32536	2	32631	1	32732	3
32428	1	32537	2	32633	2	32733	3
32430	1	32538	1	32634	2	32735	4
32431	1	32539	2	32635	1	32736	2
32432	1	32540	10	32639	2	32738	3
32433	2	32541	10	32640	1	32739	3
32434	2	32542	6	32641	1	32744	2
32435	2	32544	10	32643	1	32745	3
32437	7	32547	6	32644	2	32746	3
32438	1	32548	10	32648	3	32747	3
32439	3	32549	10	32653	1	32750	3
32440	1	32550	11	32654	1	32751	3
32442	1	32559	4	32655	1	32752	2
32443	1	32560	3	32656	1	32753	3
32444	3	32561	13	32658	1	32754	4
32445	1	32562	11	32662	1	32756	4
32446	1	32563	11	32663	2	32757	4
32447	1	32564	2	32664	2	32759	5
32448	1	32565	2	32666	1	32762	3
32449	1	32566	8	32667	1	32763	2
32452	1	32567	1	32668	2	32764	3
32455	1	32568	2	32669	1	32765	3
32456	6	32569	10	32680	1	32766	3
32457	6	32570	3	32681	2	32767	2
32459	7	32571	3	32683	2	32768	4
32460	1	32572	3	32686	2	32771	3
32461	9	32577	3	32692	4	32772	3
32462	2	32578	5	32693	1	32773	3
32463	1	32579	7	32694	1	32774	2
32464	1	32580	5	32696	2	32775	4

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ZIP Code	2017 Group	ZIP Code	2017 Group	ZIP Code	2017 Group	ZIP Code	2017 Group
32776	3	32857	4	32959	5	33054	14
32777	4	32858	4	32960	13	33055	12
32778	4	32859	4	32961	13	33056	13
32779	2	32860	3	32962	12	33060	18
32780	5	32861	3	32963	16	33061	19
32781	5	32862	4	32964	13	33062	22
32783	5	32867	3	32965	12	33063	11
32784	3	32868	3	32966	9	33064	17
32789	3	32869	4	32967	10	33065	11
32790	3	32872	3	32968	9	33066	11
32791	2	32877	3	32969	9	33067	11
32792	3	32878	3	32970	10	33068	11
32793	3	32885	4	32971	14	33069	13
32794	3	32886	4	32976	13	33070	25
32795	3	32887	3	32978	12	33071	11
32796	5	32891	4	33001	24	33072	13
32798	4	32896	4	33002	13	33073	11
32799	3	32899	7	33004	20	33074	17
32801	4	32901	10	33008	21	33075	11
32802	4	32902	10	33009	21	33076	10
32803	4	32903	13	33010	13	33077	11
32804	4	32904	6	33011	13	33081	14
32805	4	32905	9	33012	13	33082	11
32806	4	32906	9	33013	13	33083	14
32807	4	32907	6	33014	13	33084	13
32808	4	32908	6	33015	13	33090	15
32809	4	32909	6	33016	11	33092	16
32810	3	32910	6	33017	13	33093	11
32811	4	32911	9	33018	13	33097	11
32812	3	32912	9	33019	23	33101	20
32814	3	32919	10	33020	19	33102	13
32815	5	32920	13	33021	14	33106	22
32816	3	32922	7	33022	19	33109	25
32817	3	32923	7	33023	14	33112	13
32818	3	32924	7	33024	13	33114	15
32819	4	32925	11	33025	12	33116	15
32820	3	32926	5	33026	13	33119	24
32821	3	32927	5	33027	13	33122	13
32822	3	32931	14	33028	11	33124	20
32824	4	32932	14	33029	12	33125	17
32825	3	32934	6	33030	15	33126	14
32826	3	32935	9	33031	16	33127	18
32827	4	32936	9	33032	16	33128	20
32828	3	32937	12	33033	16	33129	22
32829	3	32940	8	33034	15	33130	21
32830	4	32941	10	33035	16	33131	21
32831	3	32948	7	33036	24	33132	20
32832	4	32949	12	33037	24	33133	20
32833	3	32950	10	33039	16	33134	15
32835	3	32951	15	33040	20	33135	18
32836	4	32952	10	33041	20	33136	18
32837	3	32953	7	33042	18	33137	19
32839	4	32954	7	33043	18	33138	19
32853	4	32955	6	33045	20	33139	24
32854	4	32956	6	33050	21	33140	24
32855	4	32957	12	33051	21	33141	24
32856	4	32958	12	33052	21	33142	15

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2017 Rating Group Definitions by ZIP Code

ZIP Code	2017 Group	ZIP Code	2017 Group	ZIP Code	2017 Group	ZIP Code	2017 Group
33143	18	33234	15	33346	21	33460	22
33144	14	33238	16	33348	21	33461	16
33145	19	33239	24	33351	11	33462	18
33146	18	33242	15	33355	12	33463	12
33147	14	33243	18	33359	12	33464	22
33149	25	33245	19	33388	11	33465	18
33150	16	33247	13	33394	19	33466	16
33152	13	33255	15	33401	19	33467	11
33153	19	33256	20	33402	21	33468	19
33154	23	33257	18	33403	18	33469	19
33155	15	33261	18	33404	18	33470	11
33156	18	33265	14	33405	21	33471	8
33157	18	33266	13	33406	15	33472	11
33158	20	33269	13	33407	17	33473	12
33160	23	33280	20	33408	19	33474	17
33161	18	33283	13	33409	14	33475	17
33162	18	33296	20	33410	15	33476	15
33163	22	33299	14	33411	11	33477	19
33164	18	33301	19	33412	10	33478	9
33165	14	33302	20	33413	11	33480	21
33166	13	33303	19	33414	10	33481	18
33167	14	33304	20	33415	11	33482	13
33168	15	33305	19	33416	15	33483	22
33169	13	33306	21	33417	12	33484	13
33170	16	33307	17	33418	11	33486	17
33172	13	33308	21	33419	18	33487	20
33173	14	33309	14	33420	15	33488	12
33174	13	33310	14	33421	11	33493	12
33175	12	33311	14	33422	16	33496	12
33176	15	33312	14	33424	17	33497	12
33177	14	33313	12	33425	17	33498	12
33178	13	33314	13	33426	17	33499	20
33179	16	33315	18	33427	17	33503	5
33180	22	33316	21	33428	12	33508	4
33181	20	33317	11	33429	22	33509	4
33182	14	33318	11	33430	11	33510	4
33183	13	33319	11	33431	19	33511	4
33184	13	33320	11	33432	22	33513	3
33185	14	33321	11	33433	12	33514	3
33186	14	33322	11	33434	12	33521	3
33187	15	33323	12	33435	21	33523	4
33188	13	33324	11	33436	14	33524	4
33189	18	33325	12	33437	12	33525	4
33190	18	33326	13	33438	15	33526	4
33191	18	33327	12	33440	10	33527	4
33192	13	33328	12	33441	19	33530	4
33193	14	33329	11	33442	13	33534	6
33194	15	33330	13	33443	19	33537	4
33195	20	33331	13	33444	20	33538	3
33196	15	33332	13	33445	15	33539	5
33197	18	33334	17	33446	12	33540	4
33198	11	33335	17	33448	12	33541	5
33199	13	33336	14	33449	11	33542	5
33206	22	33338	11	33454	12	33543	4
33222	13	33339	21	33455	17	33544	4
33231	21	33340	14	33458	13	33545	5
33233	20	33345	11	33459	12	33547	5

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ZIP Code	2017 Group	ZIP Code	2017 Group	ZIP Code	2017 Group	ZIP Code	2017 Group
33548	4	33624	4	33738	13	33834	5
33549	4	33625	4	33740	11	33835	5
33550	4	33626	4	33741	13	33836	4
33556	4	33629	9	33742	7	33837	4
33558	4	33630	7	33743	9	33838	5
33559	4	33631	7	33744	13	33839	5
33563	4	33633	6	33747	11	33840	4
33564	4	33634	7	33755	9	33841	5
33565	4	33635	6	33756	9	33843	5
33566	4	33637	4	33757	9	33844	5
33567	4	33646	6	33758	7	33845	5
33568	5	33647	4	33759	7	33846	4
33569	5	33650	7	33760	7	33847	5
33570	7	33655	6	33761	6	33848	4
33571	5	33660	6	33762	8	33849	3
33572	7	33661	6	33763	6	33850	5
33573	5	33662	6	33764	6	33851	5
33574	4	33663	7	33765	7	33852	7
33575	7	33672	6	33766	6	33853	5
33576	4	33673	6	33767	11	33854	5
33578	5	33674	5	33769	7	33855	5
33579	5	33675	7	33770	9	33856	5
33583	4	33677	7	33771	7	33857	7
33584	4	33679	8	33772	10	33858	4
33585	3	33680	6	33773	7	33859	5
33586	7	33681	9	33774	10	33860	5
33587	4	33682	5	33775	10	33862	7
33592	4	33684	7	33776	11	33863	5
33593	4	33685	7	33777	7	33865	5
33594	4	33687	4	33778	8	33867	5
33595	4	33688	4	33779	9	33868	4
33596	4	33689	4	33780	6	33870	6
33597	3	33694	4	33781	6	33871	6
33598	5	33701	11	33782	5	33872	5
33601	6	33702	7	33784	8	33873	5
33602	6	33703	10	33785	11	33875	5
33603	6	33704	10	33786	11	33876	6
33604	5	33705	12	33801	4	33877	5
33605	7	33706	13	33802	4	33880	5
33606	8	33707	11	33803	4	33881	5
33607	7	33708	13	33804	4	33882	5
33608	9	33709	8	33805	4	33883	5
33609	8	33710	9	33806	4	33884	5
33610	5	33711	11	33807	4	33885	5
33611	9	33712	11	33809	4	33888	5
33612	5	33713	8	33810	4	33890	4
33613	4	33714	7	33811	4	33896	4
33614	6	33715	13	33812	4	33897	3
33615	7	33716	7	33813	4	33898	5
33616	11	33729	8	33815	4	33901	8
33617	4	33730	8	33820	5	33902	8
33618	4	33731	11	33823	5	33903	7
33619	6	33732	7	33825	5	33904	8
33620	4	33733	8	33826	5	33905	7
33621	11	33734	10	33827	5	33906	7
33622	7	33736	13	33830	5	33907	8
33623	7	33737	11	33831	5	33908	9

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ZIP Code	2017 Group	ZIP Code	2017 Group	ZIP Code	2017 Group	ZIP Code	2017 Group
33909	7	34101	16	34233	6	34447	3
33910	7	34102	16	34234	8	34448	3
33911	8	34103	15	34235	6	34449	2
33912	7	34104	10	34236	11	34450	3
33913	7	34105	11	34237	8	34451	3
33914	9	34106	16	34238	8	34452	3
33915	7	34107	16	34239	9	34453	3
33916	7	34108	14	34240	6	34460	3
33917	7	34109	10	34241	6	34461	3
33918	7	34110	10	34242	11	34464	3
33919	8	34112	11	34243	6	34465	3
33920	7	34113	11	34249	7	34470	2
33921	16	34114	9	34250	8	34471	2
33922	13	34116	8	34251	5	34472	2
33924	17	34117	7	34260	9	34473	2
33927	7	34119	7	34264	9	34474	2
33928	8	34120	8	34265	6	34475	2
33929	8	34133	10	34266	6	34476	2
33930	7	34134	12	34267	6	34477	2
33931	16	34135	9	34268	6	34478	2
33932	16	34136	12	34269	6	34479	2
33935	7	34137	10	34270	6	34480	2
33936	8	34138	10	34272	10	34481	2
33938	6	34139	10	34274	10	34482	2
33944	8	34140	16	34275	10	34483	2
33945	13	34141	10	34276	11	34484	2
33946	13	34142	8	34277	11	34487	3
33947	9	34143	8	34278	8	34488	2
33948	7	34145	18	34280	10	34489	2
33949	7	34146	18	34281	9	34491	3
33950	7	34201	5	34282	9	34492	3
33951	7	34202	6	34284	11	34498	4
33952	7	34203	6	34285	11	34601	3
33953	7	34204	6	34286	5	34602	4
33954	6	34205	8	34287	6	34603	4
33955	7	34206	8	34288	6	34604	4
33956	14	34207	9	34289	5	34605	4
33957	15	34208	6	34290	6	34606	4
33960	6	34209	10	34291	6	34607	6
33965	8	34210	10	34292	7	34608	4
33966	7	34211	5	34293	9	34609	4
33967	8	34212	6	34295	11	34610	4
33970	8	34215	14	34420	3	34611	4
33971	8	34216	14	34421	3	34613	3
33972	8	34217	15	34423	3	34614	3
33973	8	34218	14	34428	3	34636	3
33974	8	34219	6	34429	3	34637	4
33975	7	34220	8	34430	2	34638	4
33976	8	34221	7	34431	2	34639	4
33980	7	34222	6	34432	2	34652	7
33981	8	34223	11	34433	2	34653	5
33982	6	34224	9	34434	2	34654	4
33983	6	34228	13	34436	3	34655	4
33990	7	34229	10	34441	3	34656	5
33991	8	34230	11	34442	3	34660	8
33993	8	34231	11	34445	2	34661	3
33994	7	34232	6	34446	3	34667	6

Florida Hurricane Catastrophe Fund
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ZIP Code	2017 Group	ZIP Code	2017 Group
34668	6	34785	3
34669	4	34786	4
34673	6	34787	4
34674	6	34788	4
34677	5	34789	4
34679	6	34797	4
34680	6	34945	9
34681	8	34946	13
34682	7	34947	12
34683	7	34948	15
34684	5	34949	18
34685	4	34950	15
34688	4	34951	11
34689	8	34952	13
34690	6	34953	10
34691	8	34954	11
34692	6	34956	11
34695	7	34957	18
34697	8	34958	18
34698	8	34972	8
34705	4	34973	8
34711	4	34974	11
34712	4	34979	15
34713	3	34981	11
34714	3	34982	14
34715	4	34983	10
34729	5	34984	10
34731	3	34985	13
34734	4	34986	9
34736	4	34987	10
34737	4	34988	10
34739	5	34990	11
34740	6	34991	13
34741	4	34992	16
34742	4	34994	14
34743	4	34995	14
34744	5	34996	18
34745	4	34997	13
34746	4		
34747	3		
34748	4		
34749	4		
34753	4		
34755	4		
34756	5		
34758	4		
34759	4		
34760	6		
34761	4		
34762	3		
34769	5		
34770	5		
34771	5		
34772	5		
34773	5		
34777	6		
34778	6		

EXHIBIT

XIV

PROPOSED FHCF 2017 Commercial Rates (Not Yet Approved by FHCF Trustees for Use)

Rates are Dollars per \$1000 of Exposure

Coverage Level: 90%

Deductible: 3%

ZIP Code	Masonry with			Superior with		Non-MH Default and Unknown
Group	Frame	Masonry Veneer	Masonry	Reinforced Concrete Roof Deck	Reinforced Concrete Roof Deck	
1	0.1435	0.1336	0.1036	0.0635	0.0589	0.0960
2	0.2690	0.2503	0.1943	0.1190	0.1105	0.1800
3	0.3889	0.3619	0.2808	0.1720	0.1597	0.2601
4	0.5113	0.4758	0.3692	0.2262	0.2100	0.3421
5	0.6367	0.5925	0.4598	0.2817	0.2615	0.4260
6	0.7655	0.7123	0.5528	0.3386	0.3144	0.5121
7	0.8982	0.8358	0.6485	0.3973	0.3688	0.6009
8	1.0352	0.9633	0.7475	0.4579	0.4251	0.6925
9	1.1772	1.0954	0.8500	0.5207	0.4834	0.7875
10	1.3250	1.2329	0.9567	0.5861	0.5441	0.8864
11	1.4794	1.3766	1.0682	0.6544	0.6075	0.9897
12	1.6413	1.5273	1.1851	0.7260	0.6740	1.0980
13	1.8120	1.6860	1.3083	0.8015	0.7441	1.2122
14	1.9926	1.8541	1.4387	0.8814	0.8183	1.3330
15	2.1847	2.0329	1.5775	0.9664	0.8972	1.4615
16	2.3902	2.2241	1.7258	1.0573	0.9815	1.5990
17	2.6109	2.4294	1.8852	1.1549	1.0722	1.7466
18	2.8492	2.6512	2.0573	1.2604	1.1700	1.9061
19	3.1080	2.8920	2.2441	1.3748	1.2763	2.0791
20	3.3902	3.1546	2.4479	1.4997	1.3922	2.2680
21	3.6996	3.4425	2.6712	1.6365	1.5192	2.4749
22	4.0403	3.7595	2.9173	1.7872	1.6592	2.7029
23	4.4173	4.1103	3.1895	1.9540	1.8140	2.9551
24	4.8361	4.5001	3.4919	2.1393	1.9860	3.2353
25	5.3034	4.9349	3.8293	2.3460	2.1779	3.5479

PROPOSED FHCF 2017 Commercial Rates (Not Yet Approved by FHCF Trustees for Use)

Rates are Dollars per \$1000 of Exposure

Coverage Level: 75%

Deductible: 3%

ZIP Code				Masonry with Reinforced Concrete		Superior with Reinforced Concrete	Non-MH Default and Unknown
Group	Frame	Masonry Veneer	Masonry	Roof Deck	Superior	Roof Deck	
1	0.1196	0.1113	0.0864	0.0529	0.0491	0.0366	0.0800
2	0.2242	0.2086	0.1619	0.0992	0.0921	0.0686	0.1500
3	0.3241	0.3015	0.2340	0.1433	0.1331	0.0991	0.2168
4	0.4261	0.3965	0.3077	0.1885	0.1750	0.1303	0.2851
5	0.5306	0.4937	0.3831	0.2347	0.2179	0.1623	0.3550
6	0.6379	0.5936	0.4606	0.2822	0.2620	0.1951	0.4268
7	0.7485	0.6965	0.5404	0.3311	0.3074	0.2289	0.5007
8	0.8627	0.8027	0.6229	0.3816	0.3543	0.2638	0.5771
9	0.9810	0.9129	0.7083	0.4340	0.4029	0.3000	0.6563
10	1.1042	1.0274	0.7973	0.4884	0.4534	0.3377	0.7387
11	1.2328	1.1472	0.8902	0.5453	0.5063	0.3770	0.8247
12	1.3678	1.2727	0.9876	0.6050	0.5617	0.4183	0.9150
13	1.5100	1.4050	1.0903	0.6679	0.6201	0.4618	1.0101
14	1.6605	1.5451	1.1989	0.7345	0.6819	0.5078	1.1108
15	1.8206	1.6941	1.3146	0.8053	0.7476	0.5568	1.2179
16	1.9918	1.8534	1.4382	0.8811	0.8179	0.6092	1.3325
17	2.1757	2.0245	1.5710	0.9624	0.8935	0.6654	1.4555
18	2.3744	2.2094	1.7144	1.0503	0.9750	0.7262	1.5884
19	2.5900	2.4100	1.8701	1.1457	1.0636	0.7921	1.7326
20	2.8252	2.6288	2.0399	1.2497	1.1602	0.8640	1.8900
21	3.0830	2.8687	2.2260	1.3638	1.2660	0.9429	2.0624
22	3.3669	3.1330	2.4311	1.4894	1.3826	1.0297	2.2524
23	3.6811	3.4253	2.6579	1.6283	1.5116	1.1258	2.4625
24	4.0301	3.7501	2.9099	1.7827	1.6550	1.2326	2.6960
25	4.4195	4.1124	3.1911	1.9550	1.8149	1.3517	2.9565

PROPOSED FHCF 2017 Commercial Rates (Not Yet Approved by FHCF Trustees for Use)

Rates are Dollars per \$1000 of Exposure

Coverage Level: 45%

Deductible: 3%

ZIP Code				Masonry with Reinforced Concrete		Superior with Reinforced Concrete	Non-MH Default and Unknown
Group	Frame	Masonry Veneer	Masonry	Roof Deck	Superior	Roof Deck	
1	0.0718	0.0668	0.0518	0.0317	0.0295	0.0220	0.0480
2	0.1345	0.1252	0.0971	0.0595	0.0552	0.0411	0.0900
3	0.1944	0.1809	0.1404	0.0860	0.0798	0.0595	0.1301
4	0.2557	0.2379	0.1846	0.1131	0.1050	0.0782	0.1710
5	0.3184	0.2962	0.2299	0.1408	0.1307	0.0974	0.2130
6	0.3828	0.3562	0.2764	0.1693	0.1572	0.1171	0.2561
7	0.4491	0.4179	0.3243	0.1987	0.1844	0.1373	0.3004
8	0.5176	0.4816	0.3737	0.2290	0.2126	0.1583	0.3463
9	0.5886	0.5477	0.4250	0.2604	0.2417	0.1800	0.3938
10	0.6625	0.6165	0.4784	0.2931	0.2721	0.2026	0.4432
11	0.7397	0.6883	0.5341	0.3272	0.3038	0.2262	0.4948
12	0.8207	0.7636	0.5926	0.3630	0.3370	0.2510	0.5490
13	0.9060	0.8430	0.6542	0.4008	0.3720	0.2771	0.6061
14	0.9963	0.9271	0.7194	0.4407	0.4091	0.3047	0.6665
15	1.0924	1.0165	0.7887	0.4832	0.4486	0.3341	0.7308
16	1.1951	1.1120	0.8629	0.5286	0.4908	0.3655	0.7995
17	1.3054	1.2147	0.9426	0.5775	0.5361	0.3993	0.8733
18	1.4246	1.3256	1.0286	0.6302	0.5850	0.4357	0.9530
19	1.5540	1.4460	1.1220	0.6874	0.6381	0.4753	1.0396
20	1.6951	1.5773	1.2239	0.7498	0.6961	0.5184	1.1340
21	1.8498	1.7212	1.3356	0.8183	0.7596	0.5657	1.2375
22	2.0201	1.8798	1.4586	0.8936	0.8296	0.6178	1.3514
23	2.2086	2.0552	1.5947	0.9770	0.9070	0.6755	1.4775
24	2.4181	2.2500	1.7460	1.0696	0.9930	0.7395	1.6176
25	2.6517	2.4674	1.9146	1.1730	1.0889	0.8110	1.7739

PROPOSED FHCF 2017 Residential Rates (Not Yet Approved by FHCF Trustees for Use)

Rates are Dollars per \$1000 of Exposure

Coverage Level: 90%

Deductible: 2%

ZIP Code				Non-MH Default
Group	<u>Frame</u>	<u>Masonry Veneer</u>	<u>Masonry</u>	<u>Unknown</u>
1	0.1088	0.1013	0.0823	0.1069
2	0.2039	0.1898	0.1543	0.2003
3	0.2948	0.2744	0.2230	0.2896
4	0.3876	0.3608	0.2932	0.3807
5	0.4826	0.4492	0.3651	0.4741
6	0.5802	0.5401	0.4390	0.5700
7	0.6808	0.6337	0.5151	0.6688
8	0.7846	0.7304	0.5936	0.7708
9	0.8923	0.8306	0.6751	0.8766
10	1.0043	0.9348	0.7598	0.9866
11	1.1213	1.0438	0.8484	1.1016
12	1.2441	1.1580	0.9412	1.2222
13	1.3734	1.2784	1.0391	1.3492
14	1.5103	1.4058	1.1426	1.4837
15	1.6560	1.5414	1.2528	1.6268
16	1.8117	1.6863	1.3706	1.7798
17	1.9789	1.8421	1.4972	1.9441
18	2.1596	2.0102	1.6339	2.1216
19	2.3557	2.1928	1.7823	2.3143
20	2.5696	2.3919	1.9441	2.5244
21	2.8041	2.6102	2.1215	2.7548
22	3.0624	2.8506	2.3169	3.0085
23	3.3481	3.1165	2.5331	3.2892
24	3.6656	3.4120	2.7733	3.6011
25	4.0198	3.7417	3.0412	3.9491

PROPOSED FHCF 2017 Residential Rates (Not Yet Approved by FHCF Trustees for Use)

Rates are Dollars per \$1000 of Exposure

Coverage Level: 75%

Deductible: 2%

ZIP Code				Non-MH Default
Group	<u>Frame</u>	<u>Masonry Veneer</u>	<u>Masonry</u>	<u>Unknown</u>
1	0.0907	0.0844	0.0686	0.0891
2	0.1699	0.1582	0.1286	0.1669
3	0.2456	0.2286	0.1858	0.2413
4	0.3230	0.3006	0.2444	0.3173
5	0.4022	0.3744	0.3043	0.3951
6	0.4835	0.4501	0.3658	0.4750
7	0.5673	0.5281	0.4292	0.5573
8	0.6539	0.6086	0.4947	0.6424
9	0.7436	0.6921	0.5626	0.7305
10	0.8369	0.7790	0.6332	0.8222
11	0.9344	0.8698	0.7070	0.9180
12	1.0367	0.9650	0.7843	1.0185
13	1.1445	1.0653	0.8659	1.1244
14	1.2586	1.1715	0.9522	1.2364
15	1.3800	1.2845	1.0440	1.3557
16	1.5097	1.4053	1.1422	1.4831
17	1.6491	1.5350	1.2477	1.6201
18	1.7997	1.6752	1.3616	1.7680
19	1.9631	1.8273	1.4852	1.9286
20	2.1414	1.9932	1.6201	2.1037
21	2.3368	2.1751	1.7679	2.2957
22	2.5520	2.3755	1.9308	2.5071
23	2.7901	2.5971	2.1109	2.7410
24	3.0547	2.8434	2.3111	3.0009
25	3.3498	3.1181	2.5344	3.2909

PROPOSED FHCF 2017 Residential Rates (Not Yet Approved by FHCF Trustees for Use)

Rates are Dollars per \$1000 of Exposure

Coverage Level: 45%

Deductible: 2%

ZIP Code				Non-MH Default
Group	<u>Frame</u>	<u>Masonry Veneer</u>	<u>Masonry</u>	<u>Unknown</u>
1	0.0544	0.0506	0.0412	0.0534
2	0.1020	0.0949	0.0771	0.1002
3	0.1474	0.1372	0.1115	0.1448
4	0.1938	0.1804	0.1466	0.1904
5	0.2413	0.2246	0.1826	0.2371
6	0.2901	0.2701	0.2195	0.2850
7	0.3404	0.3168	0.2575	0.3344
8	0.3923	0.3652	0.2968	0.3854
9	0.4461	0.4153	0.3375	0.4383
10	0.5022	0.4674	0.3799	0.4933
11	0.5607	0.5219	0.4242	0.5508
12	0.6220	0.5790	0.4706	0.6111
13	0.6867	0.6392	0.5195	0.6746
14	0.7552	0.7029	0.5713	0.7419
15	0.8280	0.7707	0.6264	0.8134
16	0.9058	0.8432	0.6853	0.8899
17	0.9895	0.9210	0.7486	0.9721
18	1.0798	1.0051	0.8169	1.0608
19	1.1779	1.0964	0.8911	1.1571
20	1.2848	1.1959	0.9721	1.2622
21	1.4021	1.3051	1.0608	1.3774
22	1.5312	1.4253	1.1585	1.5043
23	1.6741	1.5583	1.2665	1.6446
24	1.8328	1.7060	1.3866	1.8006
25	2.0099	1.8709	1.5206	1.9745

PROPOSED FHCF 2017 Mobile Home Rates (Not Yet Approved by FHCF Trustees for Use)

Rates are Dollars per \$1000 of Exposure

Coverage Level: 90%

Deductible: \$251 - \$500

ZIP Code Group	Fully Tied Down -- Manufactured		Other than Fully Tied
	<u>Prior to 7/13/94</u>	<u>On or After 7/13/94</u>	<u>Unknown</u>
1	0.4094	0.4050	0.5651
2	0.7674	0.7591	1.0591
3	1.1092	1.0973	1.5309
4	1.4585	1.4428	2.0129
5	1.8162	1.7967	2.5066
6	2.1836	2.1600	3.0136
7	2.5619	2.5343	3.5357
8	2.9527	2.9209	4.0751
9	3.3579	3.3217	4.6343
10	3.7794	3.7387	5.2161
11	4.2197	4.1743	5.8238
12	4.6816	4.6312	6.4612
13	5.1683	5.1126	7.1329
14	5.6836	5.6223	7.8440
15	6.2316	6.1645	8.6005
16	6.8176	6.7441	9.4091
17	7.4471	7.3669	10.2780
18	8.1270	8.0395	11.2163
19	8.8650	8.7695	12.2348
20	9.6700	9.5658	13.3458
21	10.5525	10.4388	14.5637
22	11.5244	11.4002	15.9051
23	12.5996	12.4639	17.3891
24	13.7944	13.6457	19.0380
25	15.1272	14.9642	20.8774

PROPOSED FHCF 2017 Mobile Home Rates (Not Yet Approved by FHCF Trustees for Use)

Rates are Dollars per \$1000 of Exposure

Coverage Level: 75%

Deductible: \$251 - \$500

ZIP Code Group	Fully Tied Down -- Manufactured		Other than Fully Tied Unknown
	<u>Prior to 7/13/94</u>	<u>On or After 7/13/94</u>	
1	0.3412	0.3375	0.4709
2	0.6395	0.6326	0.8826
3	0.9243	0.9144	1.2757
4	1.2154	1.2023	1.6774
5	1.5135	1.4972	2.0888
6	1.8196	1.8000	2.5113
7	2.1349	2.1119	2.9465
8	2.4606	2.4341	3.3960
9	2.7982	2.7681	3.8619
10	3.1495	3.1156	4.3467
11	3.5164	3.4785	4.8531
12	3.9014	3.8593	5.3844
13	4.3069	4.2605	5.9441
14	4.7363	4.6853	6.5367
15	5.1930	5.1371	7.1670
16	5.6813	5.6201	7.8409
17	6.2059	6.1391	8.5650
18	6.7725	6.6995	9.3469
19	7.3875	7.3079	10.1957
20	8.0583	7.9715	11.1215
21	8.7937	8.6990	12.1364
22	9.6036	9.5002	13.2542
23	10.4997	10.3866	14.4909
24	11.4953	11.3714	15.8650
25	12.6060	12.4702	17.3979

PROPOSED FHCF 2017 Mobile Home Rates (Not Yet Approved by FHCF Trustees for Use)

Rates are Dollars per \$1000 of Exposure

Coverage Level: 45%

Deductible: \$251 - \$500

ZIP Code Group	Fully Tied Down -- Manufactured		Other than Fully Tied
	<u>Prior to 7/13/94</u>	<u>On or After 7/13/94</u>	<u>Unknown</u>
1	0.2047	0.2025	0.2825
2	0.3837	0.3796	0.5296
3	0.5546	0.5486	0.7654
4	0.7292	0.7214	1.0064
5	0.9081	0.8983	1.2533
6	1.0918	1.0800	1.5068
7	1.2809	1.2671	1.7679
8	1.4764	1.4605	2.0376
9	1.6789	1.6608	2.3171
10	1.8897	1.8693	2.6080
11	2.1099	2.0871	2.9119
12	2.3408	2.3156	3.2306
13	2.5842	2.5563	3.5665
14	2.8418	2.8112	3.9220
15	3.1158	3.0822	4.3002
16	3.4088	3.3721	4.7046
17	3.7236	3.6834	5.1390
18	4.0635	4.0197	5.6082
19	4.4325	4.3847	6.1174
20	4.8350	4.7829	6.6729
21	5.2762	5.2194	7.2819
22	5.7622	5.7001	7.9525
23	6.2998	6.2319	8.6945
24	6.8972	6.8229	9.5190
25	7.5636	7.4821	10.4387

PROPOSED FHCF 2017 Tenants Rates (Not Yet Approved by FHCF Trustees for Use)

Rates are Dollars per \$1000 of Exposure

Coverage Level: 90%

Deductible: \$1 - \$500

ZIP Code				Masonry with Reinforced Concrete		Superior with Reinforced Concrete	Non-MH Default and Unknown
Group	Frame	Masonry Veneer	Masonry	Roof Deck	Superior	Roof Deck	
1	0.0705	0.0643	0.0488	0.0399	0.0318	0.0230	0.0477
2	0.1321	0.1206	0.0915	0.0747	0.0597	0.0432	0.0894
3	0.1909	0.1743	0.1323	0.1080	0.0863	0.0624	0.1292
4	0.2510	0.2291	0.1740	0.1420	0.1134	0.0820	0.1699
5	0.3125	0.2854	0.2166	0.1768	0.1413	0.1022	0.2116
6	0.3757	0.3431	0.2605	0.2125	0.1698	0.1228	0.2544
7	0.4408	0.4025	0.3056	0.2494	0.1992	0.1441	0.2985
8	0.5081	0.4639	0.3522	0.2874	0.2296	0.1661	0.3440
9	0.5778	0.5276	0.4005	0.3268	0.2611	0.1889	0.3912
10	0.6504	0.5938	0.4508	0.3679	0.2939	0.2126	0.4404
11	0.7261	0.6630	0.5033	0.4107	0.3282	0.2374	0.4917
12	0.8056	0.7355	0.5584	0.4557	0.3641	0.2633	0.5455
13	0.8894	0.8120	0.6165	0.5031	0.4019	0.2907	0.6022
14	0.9780	0.8930	0.6780	0.5532	0.4420	0.3197	0.6622
15	1.0723	0.9791	0.7433	0.6065	0.4846	0.3505	0.7261
16	1.1732	1.0711	0.8132	0.6636	0.5302	0.3835	0.7944
17	1.2815	1.1700	0.8883	0.7249	0.5792	0.4189	0.8677
18	1.3985	1.2769	0.9694	0.7910	0.6321	0.4571	0.9469
19	1.5255	1.3928	1.0574	0.8629	0.6894	0.4987	1.0329
20	1.6640	1.5193	1.1535	0.9412	0.7521	0.5439	1.1267
21	1.8158	1.6579	1.2587	1.0271	0.8207	0.5936	1.2295
22	1.9831	1.8106	1.3747	1.1217	0.8963	0.6482	1.3428
23	2.1681	1.9796	1.5029	1.2264	0.9799	0.7087	1.4681
24	2.3737	2.1673	1.6454	1.3427	1.0728	0.7759	1.6073
25	2.6031	2.3767	1.8044	1.4724	1.1765	0.8509	1.7626

PROPOSED FHCF 2017 Tenants Rates (Not Yet Approved by FHCF Trustees for Use)

Rates are Dollars per \$1000 of Exposure

Coverage Level: 75%

Deductible: \$1 - \$500

ZIP Code				Masonry with Reinforced Concrete		Superior with Reinforced Concrete	Non-MH Default and Unknown
Group	Frame	Masonry Veneer	Masonry	Roof Deck	Superior	Roof Deck	
1	0.0587	0.0536	0.0407	0.0332	0.0265	0.0192	0.0398
2	0.1100	0.1005	0.0763	0.0622	0.0497	0.0360	0.0745
3	0.1591	0.1452	0.1103	0.0900	0.0719	0.0520	0.1077
4	0.2091	0.1910	0.1450	0.1183	0.0945	0.0684	0.1416
5	0.2604	0.2378	0.1805	0.1473	0.1177	0.0851	0.1764
6	0.3131	0.2859	0.2171	0.1771	0.1415	0.1024	0.2120
7	0.3674	0.3354	0.2547	0.2078	0.1660	0.1201	0.2488
8	0.4234	0.3866	0.2935	0.2395	0.1914	0.1384	0.2867
9	0.4815	0.4396	0.3338	0.2724	0.2176	0.1574	0.3260
10	0.5420	0.4948	0.3757	0.3066	0.2449	0.1772	0.3670
11	0.6051	0.5525	0.4195	0.3423	0.2735	0.1978	0.4097
12	0.6713	0.6130	0.4654	0.3797	0.3034	0.2194	0.4546
13	0.7411	0.6767	0.5137	0.4192	0.3350	0.2423	0.5018
14	0.8150	0.7441	0.5650	0.4610	0.3683	0.2664	0.5519
15	0.8936	0.8159	0.6194	0.5055	0.4039	0.2921	0.6051
16	0.9776	0.8926	0.6777	0.5530	0.4418	0.3196	0.6620
17	1.0679	0.9750	0.7403	0.6040	0.4826	0.3491	0.7231
18	1.1654	1.0641	0.8078	0.6592	0.5267	0.3810	0.7891
19	1.2712	1.1607	0.8812	0.7190	0.5745	0.4155	0.8608
20	1.3867	1.2661	0.9612	0.7843	0.6267	0.4533	0.9389
21	1.5132	1.3816	1.0489	0.8559	0.6839	0.4946	1.0246
22	1.6526	1.5089	1.1456	0.9348	0.7469	0.5402	1.1190
23	1.8068	1.6496	1.2524	1.0220	0.8166	0.5906	1.2234
24	1.9781	1.8061	1.3712	1.1189	0.8940	0.6466	1.3394
25	2.1692	1.9806	1.5037	1.2270	0.9804	0.7091	1.4688

PROPOSED FHCF 2017 Tenants Rates (Not Yet Approved by FHCF Trustees for Use)

Rates are Dollars per \$1000 of Exposure

Coverage Level: 45%

Deductible: \$1 - \$500

ZIP Code	Masonry with			Superior with		Non-MH Default and Unknown
	Reinforced Concrete	Reinforced Concrete		Reinforced Concrete		
<u>Group</u>	<u>Frame</u>	<u>Masonry Veneer</u>	<u>Masonry</u>	<u>Roof Deck</u>	<u>Superior</u>	
1	0.0352	0.0322	0.0244	0.0199	0.0159	0.0239
2	0.0660	0.0603	0.0458	0.0373	0.0298	0.0447
3	0.0954	0.0871	0.0662	0.0540	0.0431	0.0646
4	0.1255	0.1146	0.0870	0.0710	0.0567	0.0850
5	0.1563	0.1427	0.1083	0.0884	0.0706	0.1058
6	0.1879	0.1715	0.1302	0.1063	0.0849	0.1272
7	0.2204	0.2013	0.1528	0.1247	0.0996	0.1493
8	0.2540	0.2320	0.1761	0.1437	0.1148	0.1720
9	0.2889	0.2638	0.2003	0.1634	0.1306	0.1956
10	0.3252	0.2969	0.2254	0.1839	0.1470	0.2202
11	0.3631	0.3315	0.2517	0.2054	0.1641	0.2458
12	0.4028	0.3678	0.2792	0.2278	0.1820	0.2727
13	0.4447	0.4060	0.3082	0.2515	0.2010	0.3011
14	0.4890	0.4465	0.3390	0.2766	0.2210	0.3311
15	0.5362	0.4895	0.3717	0.3033	0.2423	0.3630
16	0.5866	0.5356	0.4066	0.3318	0.2651	0.3972
17	0.6407	0.5850	0.4442	0.3624	0.2896	0.4339
18	0.6992	0.6384	0.4847	0.3955	0.3160	0.4735
19	0.7627	0.6964	0.5287	0.4314	0.3447	0.5165
20	0.8320	0.7596	0.5767	0.4706	0.3760	0.5634
21	0.9079	0.8290	0.6294	0.5136	0.4103	0.6148
22	0.9915	0.9053	0.6873	0.5609	0.4481	0.6714
23	1.0841	0.9898	0.7515	0.6132	0.4899	0.7340
24	1.1869	1.0836	0.8227	0.6713	0.5364	0.8036
25	1.3015	1.1883	0.9022	0.7362	0.5882	0.8813

PROPOSED FHCF 2017 Condominium Unit Owners Rates (Not Yet Approved by FHCF Trustees for Use)

Rates are Dollars per \$1000 of Exposure

Coverage Level: 90%

Deductible: \$1 - \$500

ZIP Code				Masonry with Reinforced Concrete		Superior with Reinforced Concrete	Non-MH Default and Unknown
Group	Frame	Masonry Veneer	Masonry	Roof Deck	Superior	Roof Deck	
1	0.1283	0.1122	0.0888	0.0606	0.0545	0.0366	0.0925
2	0.2404	0.2103	0.1665	0.1136	0.1022	0.0686	0.1733
3	0.3475	0.3039	0.2406	0.1642	0.1477	0.0991	0.2506
4	0.4569	0.3996	0.3164	0.2159	0.1941	0.1303	0.3295
5	0.5690	0.4976	0.3940	0.2689	0.2418	0.1623	0.4103
6	0.6840	0.5983	0.4737	0.3233	0.2907	0.1951	0.4932
7	0.8025	0.7019	0.5558	0.3793	0.3410	0.2289	0.5787
8	0.9250	0.8090	0.6406	0.4371	0.3931	0.2638	0.6670
9	1.0519	0.9200	0.7285	0.4971	0.4470	0.3000	0.7585
10	1.1839	1.0355	0.8200	0.5595	0.5031	0.3377	0.8537
11	1.3219	1.1562	0.9155	0.6247	0.5617	0.3770	0.9532
12	1.4666	1.2827	1.0157	0.6931	0.6232	0.4183	1.0575
13	1.6190	1.4161	1.1213	0.7652	0.6880	0.4618	1.1675
14	1.7804	1.5573	1.2331	0.8414	0.7566	0.5078	1.2838
15	1.9521	1.7074	1.3520	0.9226	0.8295	0.5568	1.4076
16	2.1357	1.8680	1.4791	1.0093	0.9075	0.6091	1.5400
17	2.3329	2.0405	1.6157	1.1025	0.9913	0.6654	1.6822
18	2.5459	2.2268	1.7632	1.2032	1.0818	0.7261	1.8358
19	2.7771	2.4290	1.9233	1.3124	1.1801	0.7920	2.0025
20	3.0292	2.6495	2.0979	1.4316	1.2872	0.8640	2.1843
21	3.3057	2.8913	2.2894	1.5623	1.4047	0.9428	2.3837
22	3.6101	3.1576	2.5003	1.7062	1.5341	1.0296	2.6032
23	3.9470	3.4522	2.7335	1.8653	1.6772	1.1257	2.8461
24	4.3212	3.7796	2.9927	2.0422	1.8362	1.2325	3.1160
25	4.7388	4.1448	3.2819	2.2395	2.0136	1.3515	3.4170

PROPOSED FHCF 2017 Condominium Unit Owners Rates (Not Yet Approved by FHCF Trustees for Use)

Rates are Dollars per \$1000 of Exposure

Coverage Level: 75%

Deductible: \$1 - \$500

ZIP Code				Masonry with Reinforced Concrete		Superior with Reinforced Concrete	Non-MH Default
Group	Frame	Masonry Veneer	Masonry	Roof Deck	Superior	Roof Deck	and Unknown
1	0.1069	0.0935	0.0740	0.0505	0.0454	0.0305	0.0771
2	0.2003	0.1752	0.1387	0.0947	0.0851	0.0571	0.1445
3	0.2896	0.2533	0.2005	0.1368	0.1230	0.0826	0.2088
4	0.3807	0.3330	0.2637	0.1799	0.1618	0.1086	0.2745
5	0.4741	0.4147	0.3284	0.2241	0.2015	0.1352	0.3419
6	0.5700	0.4986	0.3948	0.2694	0.2422	0.1626	0.4110
7	0.6688	0.5850	0.4632	0.3161	0.2842	0.1907	0.4822
8	0.7708	0.6742	0.5338	0.3643	0.3275	0.2198	0.5558
9	0.8766	0.7667	0.6071	0.4143	0.3725	0.2500	0.6321
10	0.9866	0.8629	0.6833	0.4663	0.4192	0.2814	0.7114
11	1.1016	0.9635	0.7629	0.5206	0.4681	0.3142	0.7943
12	1.2221	1.0689	0.8464	0.5776	0.5193	0.3486	0.8813
13	1.3492	1.1801	0.9344	0.6376	0.5733	0.3848	0.9729
14	1.4837	1.2977	1.0276	0.7012	0.6305	0.4232	1.0699
15	1.6268	1.4229	1.1266	0.7688	0.6913	0.4640	1.1730
16	1.7797	1.5566	1.2326	0.8411	0.7563	0.5076	1.2833
17	1.9441	1.7004	1.3464	0.9188	0.8261	0.5545	1.4018
18	2.1216	1.8556	1.4693	1.0027	0.9015	0.6051	1.5298
19	2.3142	2.0241	1.6027	1.0937	0.9834	0.6600	1.6687
20	2.5244	2.2079	1.7483	1.1930	1.0727	0.7200	1.8203
21	2.7547	2.4094	1.9078	1.3019	1.1706	0.7857	1.9864
22	3.0085	2.6313	2.0835	1.4218	1.2784	0.8580	2.1693
23	3.2892	2.8768	2.2779	1.5545	1.3977	0.9381	2.3717
24	3.6010	3.1496	2.4939	1.7019	1.5302	1.0270	2.5966
25	3.9490	3.4540	2.7349	1.8663	1.6780	1.1263	2.8475

PROPOSED FHCF 2017 Condominium Unit Owners Rates (Not Yet Approved by FHCF Trustees for Use)

Rates are Dollars per \$1000 of Exposure

Coverage Level: 45%

Deductible: \$1 - \$500

ZIP Code				Masonry with Reinforced Concrete		Superior with Reinforced Concrete	Non-MH Default
<u>Group</u>	<u>Frame</u>	<u>Masonry Veneer</u>	<u>Masonry</u>	<u>Roof Deck</u>	<u>Superior</u>	<u>Roof Deck</u>	<u>and Unknown</u>
1	0.0641	0.0561	0.0444	0.0303	0.0273	0.0183	0.0462
2	0.1202	0.1051	0.0832	0.0568	0.0511	0.0343	0.0867
3	0.1737	0.1520	0.1203	0.0821	0.0738	0.0496	0.1253
4	0.2284	0.1998	0.1582	0.1080	0.0971	0.0652	0.1647
5	0.2845	0.2488	0.1970	0.1344	0.1209	0.0811	0.2051
6	0.3420	0.2991	0.2369	0.1616	0.1453	0.0975	0.2466
7	0.4013	0.3510	0.2779	0.1896	0.1705	0.1144	0.2893
8	0.4625	0.4045	0.3203	0.2186	0.1965	0.1319	0.3335
9	0.5259	0.4600	0.3643	0.2486	0.2235	0.1500	0.3792
10	0.5920	0.5178	0.4100	0.2798	0.2515	0.1688	0.4269
11	0.6609	0.5781	0.4577	0.3124	0.2809	0.1885	0.4766
12	0.7333	0.6414	0.5078	0.3466	0.3116	0.2091	0.5288
13	0.8095	0.7080	0.5606	0.3826	0.3440	0.2309	0.5837
14	0.8902	0.7786	0.6165	0.4207	0.3783	0.2539	0.6419
15	0.9761	0.8537	0.6760	0.4613	0.4148	0.2784	0.7038
16	1.0678	0.9340	0.7395	0.5047	0.4538	0.3046	0.7700
17	1.1665	1.0202	0.8078	0.5513	0.4957	0.3327	0.8411
18	1.2729	1.1134	0.8816	0.6016	0.5409	0.3631	0.9179
19	1.3885	1.2145	0.9616	0.6562	0.5900	0.3960	1.0012
20	1.5146	1.3248	1.0490	0.7158	0.6436	0.4320	1.0922
21	1.6528	1.4457	1.1447	0.7811	0.7023	0.4714	1.1918
22	1.8051	1.5788	1.2501	0.8531	0.7670	0.5148	1.3016
23	1.9735	1.7261	1.3668	0.9327	0.8386	0.5629	1.4230
24	2.1606	1.8898	1.4964	1.0211	0.9181	0.6162	1.5580
25	2.3694	2.0724	1.6409	1.1198	1.0068	0.6758	1.7085

Florida Hurricane Catastrophe Fund

2017 Ratemaking Formula Report

Windstorm Mitigation Construction Rating Classification Factors

To Calculate the Final FHCF Rate for a risk:

Preliminary factor = (year built factor) x (roof shape factor) x (opening protection factor)

Capped factor = Preliminary Factor*

Final rate = (Base rate) x (Capped factor) x (On balance factor)

**Capped factor = 100% of Preliminary Factor (i.e. no cap in current factors)*

Rating Factor	Description	Type of Business				
		Commercial	Residential	Mobile Home	Tenants	Condos
Year Built	2012 or later	0.3813	0.4271	1.0000	0.4475	0.4311
	2002 - 2011	0.4044	0.4586	1.0000	0.4764	0.4559
	1995-2001	0.6206	0.7238	1.0000	0.7396	0.7159
	1994 or Earlier	1.2546	1.4012	1.0000	1.3984	1.3346
	Unknown or Mobile Home	1.0356	1.0190	1.0000	1.0429	1.0150
Roof Shape	Hip, Mansard, or Pyramid	0.8592	0.8389	1.0000	0.7845	0.8040
	Gable, Other or Unknown	1.0402	1.1131	1.0000	1.0128	1.0383
Opening Protection	Structure Opening Protection**	0.8148	0.8405	1.0000	0.7455	0.7892
	No Structure Opening Protection	1.0625	1.0851	1.0000	1.0082	1.1021
On Balance Factor		0.9758	0.9680	1.0000	0.9958	0.9847

**Structure Opening Protection Credit requires that primary policy has structure opening protection credit.

EXHIBIT

XV

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2016 FHCF Exposure and Risks as of 11/10/16

Total Exposure (\$)						
2017 FHCF Rating Region	Commercial	Residential	Mobile Home	Tenants	Condominium- Owners	Total
1	4,373,754,732	199,504,358,705	4,740,855,326	3,092,564,643	2,627,833,345	214,339,366,751
2	904,670,068	73,337,554,114	1,827,337,124	746,923,229	1,288,526,822	78,105,011,357
3	6,577,481,237	232,968,152,868	3,762,877,677	3,431,935,697	4,061,598,726	250,802,046,205
4	6,908,926,310	263,647,154,182	3,998,298,253	3,631,030,619	3,716,722,961	281,902,132,325
5	3,894,866,377	113,897,216,971	4,022,801,977	1,324,863,352	2,648,536,078	125,788,284,755
6	5,213,898,512	101,130,377,183	1,685,868,427	1,335,769,328	3,321,072,493	112,686,985,943
7	8,161,770,653	100,059,320,994	2,073,995,518	1,336,414,403	5,243,002,628	116,874,504,196
8	7,892,466,124	82,895,188,661	533,347,995	1,090,943,971	5,442,156,895	97,854,103,646
9	6,511,264,969	68,292,770,757	682,005,988	940,753,653	4,550,998,438	80,977,793,805
10	6,378,020,397	81,559,883,091	308,552,698	988,614,698	4,814,712,488	94,049,783,372
11	20,313,988,597	119,305,405,868	775,924,010	1,775,811,224	10,361,198,216	152,532,327,915
12	10,074,542,279	83,039,584,686	246,402,506	1,063,718,424	5,187,722,891	99,611,970,786
13	16,328,834,698	76,487,078,528	629,178,619	914,775,062	6,565,545,110	100,925,412,017
14	7,057,526,062	47,313,417,739	253,005,890	487,628,902	3,769,493,070	58,881,071,663
15	4,328,499,224	34,578,074,427	78,553,496	429,841,918	2,906,964,575	42,321,933,640
16	3,231,547,350	23,308,799,696	81,866,911	242,496,120	1,949,497,097	28,814,207,174
17	1,989,776,463	15,151,928,161	70,804,947	188,942,555	586,732,197	17,988,184,323
18	6,144,000,187	39,416,016,339	81,939,427	484,555,982	3,385,181,231	49,511,693,166
19	4,852,343,279	19,109,063,807	8,483,332	461,794,172	3,521,562,450	27,953,247,040
20	3,981,741,748	11,174,277,781	13,699,709	359,604,993	2,444,853,382	17,974,177,613
21	8,486,012,948	15,734,711,017	51,715,811	376,714,682	4,604,590,663	29,253,745,121
22	6,391,461,446	8,533,751,411	-	327,255,851	3,880,059,504	19,132,528,212
23	4,624,464,971	3,599,189,716	-	145,861,460	2,677,550,257	11,047,066,404
24	4,832,092,490	7,129,718,735	25,854,929	185,212,920	2,550,668,650	14,723,547,724
25	2,290,679,908	1,940,733,334	6,666,069	47,578,525	1,281,754,776	5,567,412,612
Total	\$161,744,631,029	\$1,823,113,728,771	\$25,960,036,639	\$25,411,606,383	\$93,388,534,943	\$2,129,618,537,765
1-5	\$22,659,698,724	\$883,354,436,840	\$18,352,170,357	\$12,227,317,540	\$14,343,217,932	\$950,936,841,393
6-10	\$34,157,420,655	\$433,937,540,686	\$5,283,770,626	\$5,692,496,053	\$23,371,942,942	\$502,443,170,962
11-15	\$58,103,390,860	\$360,723,561,248	\$1,983,064,521	\$4,671,775,530	\$28,790,923,862	\$454,272,716,021
16-20	\$20,199,409,027	\$108,160,085,784	\$256,794,326	\$1,737,393,822	\$11,887,826,357	\$142,241,509,316
21-25	\$26,624,711,763	\$36,938,104,213	\$84,236,809	\$1,082,623,438	\$14,994,623,850	\$79,724,300,073
% of Total within Type of Business						
1-5	14.0%	48.5%	70.7%	48.1%	15.4%	44.7%
6-10	21.1%	23.8%	20.4%	22.4%	25.0%	23.6%
11-15	35.9%	19.8%	7.6%	18.4%	30.8%	21.3%
16-20	12.5%	5.9%	1.0%	6.8%	12.7%	6.7%
21-25	16.5%	2.0%	0.3%	4.3%	16.1%	3.7%
% of Total within Territory						
Total	7.6%	85.6%	1.2%	1.2%	4.4%	100.0%
1-5	2.4%	92.9%	1.9%	1.3%	1.5%	100.0%
6-10	6.8%	86.4%	1.1%	1.1%	4.7%	100.0%
11-15	12.8%	79.4%	0.4%	1.0%	6.3%	100.0%
16-20	14.2%	76.0%	0.2%	1.2%	8.4%	100.0%
21-25	33.4%	46.3%	0.1%	1.4%	18.8%	100.0%

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2016 FHCF Exposure and Risks as of 11/10/16

2017 FHCF Rating Region	Total Risks					
	Commercial	Residential	Mobile Home	Tenants	Condominium- Owners	Total
1	4,215	500,480	60,096	120,060	25,075	709,926
2	1,147	183,325	23,804	25,043	10,239	243,558
3	6,704	559,246	45,907	133,663	38,697	784,217
4	8,385	626,776	50,305	143,367	36,971	865,804
5	7,378	315,096	49,352	53,002	28,030	452,858
6	7,683	265,848	23,774	54,474	34,763	386,542
7	9,554	249,491	27,563	55,299	51,597	393,504
8	9,904	214,796	8,862	42,150	55,234	330,946
9	8,944	164,522	10,844	34,848	39,664	258,822
10	8,056	173,027	4,899	35,698	42,448	264,128
11	19,137	258,883	9,908	67,723	111,165	466,816
12	9,881	173,539	3,373	39,320	55,991	282,104
13	13,228	192,947	7,627	36,808	75,924	326,534
14	7,312	144,137	3,918	19,370	32,839	207,576
15	5,043	83,504	1,379	14,371	20,121	124,418
16	3,210	43,278	1,274	5,821	15,082	68,665
17	2,357	36,823	1,084	7,464	7,697	55,425
18	4,675	83,604	1,504	15,121	29,443	134,347
19	4,100	34,726	126	14,770	25,792	79,514
20	2,520	22,776	387	10,692	15,390	51,765
21	3,191	19,762	905	10,191	30,685	64,734
22	2,460	13,496	-	8,130	23,621	47,707
23	973	4,154	-	3,746	13,591	22,464
24	2,118	7,780	643	4,622	13,121	28,284
25	336	2,323	156	729	2,564	6,108
Total	152,511	4,374,339	337,690	956,482	835,744	6,656,766
1-5	27,829	2,184,923	229,464	475,135	139,012	3,056,363
6-10	44,141	1,067,684	75,942	222,469	223,706	1,633,942
11-15	54,601	853,010	26,205	177,592	296,040	1,407,448
16-20	16,862	221,207	4,375	53,868	93,404	389,716
21-25	9,078	47,515	1,704	27,418	83,582	169,297
% of Total within Type of Business						
1-5	18.2%	49.9%	68.0%	49.7%	16.6%	45.9%
6-10	28.9%	24.4%	22.5%	23.3%	26.8%	24.5%
11-15	35.8%	19.5%	7.8%	18.6%	35.4%	21.1%
16-20	11.1%	5.1%	1.3%	5.6%	11.2%	5.9%
21-25	6.0%	1.1%	0.5%	2.9%	10.0%	2.5%
% of Total within Territory						
Total	2.3%	65.7%	5.1%	14.4%	12.6%	100.0%
1-5	0.9%	71.5%	7.5%	15.5%	4.5%	100.0%
6-10	2.7%	65.3%	4.6%	13.6%	13.7%	100.0%
11-15	3.9%	60.6%	1.9%	12.6%	21.0%	100.0%
16-20	4.3%	56.8%	1.1%	13.8%	24.0%	100.0%
21-25	5.4%	28.1%	1.0%	16.2%	49.4%	100.0%

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
2016 FHCF Exposure and Risks as of 11/10/16

2017 FHCF Rating Region	Averages				
	Commercial	Residential	Mobile Home	Tenants	Condominium- Owners
1	1,037,664	398,626	78,888	25,758	104,799
2	788,727	400,041	76,766	29,826	125,845
3	981,128	416,575	81,967	25,676	104,959
4	823,963	420,640	79,481	25,327	100,531
5	527,903	361,468	81,512	24,996	94,489
6	678,628	380,407	70,912	24,521	95,535
7	854,278	401,054	75,246	24,167	101,614
8	796,897	385,925	60,184	25,882	98,529
9	728,004	415,098	62,892	26,996	114,739
10	791,711	471,371	62,983	27,694	113,426
11	1,061,503	460,847	78,313	26,222	93,206
12	1,019,587	478,507	73,051	27,053	92,653
13	1,234,414	396,415	82,494	24,853	86,475
14	965,198	328,253	64,575	25,174	114,787
15	858,318	414,089	56,964	29,910	144,474
16	1,006,713	538,583	64,260	41,659	129,260
17	844,199	411,480	65,318	25,314	76,229
18	1,314,225	471,461	54,481	32,045	114,974
19	1,183,498	550,281	67,328	31,266	136,537
20	1,580,056	490,616	35,400	33,633	158,860
21	2,659,358	796,210	57,145	36,965	150,060
22	2,598,155	632,317	-	40,253	164,263
23	4,752,790	866,440	-	38,938	197,009
24	2,281,441	916,416	40,210	40,072	194,396
25	6,817,500	835,443	42,731	65,265	499,904
Total	\$1,060,544	\$416,775	\$76,875	\$26,568	\$111,743
1-5	\$814,248	\$404,295	\$79,978	\$25,734	\$103,180
6-10	\$773,825	\$406,429	\$69,576	\$25,588	\$104,476
11-15	\$1,064,145	\$422,883	\$75,675	\$26,306	\$97,253
16-20	\$1,197,925	\$488,954	\$58,696	\$32,253	\$127,273
21-25	\$2,932,883	\$777,399	\$49,435	\$39,486	\$179,400

EXHIBIT

XVI

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report Valid Zip Codes
2017 Residential Masonry Base Premium (2% Deductible) Comparison
Prior to Application of Premium Credits/Surcharges

% Change in Rates

Maximum Decrease -14.76%
Maximum Increase 10.97%

Threshold From To		Count of ZIP Codes	Percentage of Zip Codes in Group	Residential Exposure (in 000's)	Percentage of Res Exposure in Group	Residential Exposure Risk Counts (Houses)	Percentage of Risk Counts in Group
Less Than	-15%	0	0.00%	-	0.00%	-	0.00%
-15%	-10%	22	1.50%	18,497,847	1.14%	31,860	0.84%
-10%	-5%	171	11.69%	128,176,473	7.87%	262,944	6.90%
-5%	0%	444	30.35%	462,949,213	28.44%	1,081,489	28.36%
0%	5%	83	5.67%	128,918,804	7.92%	289,516	7.59%
5%	10%	329	22.49%	328,880,608	20.20%	813,704	21.34%
10%	15%	414	28.30%	560,616,563	34.44%	1,333,663	34.98%
Greater Than	15%	0	0.00%	-	0.00%	-	0.00%
New ZIP Codes in 2017		1463	100.00%	1,628,039,508	100.00%	3,813,176	100.00%
		0	0.00%	-	0.00%	-	0.00%
		1463	100.00%	1,628,039,508	100.00%	3,813,176	100.00%

\$ Change in Rates

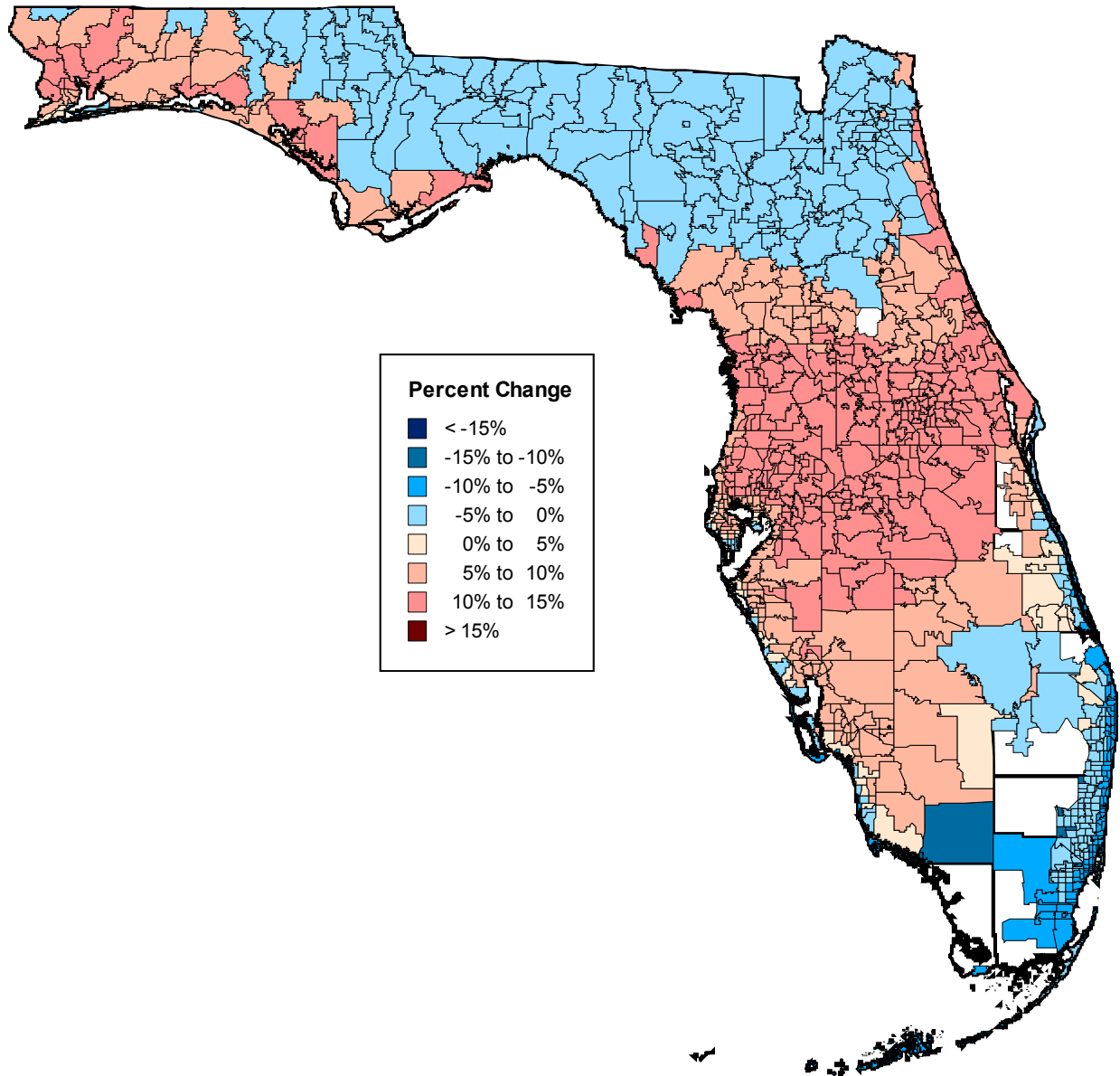
Maximum Decrease (\$153.60)
Maximum Increase \$31.01

Premium Threshold* From To		Count of ZIP Codes	Percentage of Zip Codes in Group	Residential Exposure (in 000's)	Percentage of Res Exposure in Group	Residential Exposure Risk Counts (Houses)	Percentage of Risk Counts in Group
-\$100	-\$80	1	0.07%	22,608	0.00%	64	0.00%
-\$80	-\$40	136	9.30%	99,476,686	6.11%	192,309	5.04%
-\$40	-\$10	159	10.87%	156,487,238	9.61%	383,823	10.07%
-\$10	\$0	337	23.03%	353,637,001	21.72%	800,097	20.98%
\$0	\$10	313	21.39%	406,989,904	25.00%	939,508	24.64%
\$10	\$20	508	34.72%	611,305,768	37.55%	1,496,896	39.26%
\$20	\$30	4	0.27%	120,302	0.01%	479	0.01%
\$30	\$40	5	0.34%	-	0.00%	-	0.00%
New ZIP Codes in 2017		1463	100.00%	1,628,039,508	100.00%	3,813,176	100.00%
		0	0.00%	-	0.00%	-	0.00%
		1463	100.00%	1,628,039,508	100.00%	3,813,176	100.00%

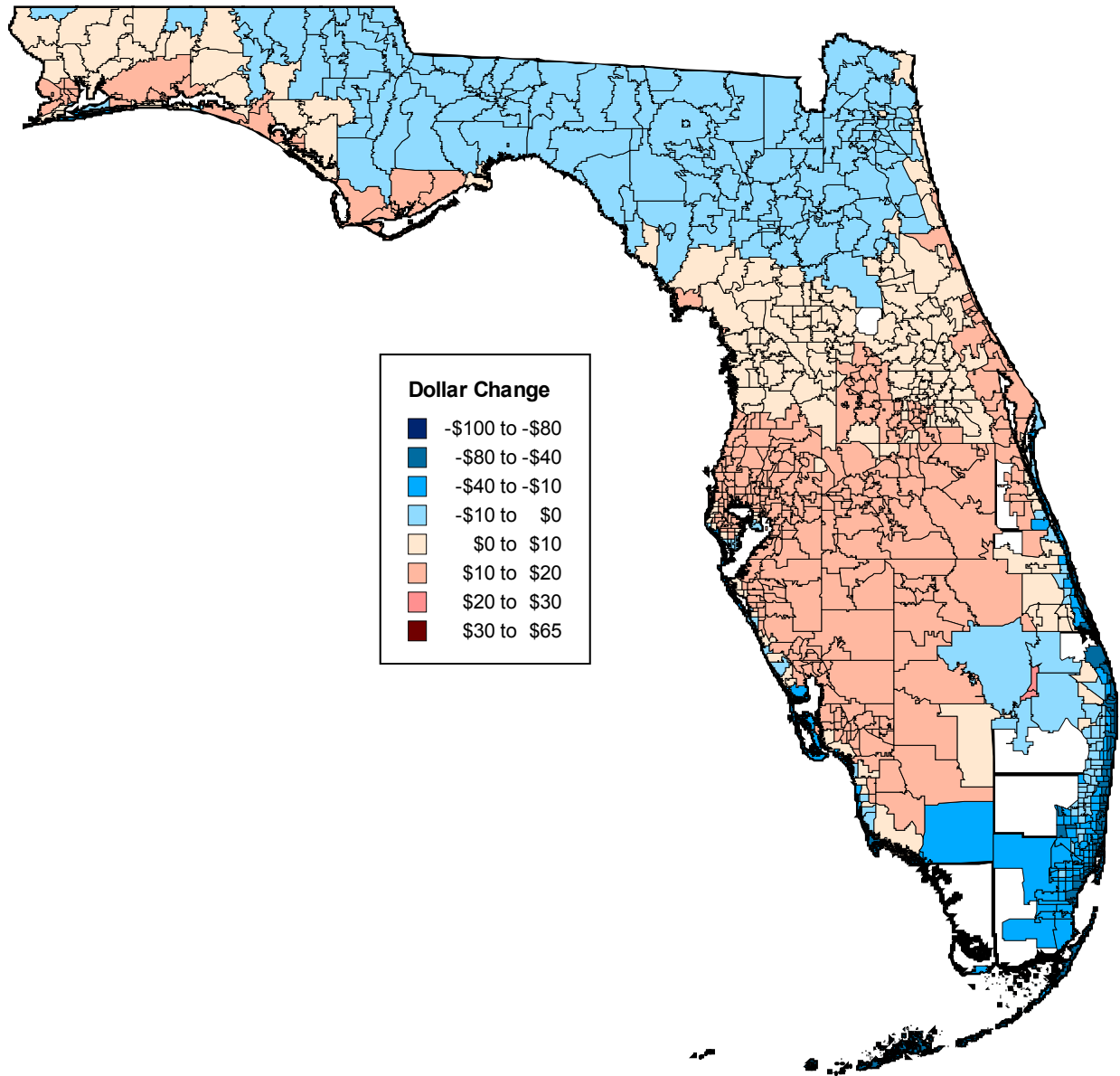
***Exposure Assumptions**

Coverages: \$ 251 Building Value
(in thousands) \$ 25 Appurtenant Structures
 \$ 126 Contents
 \$ 25 Additional Living Expense
 \$ 427 FHCF Exposure

Florida Hurricane Catastrophe Fund
Proposed 2017 Percentage Rate Change by 5-Digit ZIP Code
Entire State



Florida Hurricane Catastrophe Fund
Proposed 2017 Dollar Rate Change by 5-Digit ZIP Code
Entire State



EXHIBIT

XVII

Florida Hurricane Catastrophe Fund
2017 Ratemaking Premium Formula Report
Exhibit XVII - Risk Transfer Options Formula

The rates presented in this report include a loading for the cost of risk transfer for the \$1 billion excess of \$11 billion layer, assuming reinsurance premium equal to the 2016 initial premium of \$63.5 million. Should the FHCF enter into a different risk transfer arrangement, the impact of the cost shall be determined, and the 2017-2018 FHCF premium rates and factors would be accordingly adjusted, by using the formula specified in this Exhibit.

The estimates for FHCF loss credits are based on the average of the AIR and RMS data distributions in Exhibit VIII. Exhibit XVII is based on the same loss severity distribution and displays probability of exceedance for specific FHCF layers with the adjustments to the FHCF loss layer level prior to fixed expenses. These values are used to illustrate a range of potential risk transfer structures and costs on page 3 of this Exhibit. Revised factors are presented on pages 4 -5 of this Exhibit.

To adjust the FHCF premium/rates to account for the impact of a future risk transfer arrangement, if any, the rates presented in this 2017 Ratemaking Formula Report would be adjusted by a Risk Transfer Adjustment Factor (RTAF):

$$\text{Amended FHCF Rate} = \text{Original FHCF Rate} \times \text{RTAF}$$

The details of the formula calculation are provided below.

Definitions

1. Amended FHCF Rate: Original FHCF Rate x RTAF
2. Amended FHCF Rate Change: FHCF Current Rate Change x RTAF
3. Amended FHCF Projected Payout Multiple: FHCF Current Projected Payout Multiple/RTAF
4. Amended FHCF Retention Multiple: FHCF Current Retention Multiple/RTAF
5. AP = Amended FHCF Premium: OP x RTAF
6. CBF: Cash Build-up Factor [25% for the 2017 Contract Year]
7. ELC: Expected Loss Credit
8. NRCP: Net Risk Transfer Cost Premium = $(\text{RTC} - (\text{ELC} \times (1 + \text{CBF})))$
9. OP = Original FHCF Premium: \$1,175,527,672 for the 2017 Contract Year [Exh. II, line 73]
10. ONRCP: = Original Net Risk Transfer Cost Premium = Reinsurance [Exh. II, line 45a] – (ceded loss and lae [Exh. II, line 21] x (1+CBF)) = \$63,500,000 – (\$25,664,945 x 1.25) = \$31,418,819
11. RTAF = $(\text{OP} - \text{ONRCP} + \text{NRCP}) / \text{OP}$
12. RTC: Risk Transfer Costs

Calculation of the Expected Loss Credit (ELC)

The ELC is calculated, based on the Modeled Adjusted Loss Severity Distributions in Exhibit XVII, as $ELC = ((P(LA) + P(LE)/2)) \times (LE - LA) \times TUP$, whereas:

1. LA : Layer Attachment
2. LE : Layer Exhaustion
3. P(LA) : probability of exceedance for Layer Attachment
4. P(LE) : probability of exceedance for Layer Exhaustion
5. TUP: True Up Factor = FHCF Losses Prior to special adjustments and expenses (Exh. II, Line 19) / Exh. XVII total expected losses (no LAE, Adj.) = $862,939,083 / 793,466,879 = 1.08755526632$

Example of RTAF Calculation

Risk Transfer of \$500 million excess of \$12.5 billion purchased for 5% Rate on Line (\$25 million)

- $RTC = 25,000,000$
- Layer Attachment: \$12,500,000,000, $P(LA) = 2.20625\%$
- Layer Exhaustion: \$13,000,000,000, $P(LE) = 2.02675\%$
- $ELC = ((.0220625 + .0202675)/2) \times (13,000,000,000 - 12,500,000,000) \times 1.08755526632 = 11,509,054$
- $NRCP = 25,000,000 - (11,509,054 \times 1.25) = 10,613,683$

$$RTAF = (1,175,527,672 - 31,418,819 + 10,613,683) / 1,175,527,672 = 0.98230145$$

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
Expected Loss and Premium by Layer
Based on Avg. (AIR, RMS) 2016 Trended Zip Code Loss Data and 2017 Per Company Estimated Limits and Retentions

Aggregate FHCFLoss Level	Return Time	Prob(Exceed)	Expected Loss Company Ret, Lim	Adjust to Total Gross Loss and LAE (Expected Loss Credits)
0	3.5	28.66325%	2,480,212	2,697,368
10,000,000	4.8	20.94100%	17,342,550	18,860,982
100,000,000	5.7	17.59800%	24,832,312	27,006,512
250,000,000	6.4	15.51175%	36,381,250	39,566,620
500,000,000	7.4	13.59325%	62,333,750	67,791,398
1,000,000,000	8.8	11.34025%	101,053,750	109,901,538
2,000,000,000	11.3	8.87050%	81,237,500	88,350,271
3,000,000,000	13.6	7.37700%	68,903,750	74,936,636
4,000,000,000	15.6	6.40375%	60,432,500	65,723,684
5,000,000,000	17.6	5.68275%	53,572,500	58,263,055
6,000,000,000	19.9	5.03175%	47,548,750	51,711,893
7,000,000,000	22.3	4.47800%	41,826,250	45,488,358
8,000,000,000	25.7	3.88725%	36,853,750	40,080,490
9,000,000,000	28.7	3.48350%	32,831,250	35,705,799
10,000,000,000	32.4	3.08275%	14,901,250	16,205,933
10,500,000,000	34.7	2.87775%	13,968,125	15,191,108
11,000,000,000	36.9	2.70950%	13,065,625	14,209,589
11,500,000,000	39.7	2.51675%	12,187,500	13,254,580
12,000,000,000	42.4	2.35825%	11,411,250	12,410,365
12,500,000,000	45.3	2.20625%	10,582,500	11,509,054
13,000,000,000	49.3	2.02675%	9,719,375	10,570,357
13,500,000,000	53.7	1.86100%	8,773,125	9,541,258
14,000,000,000	60.7	1.64825%	7,890,000	8,580,811
14,500,000,000	66.3	1.50775%	7,048,750	7,665,905
15,000,000,000	76.2	1.31175%	6,028,750	6,556,599
15,500,000,000	90.9	1.09975%	2,619,375	2,848,715
15,750,000,000	100.4	0.99575%	2,359,375	2,565,951
16,000,000,000	112.1	0.89175%	2,072,813	2,254,298
16,250,000,000	130.5	0.76650%	3,208,529	3,489,452
16,999,000,000	1,108.0	0.09025%	463	503
17,000,000,000	44,444.4	0.00225%		
Total			793,466,879	862,939,083
True Up Factor				1.08755526632
Average AIR,RMS special study expected Loss			792,173,494	

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
Risk Transfer Estimated Cost and Rate Impact
Based on Avg. (AIR, RMS) 2016 Trended Zip Code Loss Data and 2017 Per Company Estimated Limits and Retentions

Aggregate

Reinsurance Attachment	\$10,500,000,000	Limit	\$17,000,000,000	Projected Payout Multiple	14.8587
FHCF Premium with Cash Build Up	\$1,144,108,853	Retention	\$7,029,000,000	Retention Multiple 100%	4.5972
Cash Build Up Factor	25%	Coverage %	74.829%	Retention Multiple 90%	5.1080
				Retention Multiple 75%	6.1296
Rate Change	-2.29%	2016 Model Net Rein	\$32,945,591	Retention Multiple 45%	10.2160
Risk Transfer Premiums Gross Limit	Expected Loss Credit	Risk Transfer Rate on Line			
		4.00%	4.50%	5.00%	5.50%
\$500,000,000	\$15,191,108	\$20,000,000	\$22,500,000	\$25,000,000	\$27,500,000
\$1,000,000,000	\$29,400,697	\$40,000,000	\$45,000,000	\$50,000,000	\$55,000,000
\$1,500,000,000	\$42,655,277	\$60,000,000	\$67,500,000	\$75,000,000	\$82,500,000
\$2,000,000,000	\$55,065,642	\$80,000,000	\$90,000,000	\$100,000,000	\$110,000,000
				\$120,000,000	\$130,000,000
				\$140,000,000	\$150,000,000
				\$160,000,000	
Risk Transfer Dollar Impact on Premiums Limit	Expected Loss Credit	Net Risk Transfer Cost Premium			
		4.00%	4.50%	5.00%	5.50%
\$500,000,000	\$15,191,108	\$1,011,115	\$3,511,115	\$6,011,115	\$8,511,115
\$1,000,000,000	\$29,400,697	\$3,249,129	\$8,249,129	\$13,249,129	\$18,249,129
\$1,500,000,000	\$42,655,277	\$6,680,904	\$14,180,904	\$21,680,904	\$29,180,904
\$2,000,000,000	\$55,065,642	\$11,167,947	\$21,167,947	\$31,167,947	\$41,167,947
				\$51,167,947	\$61,167,947
				\$71,167,947	\$81,167,947
				\$91,167,947	
Risk Transfer % Impact on Rates Limit	Expected Loss Credit	FHCF Rate Impact			
		4.00%	4.50%	5.00%	5.50%
\$500,000,000	\$15,191,108	0.1%	0.3%	0.5%	0.7%
\$1,000,000,000	\$29,400,697	0.3%	0.7%	1.2%	1.6%
\$1,500,000,000	\$42,655,277	0.6%	1.2%	1.9%	2.6%
\$2,000,000,000	\$55,065,642	1.0%	1.9%	2.7%	3.6%
				4.5%	5.3%
				6.2%	7.1%
				8.0%	
Risk Transfer: Revised Rate Change Limit	Expected Loss Credit	FHCF Revised Rate Change			
		4.00%	4.50%	5.00%	5.50%
\$500,000,000	\$15,191,108	-2.20%	-1.99%	-1.78%	-1.56%
\$1,000,000,000	\$29,400,697	-2.01%	-1.59%	-1.16%	-0.73%
\$1,500,000,000	\$42,655,277	-1.72%	-1.08%	-0.44%	0.20%
\$2,000,000,000	\$55,065,642	-1.34%	-0.48%	0.37%	1.23%
				2.08%	2.93%
				3.79%	4.64%
				5.50%	
Projected Payout Multiple Limit	Expected Loss Credit	Revised Payout Multiples			
		4.00%	4.50%	5.00%	5.50%
\$500,000,000		14.8456	14.8133	14.7811	14.7490
\$1,000,000,000		14.8166	14.7524	14.6886	14.6254
\$1,500,000,000		14.7725	14.6768	14.5824	14.4892
\$2,000,000,000		14.7151	14.5888	14.4647	14.3426
				14.2226	14.1046
				13.9886	13.8744
				13.7621	
Retention Multiple 90% Limit	Expected Loss Credit	Revised Retention Multiple 90%			
		4.00%	4.50%	5.00%	5.50%
\$500,000,000		5.1035	5.0924	5.0813	5.0703
\$1,000,000,000		5.0935	5.0714	5.0495	5.0278
\$1,500,000,000		5.0784	5.0455	5.0130	4.9810
\$2,000,000,000		5.0586	5.0152	4.9725	4.9306
				4.8893	4.8488
				4.8089	4.7696
				4.7310	
Retention Multiple 75% Limit	Expected Loss Credit	Revised Retention Multiple 75%			
		4.00%	4.50%	5.00%	5.50%
\$500,000,000		6.1242	6.1109	6.0976	6.0843
\$1,000,000,000		6.1123	6.0857	6.0594	6.0334
\$1,500,000,000		6.0940	6.0546	6.0156	5.9772
\$2,000,000,000		6.0704	6.0183	5.9671	5.9167
				5.8672	5.8185
				5.7707	5.7236
				5.6772	
Retention Multiple 45% Limit	Expected Loss Credit	Revised Retention Multiple 45%			
		4.00%	4.50%	5.00%	5.50%
\$500,000,000		10.2070	10.1848	10.1626	10.1406
\$1,000,000,000		10.1871	10.1429	10.0991	10.0556
\$1,500,000,000		10.1567	10.0909	10.0260	9.9619
\$2,000,000,000		10.1173	10.0304	9.9451	9.8612
				9.7787	9.6976
				9.6178	9.5393
				9.4620	

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
Risk Transfer Estimated Cost and Rate Impact
Based on Avg. (AIR, RMS) 2016 Trended Zip Code Loss Data and 2017 Per Company Estimated Limits and Retentions

Aggregate

Reinsurance Attachment	\$11,500,000,000	Limit	\$17,000,000,000	Projected Payout Multiple	14.8587						
FHCF Premium with Cash Build Up	\$1,144,108,853	Retention	\$7,029,000,000	Retention Multiple 100%	4.5972						
Cash Build Up Factor	25%	Coverage %	74.829%	Retention Multiple 90%	5.1080						
				Retention Multiple 75%	6.1296						
Rate Change	-2.29%			Retention Multiple 45%	10.2160						
Risk Transfer Premiums Gross		Risk Transfer Rate on Line									
Limit	Expected Loss Credit	4.00%	4.50%	5.00%	5.50%	6.00%	6.50%	7.00%	7.50%	8.00%	
	\$500,000,000	\$13,254,580	\$20,000,000	\$22,500,000	\$25,000,000	\$27,500,000	\$30,000,000	\$32,500,000	\$35,000,000	\$37,500,000	\$40,000,000
	\$1,000,000,000	\$25,664,945	\$40,000,000	\$45,000,000	\$50,000,000	\$55,000,000	\$60,000,000	\$65,000,000	\$70,000,000	\$75,000,000	\$80,000,000
	\$1,500,000,000	\$37,173,998	\$60,000,000	\$67,500,000	\$75,000,000	\$82,500,000	\$90,000,000	\$97,500,000	\$105,000,000	\$112,500,000	\$120,000,000
	\$2,000,000,000	\$47,744,356	\$80,000,000	\$90,000,000	\$100,000,000	\$110,000,000	\$120,000,000	\$130,000,000	\$140,000,000	\$150,000,000	\$160,000,000
Risk Transfer Dollar Impact on Premiums		Net Risk Transfer Cost Premium									
Limit	Expected Loss Credit	4.00%	4.50%	5.00%	5.50%	6.00%	6.50%	7.00%	7.50%	8.00%	
	\$500,000,000	\$13,254,580	\$3,431,775	\$5,931,775	\$8,431,775	\$10,931,775	\$13,431,775	\$15,931,775	\$18,431,775	\$20,931,775	\$23,431,775
	\$1,000,000,000	\$25,664,945	\$7,918,819	\$12,918,819	\$17,918,819	\$22,918,819	\$27,918,819	\$32,918,819	\$37,918,819	\$42,918,819	\$47,918,819
	\$1,500,000,000	\$37,173,998	\$13,532,502	\$21,032,502	\$28,532,502	\$36,032,502	\$43,532,502	\$51,032,502	\$58,532,502	\$66,032,502	\$73,532,502
	\$2,000,000,000	\$47,744,356	\$20,319,555	\$30,319,555	\$40,319,555	\$50,319,555	\$60,319,555	\$70,319,555	\$80,319,555	\$90,319,555	\$100,319,555
Risk Transfer % Impact on Rates		FHCF Rate Impact									
Limit	Expected Loss Credit	4.00%	4.50%	5.00%	5.50%	6.00%	6.50%	7.00%	7.50%	8.00%	
	\$500,000,000	\$13,254,580	0.3%	0.5%	0.7%	1.0%	1.2%	1.4%	1.6%	1.8%	2.0%
	\$1,000,000,000	\$25,664,945	0.7%	1.1%	1.6%	2.0%	2.4%	2.9%	3.3%	3.751%	4.2%
	\$1,500,000,000	\$37,173,998	1.2%	1.8%	2.5%	3.1%	3.8%	4.5%	5.1%	5.8%	6.4%
	\$2,000,000,000	\$47,744,356	1.8%	2.7%	3.5%	4.4%	5.3%	6.1%	7.0%	7.9%	8.8%
Risk Transfer: Revised Rate Change		FHCF Revised Rate Change									
Limit	Expected Loss Credit	4.00%	4.50%	5.00%	5.50%	6.00%	6.50%	7.00%	7.50%	8.00%	
	\$500,000,000	\$13,254,580	-2.00%	-1.78%	-1.57%	-1.36%	-1.14%	-0.93%	-0.72%	-0.50%	-0.29%
	\$1,000,000,000	\$25,664,945	-1.61%	-1.19%	-0.76%	-0.33%	0.09%	0.52%	0.95%	1.38%	1.80%
	\$1,500,000,000	\$37,173,998	-1.13%	-0.49%	0.15%	0.79%	1.43%	2.07%	2.71%	3.35%	3.99%
	\$2,000,000,000	\$47,744,356	-0.56%	0.30%	1.15%	2.01%	2.86%	3.72%	4.57%	5.42%	6.28%
Projected Payout Multiple		Revised Payout Multiples									
Limit		4.00%	4.50%	5.00%	5.50%	6.00%	6.50%	7.00%	7.50%	8.00%	
	\$500,000,000	14.8143	14.7821	14.7500	14.7181	14.6863	14.6547	14.6231	14.5918	14.5605	
	\$1,000,000,000	14.7566	14.6928	14.6296	14.5669	14.5048	14.4432	14.3821	14.3215	14.2614	
	\$1,500,000,000	14.6850	14.5905	14.4972	14.4051	14.3141	14.2243	14.1356	14.0479	13.9614	
	\$2,000,000,000	14.5994	14.4751	14.3529	14.2327	14.1146	13.9984	13.8840	13.7716	13.6609	
Retention Multiple 90%		Revised Retention Multiple 90%									
Limit		4.00%	4.50%	5.00%	5.50%	6.00%	6.50%	7.00%	7.50%	8.00%	
	\$500,000,000	5.0927	5.0817	5.0706	5.0597	5.0487	5.0379	5.0270	5.0162	5.0055	
	\$1,000,000,000	5.0729	5.0510	5.0292	5.0077	4.9863	4.9651	4.9441	4.9233	4.9027	
	\$1,500,000,000	5.0483	5.0158	4.9837	4.9520	4.9208	4.8899	4.8594	4.8293	4.7995	
	\$2,000,000,000	5.0189	4.9761	4.9341	4.8928	4.8522	4.8122	4.7729	4.7343	4.6962	
Retention Multiple 75%		Revised Retention Multiple 75%									
Limit		4.00%	4.50%	5.00%	5.50%	6.00%	6.50%	7.00%	7.50%	8.00%	
	\$500,000,000	6.1113	6.0980	6.0848	6.0716	6.0585	6.0454	6.0324	6.0195	6.0066	
	\$1,000,000,000	6.0875	6.0612	6.0351	6.0092	5.9836	5.9582	5.9330	5.9080	5.8832	
	\$1,500,000,000	6.0580	6.0190	5.9805	5.9425	5.9049	5.8679	5.8313	5.7951	5.7594	
	\$2,000,000,000	6.0226	5.9714	5.9209	5.8714	5.8226	5.7747	5.7275	5.6811	5.6355	
Retention Multiple 45%		Revised Retention Multiple 45%									
Limit		4.00%	4.50%	5.00%	5.50%	6.00%	6.50%	7.00%	7.50%	8.00%	
	\$500,000,000	10.1855	10.1633	10.1413	10.1193	10.0975	10.0757	10.0540	10.0325	10.0110	
	\$1,000,000,000	10.1458	10.1019	10.0585	10.0154	9.9727	9.9303	9.8883	9.8466	9.8053	
	\$1,500,000,000	10.0966	10.0316	9.9674	9.9041	9.8416	9.7798	9.7188	9.6586	9.5991	
	\$2,000,000,000	10.0377	9.9523	9.8682	9.7856	9.7044	9.6245	9.5459	9.4685	9.3925	

Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
Risk Transfer Estimated Cost and Rate Impact
Based on Avg. (AIR, RMS) 2016 Trended Zip Code Loss Data and 2017 Per Company Estimated Limits and Retentions

Aggregate

Reinsurance Attachment	\$12,500,000,000	Limit	\$17,000,000,000	Projected Payout Multiple	14.8587						
FHCF Premium with Cash Build Up	\$1,144,108,853	Retention	\$7,029,000,000	Retention Multiple 100%	4.5972						
Cash Build Up Factor	25%	Coverage %	74.829%	Retention Multiple 90%	5.1080						
				Retention Multiple 75%	6.1296						
Rate Change	-2.29%			Retention Multiple 45%	10.2160						
Risk Transfer Premiums Gross		Risk Transfer Rate on Line									
Limit	Expected Loss Credit	4.00%	4.50%	5.00%	5.50%	6.00%	6.50%	7.00%	7.50%	8.00%	
	\$500,000,000	\$11,509,054	\$20,000,000	\$22,500,000	\$25,000,000	\$27,500,000	\$30,000,000	\$32,500,000	\$35,000,000	\$37,500,000	\$40,000,000
	\$1,000,000,000	\$22,079,411	\$40,000,000	\$45,000,000	\$50,000,000	\$55,000,000	\$60,000,000	\$65,000,000	\$70,000,000	\$75,000,000	\$80,000,000
	\$1,500,000,000	\$31,620,669	\$60,000,000	\$67,500,000	\$75,000,000	\$82,500,000	\$90,000,000	\$97,500,000	\$105,000,000	\$112,500,000	\$120,000,000
	\$2,000,000,000	\$40,201,480	\$80,000,000	\$90,000,000	\$100,000,000	\$110,000,000	\$120,000,000	\$130,000,000	\$140,000,000	\$150,000,000	\$160,000,000
Risk Transfer Dollar Impact on Premiums		Net Risk Transfer Cost Premium									
Limit	Expected Loss Credit	4.00%	4.50%	5.00%	5.50%	6.00%	6.50%	7.00%	7.50%	8.00%	
	\$500,000,000	\$11,509,054	\$5,613,683	\$8,113,683	\$10,613,683	\$13,113,683	\$15,613,683	\$18,113,683	\$20,613,683	\$23,113,683	\$25,613,683
	\$1,000,000,000	\$22,079,411	\$12,400,736	\$17,400,736	\$22,400,736	\$27,400,736	\$32,400,736	\$37,400,736	\$42,400,736	\$47,400,736	\$52,400,736
	\$1,500,000,000	\$31,620,669	\$20,474,163	\$27,974,163	\$35,474,163	\$42,974,163	\$50,474,163	\$57,974,163	\$65,474,163	\$72,974,163	\$80,474,163
	\$2,000,000,000	\$40,201,480	\$29,748,149	\$39,748,149	\$49,748,149	\$59,748,149	\$69,748,149	\$79,748,149	\$89,748,149	\$99,748,149	\$109,748,149
Risk Transfer % Impact on Rates		FHCF Rate Impact									
Limit	Expected Loss Credit	4.00%	4.50%	5.00%	5.50%	6.00%	6.50%	7.00%	7.50%	8.00%	
	\$500,000,000	\$11,509,054	0.5%	0.7%	0.9%	1.1%	1.4%	1.6%	1.8%	2.0%	2.2%
	\$1,000,000,000	\$22,079,411	1.1%	1.5%	2.0%	2.4%	2.8%	3.3%	3.7%	4.1%	4.6%
	\$1,500,000,000	\$31,620,669	1.8%	2.4%	3.1%	3.8%	4.4%	5.1%	5.7%	6.4%	7.0%
	\$2,000,000,000	\$40,201,480	2.6%	3.5%	4.3%	5.2%	6.1%	7.0%	7.8%	8.7%	9.6%
Risk Transfer: Revised Rate Change		FHCF Revised Rate Change									
Limit	Expected Loss Credit	4.00%	4.50%	5.00%	5.50%	6.00%	6.50%	7.00%	7.50%	8.00%	
	\$500,000,000	\$11,509,054	-1.81%	-1.60%	-1.38%	-1.17%	-0.96%	-0.74%	-0.53%	-0.32%	-0.10%
	\$1,000,000,000	\$22,079,411	-1.23%	-0.80%	-0.38%	0.05%	0.48%	0.90%	1.33%	1.76%	2.18%
	\$1,500,000,000	\$31,620,669	-0.54%	0.10%	0.74%	1.38%	2.02%	2.66%	3.30%	3.94%	4.58%
	\$2,000,000,000	\$40,201,480	0.25%	1.10%	1.96%	2.81%	3.67%	4.52%	5.37%	6.23%	7.08%
Projected Payout Multiple		Revised Payout Multiples									
Limit		4.00%	4.50%	5.00%	5.50%	6.00%	6.50%	7.00%	7.50%	8.00%	
	\$500,000,000	14.7862	14.7541	14.7222	14.6903	14.6587	14.6271	14.5958	14.5645	14.5334	
	\$1,000,000,000	14.6994	14.6361	14.5734	14.5112	14.4495	14.3884	14.3277	14.2676	14.2080	
	\$1,500,000,000	14.5975	14.5041	14.4119	14.3208	14.2309	14.1421	14.0544	13.9678	13.8823	
	\$2,000,000,000	14.4822	14.3598	14.2396	14.1213	14.0049	13.8905	13.7779	13.6672	13.5582	
Retention Multiple 90%		Revised Retention Multiple 90%									
Limit		4.00%	4.50%	5.00%	5.50%	6.00%	6.50%	7.00%	7.50%	8.00%	
	\$500,000,000	5.0831	5.0720	5.0611	5.0501	5.0392	5.0284	5.0176	5.0069	4.9962	
	\$1,000,000,000	5.0532	5.0315	5.0099	4.9885	4.9673	4.9463	4.9255	4.9048	4.8843	
	\$1,500,000,000	5.0182	4.9861	4.9544	4.9231	4.8922	4.8617	4.8315	4.8017	4.7723	
	\$2,000,000,000	4.9786	4.9365	4.8952	4.8545	4.8145	4.7752	4.7365	4.6984	4.6609	
Retention Multiple 75%		Revised Retention Multiple 75%									
Limit		4.00%	4.50%	5.00%	5.50%	6.00%	6.50%	7.00%	7.50%	8.00%	
	\$500,000,000	6.0997	6.0864	6.0733	6.0601	6.0471	6.0341	6.0211	6.0082	5.9954	
	\$1,000,000,000	6.0639	6.0378	6.0119	5.9862	5.9608	5.9356	5.9106	5.8858	5.8612	
	\$1,500,000,000	6.0218	5.9833	5.9453	5.9077	5.8706	5.8340	5.7978	5.7621	5.7268	
	\$2,000,000,000	5.9743	5.9238	5.8742	5.8254	5.7774	5.7302	5.6838	5.6381	5.5931	
Retention Multiple 45%		Revised Retention Multiple 45%									
Limit		4.00%	4.50%	5.00%	5.50%	6.00%	6.50%	7.00%	7.50%	8.00%	
	\$500,000,000	10.1661	10.1441	10.1221	10.1002	10.0785	10.0568	10.0352	10.0137	9.9923	
	\$1,000,000,000	10.1065	10.0630	10.0198	9.9771	9.9347	9.8926	9.8509	9.8096	9.7686	
	\$1,500,000,000	10.0364	9.9722	9.9088	9.8462	9.7844	9.7233	9.6630	9.6035	9.5447	
	\$2,000,000,000	9.9571	9.8730	9.7903	9.7090	9.6290	9.5503	9.4729	9.3968	9.3217	

EXHIBIT

XVIII

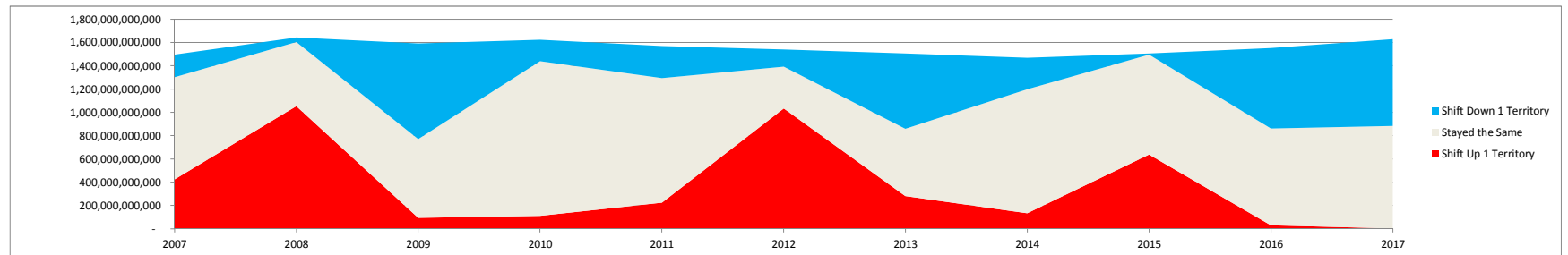
Florida Hurricane Catastrophe Fund
2017 Ratemaking Formula Report
Summary of Changes in Zip Codes 2007 to 2017

The table below outlines how the Zip Codes, after tempering, have moved relative to the prior year's territory allocations. Columns in yellow highlight years when large numbers of zip code changes were reversed in the following year. 2017 indicated shifts were not implemented, except if the indication was for a change of two or more territories.

	ZIP Count	ZIP Count	ZIP Count	ZIP Count	ZIP Count	ZIP Count	ZIP Count	ZIP Count	ZIP Count	ZIP Count	ZIP Count
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Shift Up 1 Territory	415	848	117	136	244	884	286	153	615	58	14
Stayed the Same	913	579	641	1182	935	394	610	1042	796	660	811
Shift Down 1 Territory	143	47	707	146	286	187	569	271	54	743	639
Grand Total	1471	1474	1465	1464	1465	1465	1465	1466	1465	1461	1464

The table below outlined how the Modeled Residential exposure, after tempering, has moved relative to last year's territory allocations.

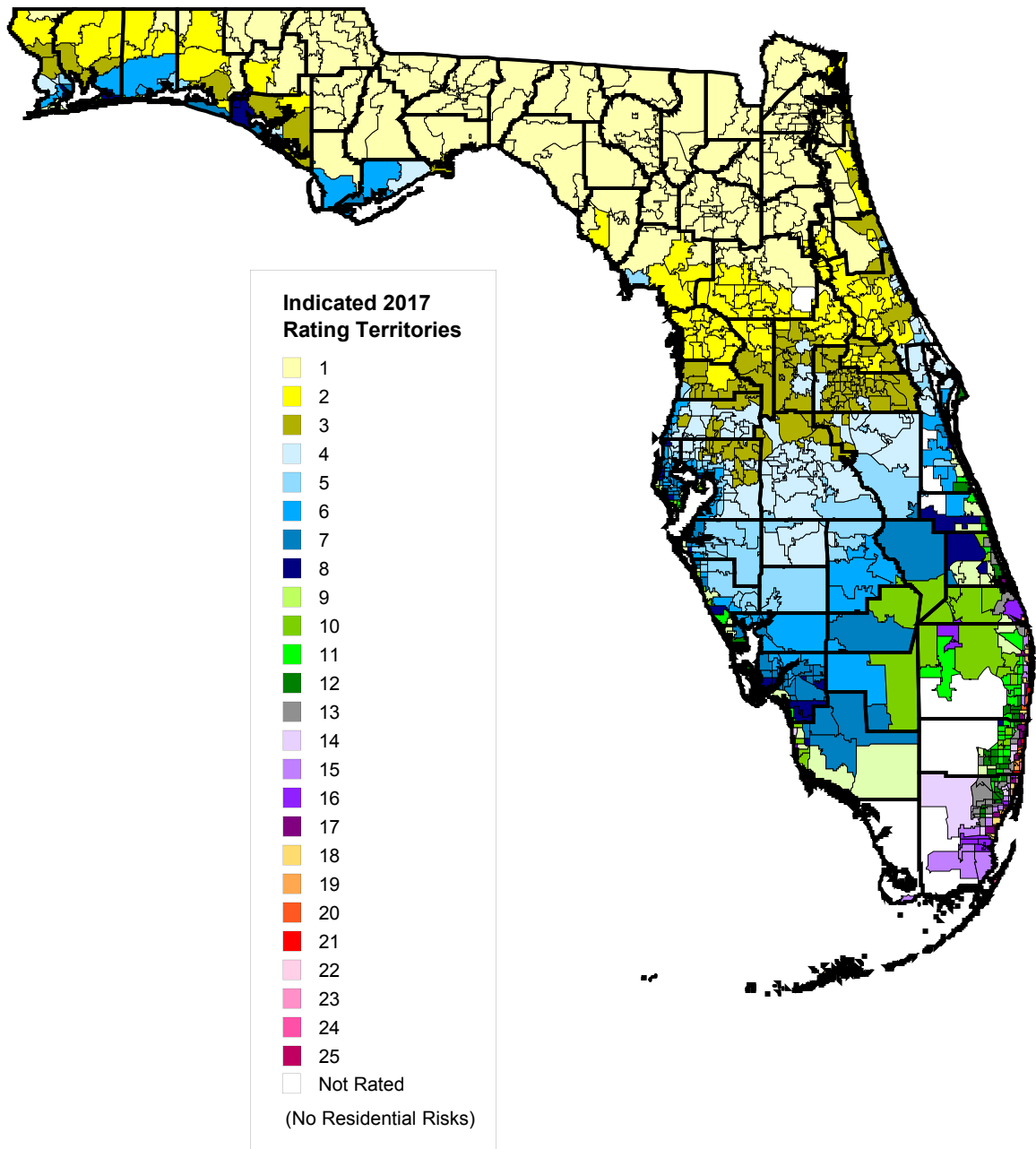
	Residential Exposure	Residential Exposure	Residential Exposure	Residential Exposure	Residential Exposure	Residential Exposure	Residential Exposure	Residential Exposure	Residential Exposure	Residential Exposure	Residential Exposure
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Shift Up 1 Territory	424,239,189,098	1,052,071,843,315	95,153,867,703	110,793,850,670	225,354,576,503	1,034,102,124,911	279,982,310,693	133,372,324,850	638,038,689,041	30,355,393,045	3,067,928,183
Stayed the Same	876,709,520,929	552,189,825,165	675,246,787,074	1,329,194,622,054	1,068,072,705,322	357,624,555,304	578,054,403,377	1,064,750,757,567	857,963,061,092	830,059,146,159	880,648,180,716
Shift Down 1 Territory	194,377,582,850	39,769,466,565	821,485,686,346	183,788,837,645	275,251,133,171	149,042,393,925	646,657,288,762	271,116,842,049	9,470,255,881	691,630,004,707	744,323,398,847
Grand Total	1,495,326,292,877	1,644,031,135,044	1,591,886,341,123	1,623,777,310,369	1,568,678,414,996	1,540,769,074,140	1,504,694,002,832	1,469,239,924,466	1,505,472,006,014	1,552,044,543,911	1,628,039,507,746



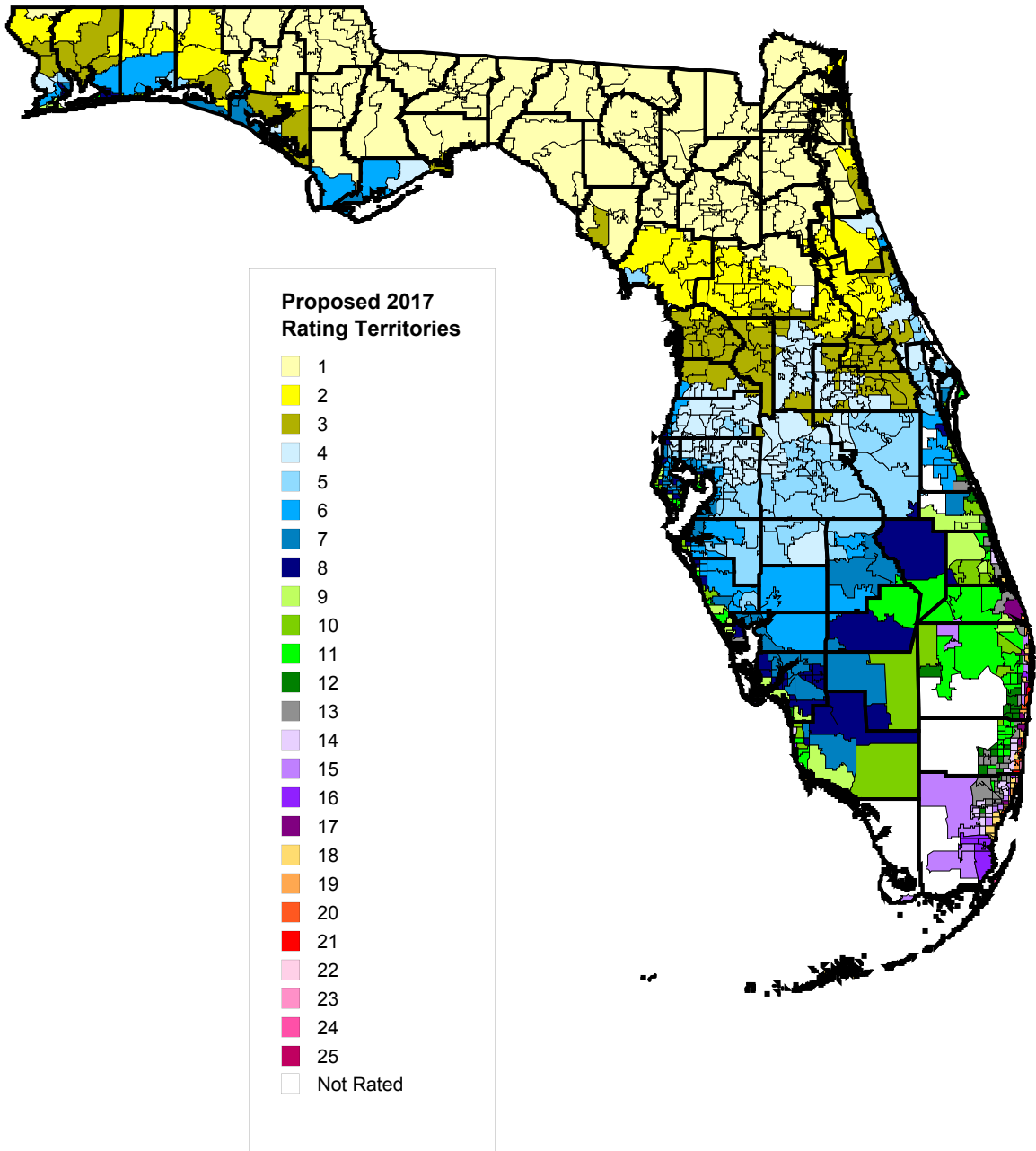
EXHIBIT

XIX

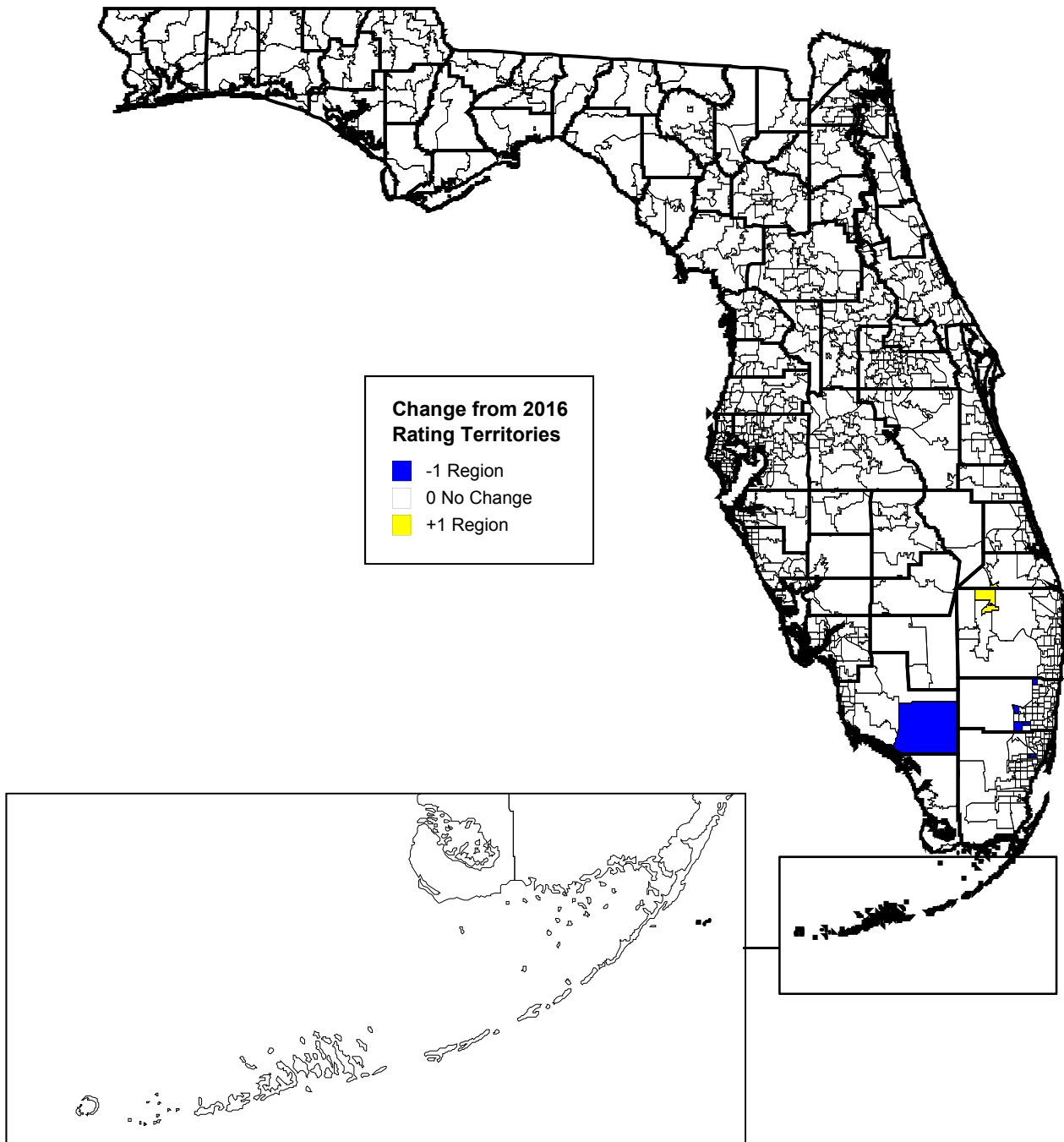
Florida Hurricane Catastrophe Fund
Indicated 2017 Rating Territories by 5-Digit ZIP Code
Entire State



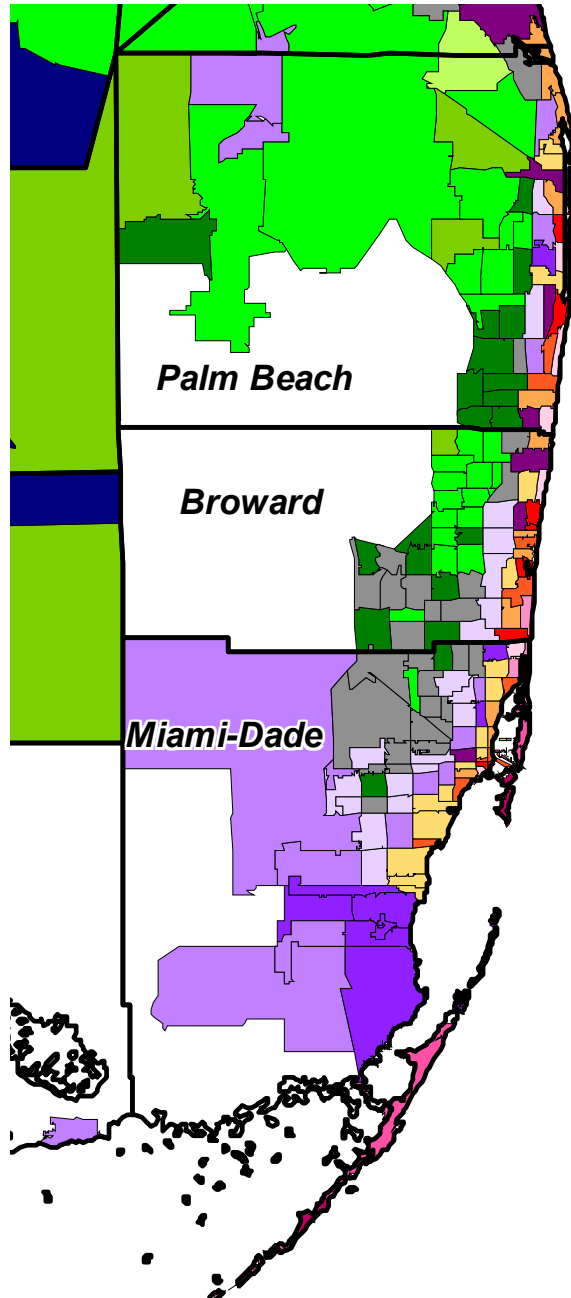
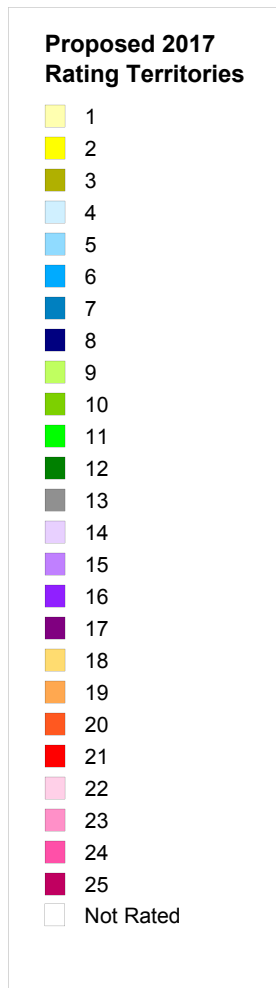
Florida Hurricane Catastrophe Fund
Proposed 2017 Rating Territories by 5-Digit ZIP Code
Entire State



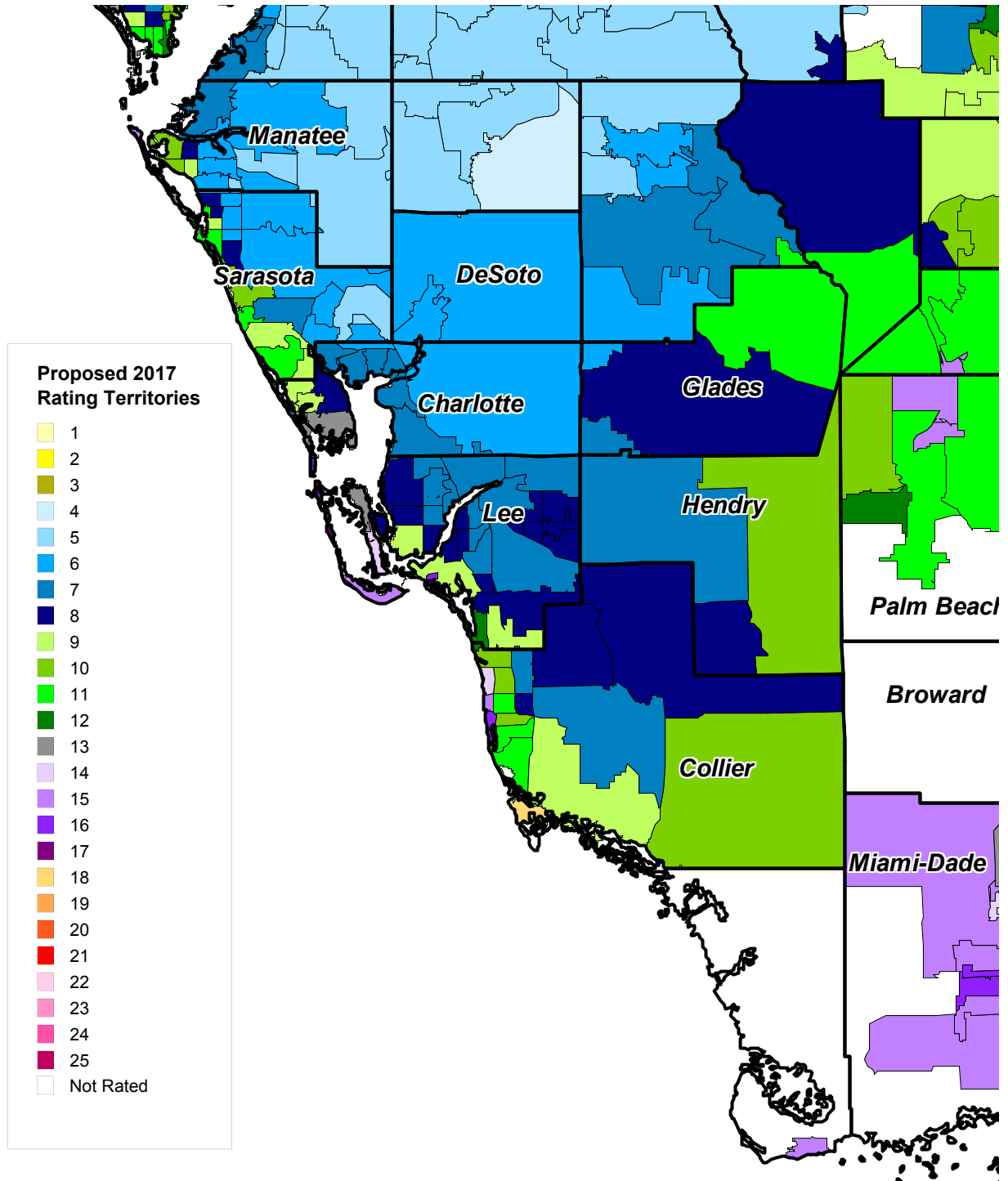
Florida Hurricane Catastrophe Fund
Proposed 2017 Rating Territories by 5-Digit ZIP Code
Entire State - Change From 2016 Territories



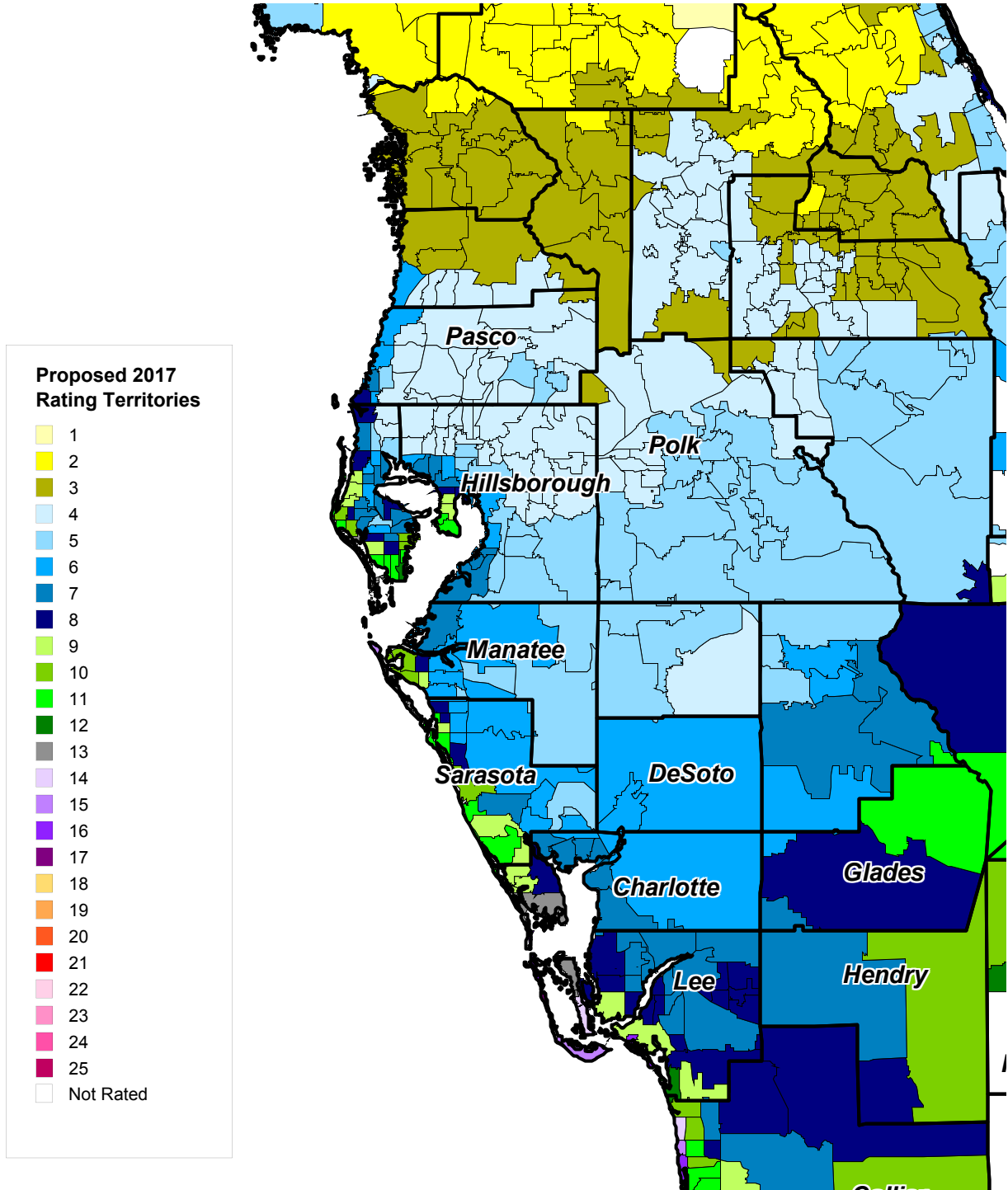
Florida Hurricane Catastrophe Fund
Proposed 2017 Rating Territories by 5-Digit ZIP Code
Miami and Surrounding Areas



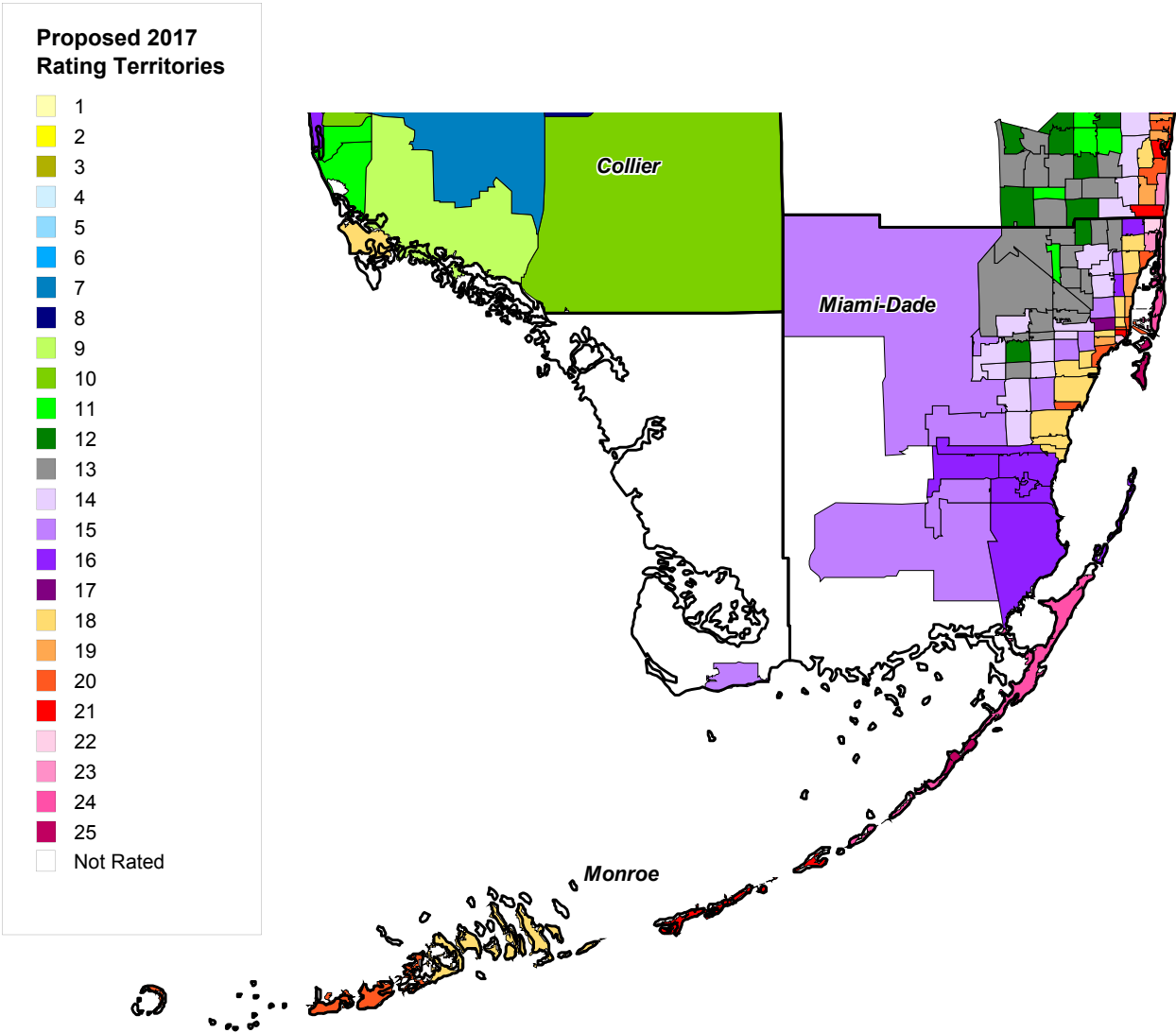
Florida Hurricane Catastrophe Fund
Proposed 2017 Rating Territories by 5-Digit ZIP Code
Fort Myers and Surrounding Areas



Florida Hurricane Catastrophe Fund
Proposed 2017 Rating Territories by 5-Digit ZIP Code
Tampa/Saint Petersburg and Surrounding Areas



Florida Hurricane Catastrophe Fund
Proposed 2017 Rating Territories by 5-Digit ZIP Code
Florida Keys



Rule 19-8.028, F.A.C., Reimbursement Premium Formula
2017-2018 Contract Year
Summary of Changes
(As of March 14, 2017)

Rule 19-8.028, Reimbursement Premium Formula

(1) Amended to specify that the rule adopts the premium formula as required by s. 215.555(5), F.S.

(2) Amended to provide that the definitions in the Reimbursement Contract for the applicable Contract Year also apply to this rule and incorporated forms. Definitions that are duplicative of definitions in the Reimbursement Contract are deleted, and definitions are provided for the terms “Board” or “SBA,” “Contract Year,” and “Independent Consultant.”

(3)(a) Amended to delete a cross-reference to subsection (4) of the rule.

(3)(b)-(f) Deleted as obsolete material. Existing paragraphs (b) through (f) adopted the FHCF Ratemaking Formula for Contract Years 2012-2013 through 2016-2017.

(3)(b) (new) Adopts the FHCF Ratemaking Formula for the 2017-2018 Contract Year.

(4)(a)-(b) Reorganized to provide greater clarity. Deletes language relating to insurers that have forfeited certificates of authority and new participants that duplicates language in other FHCF rules.

(5) Amended to specify that copies of forms adopted under this rule may be obtained from the FHCF website (rather than the SBA website).

Notice of Proposed Rule

STATE BOARD OF ADMINISTRATION

RULE NO.: RULE TITLE:

[19-8.028](#): Reimbursement Premium Formula

PURPOSE AND EFFECT: This rule is promulgated to implement Section 215.555, Florida Statutes, regarding the Florida Hurricane Catastrophe Fund, for the 2017-2018 contract year.

SUMMARY: In accordance with Section 215.555(5), Florida Statutes, proposed amended Rule 19-8.028, F.A.C., Reimbursement Premium Formula, adopts the 2017-2018 reimbursement premium formula for the Florida Hurricane Catastrophe Fund. In addition, the proposed amended Rule makes editorial and grammatical corrections.

SUMMARY OF STATEMENT OF ESTIMATED REGULATORY COSTS AND LEGISLATIVE RATIFICATION:

The Agency has determined that this will not have an adverse impact on small business or likely increase directly or indirectly regulatory costs in excess of \$200,000 in the aggregate within one year after the implementation of the rule. A SERC has not been prepared by the Agency.

The Agency has determined that the proposed rule is not expected to require legislative ratification based on the statement of estimated regulatory costs or if no SERC is required, the information expressly relied upon and described herein: Upon review of the proposed changes to the rule and the incorporated documents, the State Board of Administration of Florida has determined that the rule does not meet the statutory threshold for ratification by the legislature.

Any person who wishes to provide information regarding a statement of estimated regulatory costs, or provide a proposal for a lower cost regulatory alternative must do so in writing within 21 days of this notice.

RULEMAKING AUTHORITY: [215.555\(3\)](#), F.S.

LAW IMPLEMENTED: [215.555\(2\)](#), (3), (4), (5), (6), (7), F.S.

IF REQUESTED WITHIN 21 DAYS OF THE DATE OF THIS NOTICE, A HEARING WILL BE HELD AT THE DATE, TIME AND PLACE SHOWN BELOW:

DATE AND TIME: May 9, 2017, 9:00 a.m. to 11:00 a.m. (ET).

PLACE: Room 116 (Hermitage Conference Room), 1801 Hermitage Blvd., Tallahassee, Florida 32308.

Pursuant to the provisions of the Americans with Disabilities Act, any person requiring special accommodations to participate in this workshop/meeting is asked to advise the agency at least 7 days before the workshop/meeting by contacting: Leonard Schulte, Florida Hurricane Catastrophe Fund, 1801 Hermitage Blvd., Tallahassee, FL 32308, 850-413-1335, leonard.schulte@sbafla.com. If you are hearing or speech impaired, please contact the agency using the Florida Relay Service, 1(800)955-8771 (TDD) or 1(800)955-8770 (Voice).

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE IS: Leonard Schulte at the number or email listed above.

THE FULL TEXT OF THE PROPOSED RULE IS:

19-8.028 Reimbursement Premium Formula.

(1) Purpose. ~~The purpose of this rule is to adopt~~ This rule adopts to adopt the Premium Formula to determine the Actuarially Indicated Reimbursement Premium to be paid to the Florida Hurricane Catastrophe Fund, as required by Section 215.555(5)(b), F.S.

(2) Definitions. The definitions in the Reimbursement Contract for the applicable Contract Year also apply to this rule and the forms referenced in this rule. In addition, as used in this rule: The terms defined below will be capitalized

in this rule.

~~(a) Actuarially Indicated Premium means Premiums which are derived according to or consistent with accepted actuarial standards of practice. Actuarially Indicated means 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 determined according to principles of actuarial science to reflect each insurer's relative exposure to hurricane losses.~~

~~(a)(b) "Board" or "SBA" means the State Board of Administration of Florida.~~

~~(c) Citizens Property Insurance Corporation or Citizens means the entity formed under Section 627.351(6), F.S., and refers to two accounts, the coastal account and the personal lines and commercial lines accounts. Each account is treated by the FHCF as if it were a separate participating insurer with its own reportable exposures, reimbursement premium, retention, and ultimate net loss.~~

~~(b)(d) "Contract Year" is defined in Section 215.555(2), F.S. means the time period which begins at 12:00:01 a.m. (Eastern Time), on June 1 of each calendar year and ends at 12:00 midnight (Eastern Time), on May 31 of the following calendar year.~~

~~(e) Covered Policy is defined in Section 215.555(2)(c), F.S., and the Reimbursement Contract adopted by and incorporated into Rule 19-8.010, F.A.C.~~

~~(f) Data Call or Florida Hurricane Catastrophe Fund Data Call means the annual reporting of insured values Form FHCF DIA, as adopted and incorporated into Rule 19-8.029, F.A.C.~~

~~(g) Formula or the Premium Formula means the Formula approved by the SBA for the purpose of determining the Actuarially Indicated Premium to be paid to the FHCF. The Premium Formula is defined as an approach or methodology which leads to the creation of premium rates. The resulting rates are therefore incorporated as part of the Premium Formula, and are the result of the approach or methodology employed.~~

~~(h) FHCF or Fund means the Florida Hurricane Catastrophe Fund.~~

~~(c)(i) "Independent Consultant" or "Consultant" means the independent individual, firm, or organization with which the SBA contracts to prepare the Premium Formula and any other actuarial services for the FHCF, as determined under the contract with the Consultant.~~

~~(j) New Participants. The term means all Companies which are granted a certificate of authority by the Department of Financial Services after the beginning of the FHCF's Contract Year on June 1 and which write Covered Policies, or which already have a certificate of authority and begin writing Covered Policies on or after the beginning of the FHCF's Contract Year on June 1 and did not or were not required to enter into a contract on June 1 of the Contract Year. A Company that enters into an assumption agreement with Citizens that includes Covered Policies and is effective on or after June 1 and had written no other Covered Policies before June 1 is also considered a New Participant.~~

~~(k) Premium means the same as Reimbursement Premium, which is the Premium which is determined by multiplying each \$1,000 of insured value reported by the Company in accordance with Section 215.555(5)(b), F.S., by the rate as derived from the Premium Formula.~~

~~(3) The Premium Formula.~~

~~(a) Because of the diversity of the insurers and the risks they insure which are affected by Section 215.555, F.S., the Premium Formula is adopted in this subsection and special circumstances are addressed in subsection (4), below. The Formula for determining the Actuarially Indicated Reimbursement Premium to be paid to the Fund, as required by Section 215.555(5)(b), F.S., is the rate times the exposure per \$1,000 of insured value and this equals the Premium to be paid in dollars. The premium rates are determined by taking into account geographic location by zip code; construction type; policy deductible; type of insurance and other such factors deemed by the SBABoard to be appropriate. The Formula is developed by an Independent Consultant selected by the SBABoard, as required by Section 215.555(5)(b), F.S.~~

~~(b) For the 2017/2018 Contract Year, the Formula developed by the Board's Independent Consultant, "Florida Hurricane Catastrophe Fund 2017 Ratemaking Formula Report Presented to the State Board of Administration of Florida March 23, 2017," <http://www.flrules.org/Gateway/reference.asp?No=Ref-XXXXXX>, and approved by the Board on April 11, 2017, is hereby adopted and incorporated by reference into this rule. The premium rates are~~

developed in accordance with the Premium Formula methodology approved by the Board.

(b) For the 2012-2013 Contract Year, the Formula developed by the Board's Independent Consultant, "Florida Hurricane Catastrophe Fund: 2012 Ratemaking Formula Report Presented to the State Board of Administration of Florida, March 22, 2012," <http://www.flrules.org/Gateway/reference.asp?No=Ref 01175>, is hereby adopted and incorporated by reference into this rule. The basic premium rates developed in accordance with the Premium Formula methodology approved by the Board on April 24, 2012, are hereby adopted and incorporated by reference in Form FHCF Rates 2012, "Florida Hurricane Catastrophe Fund Proposed 2012 Rates Presented to the State Board of Administration of Florida, March 22, 2012," <http://www.flrules.org/Gateway/reference.asp?No=Ref 01176>, is hereby adopted and incorporated by reference into this rule. These incorporated documents may be obtained directly from the SBA website: www.sbafla.com/fhcf or by contacting the SBA by mail, P. O. Box 13300, Tallahassee, FL 32317-3300, with a request for the documents.

(c) For the 2013-2014 Contract Year, the Formula developed by the Board's Independent Consultant, "Florida Hurricane Catastrophe Fund: 2013 Ratemaking Formula Report Presented to the State Board of Administration of Florida, March 21, 2013," as approved on April 23, 2013, <http://www.flrules.org/Gateway/reference.asp?No=Ref 02750>, is hereby adopted and incorporated by reference into this rule. The basic premium rates developed in accordance with the Premium Formula methodology approved by the Board on April 23, 2013, are hereby adopted and incorporated by reference in Form FHCF Rates 2013, "Florida Hurricane Catastrophe Fund Proposed 2013 Rates Presented to the State Board of Administration of Florida, March 21, 2013," as approved on April 23, 2013, <http://www.flrules.org/Gateway/reference.asp?No=Ref 02751>, hereby adopted and incorporated by reference into this rule. These incorporated documents may be obtained directly from the SBA website: www.sbafla.com/fhcf or by contacting the SBA by mail, P. O. Box 13300, Tallahassee, FL 32317-3300, with a request for the documents.

(d) For the 2014-2015 Contract Year, the Formula developed by the Board's Independent Consultant, "Florida Hurricane Catastrophe Fund: 2014 Ratemaking Formula Report Presented to the State Board of Administration of Florida, March 20, 2014," <http://www.flrules.org/Gateway/reference.asp?No=Ref 04160>, is hereby adopted and incorporated by reference into this rule. The basic premium rates developed in accordance with the Premium Formula methodology approved by the Board on April 22, 2014, are hereby adopted and incorporated by reference in Form FHCF Rates 2014, "Florida Hurricane Catastrophe Fund Proposed 2014 Rates Presented to the State Board of Administration of Florida, March 20, 2014," <http://www.flrules.org/Gateway/reference.asp?No=Ref 04161>, hereby adopted and incorporated by reference into this rule. These incorporated documents may be obtained directly from the SBA website: www.sbafla.com/fhcf or by contacting the SBA by mail, P. O. Box 13300, Tallahassee, FL 32317-3300, with a request for the documents.

(e) For the 2015-2016 Contract Year, the Formula developed by the Board's Independent Consultant, "Florida Hurricane Catastrophe Fund: 2015 Ratemaking Formula Report Presented to the State Board of Administration of Florida, March 24, 2015," <http://www.flrules.org/Gateway/reference.asp?No=Ref 05418>, is hereby adopted and incorporated by reference into this rule. The basic premium rates developed in accordance with the Premium Formula methodology approved by the Board on April 14, 2015, are hereby adopted and incorporated by reference in Form FHCF Rates 2015, "Florida Hurricane Catastrophe Fund Proposed 2015 Rates Presented to the State Board of Administration of Florida, March 24, 2015," <http://www.flrules.org/Gateway/reference.asp?No=Ref 05419>, hereby adopted and incorporated by reference into this rule. These incorporated documents may be obtained directly from the SBA website: www.sbafla.com/fhcf or by contacting the SBA by mail, P. O. Box 13300, Tallahassee, FL 32317-3300, with a request for the documents.

(f) For the 2016/2017 Contract Year, the Formula developed by the Board's Independent Consultant, "Florida Hurricane Catastrophe Fund: 2016 Ratemaking Formula Report Presented to the State Board of Administration of Florida, March 15, 2016," <http://www.flrules.org/Gateway/reference.asp?No=Ref 06739>, and approved by the Board on March 29, 2016, is hereby adopted and incorporated by reference into this rule. The premium rates are developed in accordance with the Premium Formula methodology approved by the Board.

(4)(a) Special Circumstances.

(a) Allocation of Premium. Premiums paid to the FHCF with reference to property covered by Quota Share Primary Insurance Arrangements, as that phrase is defined in Section 627.351(6)(c)2.a.(I), F.S., will be allocated by

the FHCF between the ~~Company insurer~~ and Citizens in accordance with the percentages specified in the Quota Share Primary Insurance Arrangement for the purposes of premium billing, calculating retentions and determining reimbursement payments.

~~(b)2- Special Rating Circumstances.~~ The Premium Formula for policies that, based upon sound actuarial principles, require individual ratemaking and which are not excluded by rule will be based on the use of computer modeling for each individual Company for which it is applicable, i.e., portfolio modeling. The Independent Consultant will recommend guidelines for individual ~~Ceompany~~ portfolio reporting and modeling to estimate individual ~~Ceompany~~ FHCF expected losses. Individual ~~Ceompany~~ FHCF expected losses for portfolio modeling exposures will be loaded for investments and expenses on the same basis as the FHCF premium rates used for non-portfolio modeling exposures, but will also include a loading for the additional cost of individual ~~Ceompany~~ modeling. The minimum exposure threshold for FHCF portfolio modeling rating will be sufficient to generate estimated FHCF premium greater than the cost of modeling and other considerations and will be calculated by the Independent Consultant for the separate coverage levels of 45%, 75%, and 90% using the premium rates established pursuant to subsection (3) ~~herein~~. The methodology used by the Independent Consultant will be based on sound actuarial principles to establish greater actuarial equity in the premium structure.

~~(b) Forfeiture or Surrender of Certificates of Authority; Insurers Which Do Not Have Exposure For Covered Policies For an Entire Contract Year.~~

~~1. Insurers which have forfeited their certificates of authority or which have withdrawn from the state or discontinued writing all kinds of insurance in this state after the beginning of the Contract Year shall have their Premiums determined in accordance with subsection (3), above.~~

~~2. Special recognition is not given to Companies that insurers which do not have exposure for Covered Policies for an entire Contract Year, except for New Participants as required by Article X(1) and X(2) of the Reimbursement Contract described in paragraph (c) of this subsection (4).~~

~~3. Any insurer which has forfeited its certificate of authority or which has discontinued writing in accordance with an order issued by the Department of Financial Services effective prior to June 1 of a Contract Year shall not be required to execute a Reimbursement Contract for that upcoming Contract Year with the Board provided that the insurer has no exposure to hurricane loss after May 31.~~

~~(c) New Participants.~~

~~1. All New Participants shall enter into a Reimbursement Contract with the Fund.~~

~~2. All New Participants shall pay a Reimbursement Premium to the Fund in accordance with the applicable subparagraphs below and in accordance with the applicable provisions of the Reimbursement Contract.~~

~~3. This subparagraph applies to Companies writing new business on or after June 1 but prior to December 1 of the Contract Year.~~

~~a. All New Participants writing new business during the period specified above shall pay a provisional Premium of \$1,000 to provide consideration for the contract.~~

~~b. For the 2012/2013 Contract Year and earlier Contract Years, on or before March 1 of the Contract Year, the Company shall report its actual exposure as of December 31 of the Contract Year to the Administrator in accordance with the Data Call. For the 2012/2013 Contract Year, New Participants had the option of reporting exposure as of November 30 by February 1 of the Contract Year. The Administrator shall calculate the Company's actual Reimbursement Premium for the applicable Contract Year based on its actual exposure. To recognize that New Participants have limited exposure during this period, the actual Premium as determined by processing the Company's exposure data shall then be divided in half, the provisional Premium shall be credited, and the resulting amount shall be the total Premium due for the Company for the remainder of the Contract Year. However, if that amount is less than \$1,000, then the Company shall pay \$1,000. The Premium payment is due no later than May 1 of the Contract Year (or April 1 if the November 30 option was chosen for the 2012/13 Contract Year). The Company's retention and coverage will be determined based on the total Premium due which is the Premium calculated based on the Company's December 31 exposure (or November if appropriate) and divided in half as described in this sub-subparagraph.~~

~~c. For the 2013/2014 Contract Year and subsequent Contract Years, the Company shall report its actual exposure as of November 30 of the Contract Year in accordance with the Data Call. The Administrator shall calculate the~~

~~Company's actual Reimbursement Premium for the applicable Contract Year based on its actual exposure. To recognize that New Participants have limited exposure during this period, the actual Premium as determined by processing the Company's exposure data shall then be divided in half, the provisional Premium shall be credited, and the resulting amount shall be the total Premium due for the Company for the remainder of the Contract Year. However, if that amount is less than \$1,000, then the Company shall pay \$1,000. The Premium payment is due no later than April 1 of the Contract Year. The Company's retention and coverage will be determined based on the total Premium due which is the Premium calculated based on the Company's November 30 exposure and divided in half as described in this sub-subparagraph.~~

~~4. This subparagraph applies to Companies writing new business on or after December 1 but up to and including May 31 of the Contract Year. All New Participants writing new business during this period shall pay a Premium of \$1,000 to provide consideration for the Reimbursement Contract. The Company shall pay no other Premium for the remainder of the Contract Year. The Company shall not report its exposure data for this period to the Board. The Premium shall be paid upon signing the Reimbursement Contract.~~

(5) All the forms adopted and incorporated by reference in this rule may be obtained ~~directly~~ from the FHCF SBA website at www.sbafla.com/fhcf, or from the Florida Hurricane Catastrophe Fund Administrator, Paragon Strategic Solutions Inc., at 8200 Tower, 5600 West 83rd Street, Suite, 1100, Minneapolis, MN 55437.

Rulemaking Authority 215.555(3) FS. Law Implemented 215.555(2), (3), (4), (5), (6), (7) FS. History—New 9-20-99, Amended 7-3-00, 9-17-01, 7-17-02, 7-2-03, 7-29-04, 7-17-05, 7-6-06, 7-17-07, 6-16-08, 8-2-09, 7-8-10, 7-3-11, 6-25-12, 6-18-13, 6-10-14, 6-2-15, 5-18-16, X-XX-17.

NAME OF PERSON ORIGINATING PROPOSED RULE: Anne Bert, FHCF Chief Operating Officer, State Board of Administration of Florida.

NAME OF AGENCY HEAD WHO APPROVED THE PROPOSED RULE: The Trustees of the State Board of Administration of Florida.

DATE PROPOSED RULE APPROVED BY AGENCY HEAD: April 11, 2017

DATE NOTICE OF PROPOSED RULE DEVELOPMENT PUBLISHED IN FAR: March 10, 2017

Notice of Meeting/Workshop Hearing

STATE BOARD OF ADMINISTRATION

The Florida Hurricane Catastrophe Fund announces a public meeting to which all persons are invited.

DATE AND TIME: April 11, 2017, 9:00 a.m. (ET) to conclusion of the meeting.

PLACE: Cabinet Meeting Room, Lower Level, The Capitol, Tallahassee, Florida.

GENERAL SUBJECT MATTER TO BE CONSIDERED: This is a meeting of the Trustees of the State Board of Administration to authorize the Florida Hurricane Catastrophe Fund (the Fund) to file a Notice of Proposed Rule for Rule 19-8.028, F.A.C., Reimbursement Premium Formula, and to file this rule for adoption if no member of the public timely requests a rule hearing or if a rule hearing is requested but no Notice of Change is needed. The rule and incorporated form is available on the Fund's website: www.sbafla.com/fhcf.

A copy of the agenda may be obtained by contacting: Not available.

Pursuant to the provisions of the Americans with Disabilities Act, any person requiring special accommodations to participate in this workshop/meeting is asked to advise the agency at least 7 days before the workshop/meeting by contacting: Leonard Schulte, Florida Hurricane Catastrophe Fund, (850) 413-1335, leonard.schulte@sbafla.com. If you are hearing or speech impaired, please contact the agency using the Florida Relay Service, 1(800)955-8771 (TDD) or 1(800)955-8770 (Voice).

19-8.028 Reimbursement Premium Formula.

(1) Purpose. ~~The purpose of~~ This rule adopts ~~is to adopt~~ the Premium Formula to determine the Actuarially Indicated Reimbursement Premium to be paid to the Florida Hurricane Catastrophe Fund, as required by Section 215.555(5)(b), F.S.

(2) Definitions. The definitions in the Reimbursement Contract for the applicable Contract Year also apply to this rule and the forms referenced in this rule. In addition, as used in this rule: ~~The terms defined below will be capitalized in this rule.~~

~~(a) Actuarially Indicated Premium means Premiums which are derived according to or consistent with accepted actuarial standards of practice. Actuarially Indicated means 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 determined according to principles of actuarial science to reflect each insurer's relative exposure to hurricane losses.~~

~~(a)(b)~~ "Board" or "SBA" means the State Board of Administration of Florida.

~~(c) Citizens Property Insurance Corporation or Citizens means the entity formed under Section 627.351(6), F.S., and refers to two accounts, the coastal account and the personal lines and commercial lines accounts. Each account is treated by the FHCF as if it were a separate participating insurer with its own reportable exposures, reimbursement premium, retention, and ultimate net loss.~~

~~(b)(d)~~ "Contract Year" is defined in Section 215.555(2), F.S. ~~means the time period which begins at 12:00:01 a.m. (Eastern Time), on June 1 of each calendar year and ends at 12:00 midnight (Eastern Time), on May 31 of the following calendar year.~~

~~(e) Covered Policy is defined in Section 215.555(2)(c), F.S., and the Reimbursement Contract adopted by and incorporated into Rule 19-8.010, F.A.C.~~

~~(f) Data Call or Florida Hurricane Catastrophe Fund Data Call means the annual reporting of insured values Form FHCF D1A, as adopted and incorporated into Rule 19-8.029, F.A.C.~~

~~(g) Formula or the Premium Formula means the Formula approved by the SBA for the purpose of determining the Actuarially Indicated Premium to be paid to the FHCF. The Premium Formula is defined as an approach or methodology which leads to the creation of premium rates. The resulting rates are therefore incorporated as part of the Premium Formula, and are the result of the approach or methodology employed.~~

~~(h) FHCF or Fund means the Florida Hurricane Catastrophe Fund.~~

~~(c)(i)~~ "Independent Consultant" or "Consultant" means the independent individual, firm, or organization with which the SBA contracts to prepare the Premium Formula and any other actuarial services for the FHCF, as determined under the contract with the Consultant.

~~(j) New Participants. The term means all Companies which are granted a certificate of authority by the Department of Financial Services after the beginning of the FHCF's Contract Year on June 1 and which write Covered Policies, or which already have a certificate of authority and begin writing Covered Policies on or after the beginning of the FHCF's Contract Year on June 1 and did not or were not required to enter into a contract on June 1 of the Contract Year. A Company that enters into an assumption agreement with Citizens that includes Covered Policies and is effective on or after June 1 and had written no other Covered Policies before June 1 is also considered a New Participant.~~

~~(k) Premium means the same as Reimbursement Premium, which is the Premium which is determined by multiplying each \$1,000 of insured value reported by the Company in accordance with Section 215.555(5)(b), F.S., by the rate as derived from the Premium Formula.~~

(3) The Premium Formula.

(a) ~~Because of the diversity of the insurers and the risks they insure which are affected by Section 215.555, F.S., the Premium Formula is adopted in this subsection and special circumstances are addressed in subsection (4), below.~~ The Formula for determining the Actuarially Indicated Reimbursement Premium to be paid to the Fund, as required by Section 215.555(5)(b), F.S., is the rate times the exposure per \$1,000 of insured value and this equals the Premium to be paid in dollars. The premium rates are determined by taking into account geographic location by zip code; construction type; policy deductible; type of insurance and other such factors deemed by the SBA Board to be

appropriate. The Formula is developed by an Independent Consultant selected by the SBA Board, as required by Section 215.555(5)(b), F.S.

(b) For the 2017/2018 Contract Year, the Formula developed by the Board's Independent Consultant, "Florida Hurricane Catastrophe Fund 2017 Ratemaking Formula Report Presented to the State Board of Administration of Florida March 23, 2017," <http://www.flrules.org/Gateway/reference.asp?No=Ref-XXXXX>, and approved by the Board on April 11, 2017, is hereby adopted and incorporated by reference into this rule. The premium rates are developed in accordance with the Premium Formula methodology approved by the Board.

~~(b) For the 2012-2013 Contract Year, the Formula developed by the Board's Independent Consultant, "Florida Hurricane Catastrophe Fund: 2012 Ratemaking Formula Report Presented to the State Board of Administration of Florida, March 22, 2012," <http://www.flrules.org/Gateway/reference.asp?No=Ref-01175>, is hereby adopted and incorporated by reference into this rule. The basic premium rates developed in accordance with the Premium Formula methodology approved by the Board on April 24, 2012, are hereby adopted and incorporated by reference in Form FHCF Rates 2012, "Florida Hurricane Catastrophe Fund Proposed 2012 Rates Presented to the State Board of Administration of Florida, March 22, 2012," <http://www.flrules.org/Gateway/reference.asp?No=Ref-01176>, is hereby adopted and incorporated by reference into this rule. These incorporated documents may be obtained directly from the SBA website: www.sbafla.com/fhcf or by contacting the SBA by mail, P. O. Box 13300, Tallahassee, FL 32317-3300, with a request for the documents.~~

~~(c) For the 2013-2014 Contract Year, the Formula developed by the Board's Independent Consultant, "Florida Hurricane Catastrophe Fund: 2013 Ratemaking Formula Report Presented to the State Board of Administration of Florida, March 21, 2013," as approved on April 23, 2013, <http://www.flrules.org/Gateway/reference.asp?No=Ref-02750>, is hereby adopted and incorporated by reference into this rule. The basic premium rates developed in accordance with the Premium Formula methodology approved by the Board on April 23, 2013, are hereby adopted and incorporated by reference in Form FHCF Rates 2013, "Florida Hurricane Catastrophe Fund Proposed 2013 Rates Presented to the State Board of Administration of Florida, March 21, 2013," as approved on April 23, 2013, <http://www.flrules.org/Gateway/reference.asp?No=Ref-02751>, hereby adopted and incorporated by reference into this rule. These incorporated documents may be obtained directly from the SBA website: www.sbafla.com/fhcf or by contacting the SBA by mail, P. O. Box 13300, Tallahassee, FL 32317-3300, with a request for the documents.~~

~~(d) For the 2014-2015 Contract Year, the Formula developed by the Board's Independent Consultant, "Florida Hurricane Catastrophe Fund: 2014 Ratemaking Formula Report Presented to the State Board of Administration of Florida, March 20, 2014," <http://www.flrules.org/Gateway/reference.asp?No=Ref-04160>, is hereby adopted and incorporated by reference into this rule. The basic premium rates developed in accordance with the Premium Formula methodology approved by the Board on April 22, 2014, are hereby adopted and incorporated by reference in Form FHCF Rates 2014, "Florida Hurricane Catastrophe Fund Proposed 2014 Rates Presented to the State Board of Administration of Florida, March 20, 2014," <http://www.flrules.org/Gateway/reference.asp?No=Ref-04161>, hereby adopted and incorporated by reference into this rule. These incorporated documents may be obtained directly from the SBA website: www.sbafla.com/fhcf or by contacting the SBA by mail, P. O. Box 13300, Tallahassee, FL 32317-3300, with a request for the documents.~~

~~(e) For the 2015-2016 Contract Year, the Formula developed by the Board's Independent Consultant, "Florida Hurricane Catastrophe Fund: 2015 Ratemaking Formula Report Presented to the State Board of Administration of Florida, March 24, 2015," <http://www.flrules.org/Gateway/reference.asp?No=Ref-05418>, is hereby adopted and incorporated by reference into this rule. The basic premium rates developed in accordance with the Premium Formula methodology approved by the Board on April 14, 2015, are hereby adopted and incorporated by reference in Form FHCF Rates 2015, "Florida Hurricane Catastrophe Fund Proposed 2015 Rates Presented to the State Board of Administration of Florida, March 24, 2015," <http://www.flrules.org/Gateway/reference.asp?No=Ref-05419>, hereby adopted and incorporated by reference into this rule. These incorporated documents may be obtained directly from the SBA website: www.sbafla.com/fhcf or by contacting the SBA by mail, P. O. Box 13300, Tallahassee, FL 32317-3300, with a request for the documents.~~

~~(f) For the 2016/2017 Contract Year, the Formula developed by the Board's Independent Consultant, "Florida Hurricane Catastrophe Fund: 2016 Ratemaking Formula Report Presented to the State Board of Administration of~~

~~Florida, March 15, 2016,” <http://www.flrules.org/Gateway/reference.asp?No=Ref 06739>, and approved by the Board on March 29, 2016, is hereby adopted and incorporated by reference into this rule. The premium rates are developed in accordance with the Premium Formula methodology approved by the Board.~~

~~(4)(a) Special Circumstances.~~

~~(a)1-~~ Allocation of Premium. Premiums paid to the FHCF with reference to property covered by Quota Share Primary Insurance Arrangements, as that phrase is defined in Section 627.351(6)(c)2.a.(I), F.S., will be allocated by the FHCF between the ~~Company~~~~insurer~~ and Citizens in accordance with the percentages specified in the Quota Share Primary Insurance Arrangement for the purposes of premium billing, calculating retentions and determining reimbursement payments.

~~(b)2-~~ Special Rating Circumstances. The Premium Formula for policies that, based upon sound actuarial principles, require individual ratemaking and which are not excluded by rule will be based on the use of computer modeling for each individual Company for which it is applicable, i.e., portfolio modeling. The Independent Consultant will recommend guidelines for individual ~~Company~~ portfolio reporting and modeling to estimate individual ~~Company~~ FHCF expected losses. Individual ~~Company~~ FHCF expected losses for portfolio modeling exposures will be loaded for investments and expenses on the same basis as the FHCF premium rates used for non-portfolio modeling exposures, but will also include a loading for the additional cost of individual ~~Company~~ modeling. The minimum exposure threshold for FHCF portfolio modeling rating will be sufficient to generate estimated FHCF premium greater than the cost of modeling and other considerations and will be calculated by the Independent Consultant for the separate coverage levels of 45%, 75%, and 90% using the premium rates established pursuant to subsection (3) ~~herein~~. The methodology used by the Independent Consultant will be based on sound actuarial principles to establish greater actuarial equity in the premium structure.

~~(b) Forfeiture or Surrender of Certificates of Authority; Insurers Which Do Not Have Exposure For Covered Policies For an Entire Contract Year.~~

~~1- Insurers which have forfeited their certificates of authority or which have withdrawn from the state or discontinued writing all kinds of insurance in this state after the beginning of the Contract Year shall have their Premiums determined in accordance with subsection (3), above.~~

~~2- Special recognition is not given to Companies that~~insurers which~~ do not have exposure for Covered Policies for an entire Contract Year, except for New Participants as required by Article X(1) and X(2) of the Reimbursement Contract described in paragraph (c) of this subsection (4).~~

~~3- Any insurer which has forfeited its certificate of authority or which has discontinued writing in accordance with an order issued by the Department of Financial Services effective prior to June 1 of a Contract Year shall not be required to execute a Reimbursement Contract for that upcoming Contract Year with the Board provided that the insurer has no exposure to hurricane loss after May 31.~~

~~(c) New Participants.~~

~~1. All New Participants shall enter into a Reimbursement Contract with the Fund.~~

~~2. All New Participants shall pay a Reimbursement Premium to the Fund in accordance with the applicable subparagraphs below and in accordance with the applicable provisions of the Reimbursement Contract.~~

~~3. This subparagraph applies to Companies writing new business on or after June 1 but prior to December 1 of the Contract Year.~~

~~a. All New Participants writing new business during the period specified above shall pay a provisional Premium of \$1,000 to provide consideration for the contract.~~

~~b. For the 2012/2013 Contract Year and earlier Contract Years, on or before March 1 of the Contract Year, the Company shall report its actual exposure as of December 31 of the Contract Year to the Administrator in accordance with the Data Call. For the 2012/2013 Contract Year, New Participants had the option of reporting exposure as of November 30 by February 1 of the Contract Year. The Administrator shall calculate the Company's actual Reimbursement Premium for the applicable Contract Year based on its actual exposure. To recognize that New Participants have limited exposure during this period, the actual Premium as determined by processing the Company's exposure data shall then be divided in half, the provisional Premium shall be credited, and the resulting amount shall be the total Premium due for the Company for the remainder of the Contract Year. However, if that~~

amount is less than \$1,000, then the Company shall pay \$1,000. The Premium payment is due no later than May 1 of the Contract Year (or April 1 if the November 30 option was chosen for the 2012/13 Contract Year). The Company's retention and coverage will be determined based on the total Premium due which is the Premium calculated based on the Company's December 31 exposure (or November if appropriate) and divided in half as described in this sub-subparagraph.

~~e. For the 2013/2014 Contract Year and subsequent Contract Years, the Company shall report its actual exposure as of November 30 of the Contract Year in accordance with the Data Call. The Administrator shall calculate the Company's actual Reimbursement Premium for the applicable Contract Year based on its actual exposure. To recognize that New Participants have limited exposure during this period, the actual Premium as determined by processing the Company's exposure data shall then be divided in half, the provisional Premium shall be credited, and the resulting amount shall be the total Premium due for the Company for the remainder of the Contract Year. However, if that amount is less than \$1,000, then the Company shall pay \$1,000. The Premium payment is due no later than April 1 of the Contract Year. The Company's retention and coverage will be determined based on the total Premium due which is the Premium calculated based on the Company's November 30 exposure and divided in half as described in this sub-subparagraph.~~

~~4. This subparagraph applies to Companies writing new business on or after December 1 but up to and including May 31 of the Contract Year. All New Participants writing new business during this period shall pay a Premium of \$1,000 to provide consideration for the Reimbursement Contract. The Company shall pay no other Premium for the remainder of the Contract Year. The Company shall not report its exposure data for this period to the Board. The Premium shall be paid upon signing the Reimbursement Contract.~~

(5) All the forms adopted and incorporated by reference in this rule may be obtained ~~directly~~ from the ~~FHCF SBA~~ website at www.sbafla.com/fhcf, or from the Florida Hurricane Catastrophe Fund Administrator, Paragon Strategic Solutions Inc., at 8200 Tower, 5600 West 83rd Street, Suite, 1100, Minneapolis, MN 55437.

Rulemaking Authority 215.555(3) FS. Law Implemented 215.555(2), (3), (4), (5), (6), (7) FS. History—New 9-20-99, Amended 7-3-00, 9-17-01, 7-17-02, 7-2-03, 7-29-04, 7-17-05, 7-6-06, 7-17-07, 6-16-08, 8-2-09, 7-8-10, 7-3-11, 6-25-12, 6-18-13, 6-10-14, 6-2-15, 5-18-16, [X-XX-17](#).