Investment Policy Statement
Florida Hurricane Catastrophe Fund
and
Florida Hurricane Catastrophe Fund Finance Corporation (Pre-Event Liquidity Fund)
(Non-Qualified)
BNY Mellon Accounting Numbers: FMXFC030012 and FMXFC033052
BNY Mellon Name: FMXFCAN006 CATFUND and FMXFCAN008 CAT2007A

Approval by Deputy Executive Director Kevin Sigrist

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Purpose

The Florida Hurricane Catastrophe Fund (FHCF) was created in November 1993 during a special legislative session. The purpose of the FHCF is to maintain a viable and orderly private sector residential insurance market in order to maintain sufficient capacity to enable residents of the state to obtain property insurance coverage. The FHCF provides reimbursement to insurers for a portion of their catastrophic hurricane residential property losses. The State Board of Administration of Florida (SBA) was given responsibility for establishing and operating the FHCF under Section 215.555, Florida Statutes. The statute created the Florida Hurricane Catastrophe Fund Finance Corporation ("the Corporation") as a public benefits corporation to provide a mechanism necessary for the cost-effective and efficient issuance of bonds. FHCF can issue pre-event taxable bonds or upon occurrence of a hurricane and a determination that the monies in the FHCF are or will be insufficient to pay insurers under the reimbursement contracts, the Corporation may issue tax-exempt revenue bonds or engage in other financing transactions.

Prudent investment of cash held in the FHCF and Corporation portfolios (collectively described herein as "the Portfolios," although all guidelines and other requirements apply individually to each) can serve to further the goal of maintaining residential property insurance capacity in the state. Therefore, the purpose of this Statement is to set forth objectives, guidelines and restrictions applicable to the investment of cash held in these funds.

Investment Policy Overview

The primary investment objective for the Portfolios is defined by the following prioritized goals: (i) liquidity, so that reimbursement to insurers can be paid in a timely manner; (ii) safety of principal; and (iii) competitive returns. Cash flow needs for the FHCF after a storm are difficult to project, but it is prudent to assume that significant amounts of cash would be needed to pay covered losses quickly. Since paying such losses fully and in a timely manner is the primary mission of the FHCF, liquidity and principal stability in the portfolio must be paramount. The achievement of these goals is of prime importance and should not be jeopardized in the quest for additional return on the Portfolios.

To ensure its appropriateness relative to investment experience and market conditions, the Investment Policy Statement will be reviewed at least annually by the SBA and FHCF and revised as necessary. It will also be necessary to monitor the impact of hurricane losses in the state to determine any potential liabilities of the FHCF which will affect the implementation of investment strategies.

Investment Restrictions/Compliance

The Portfolios should include only short-term, high quality and highly liquid fixed income securities as further described below.

Fixed Income Securities are securities that pay interest, dividends or distributions at a specified rate. The rate may be a fixed percentage of the principal or adjusted periodically. In addition, the issuer of a short-term fixed income security must repay the principal amount of the security, normally within a specified time. Permitted fixed income securities must be U.S. dollar-denominated and include corporate debt securities, bank instruments, U.S. Treasury securities ("Government securities"), U.S. Government Agency securities ("Agency securities"), Municipal securities, shares of Money Market Mutual Funds and other types of permitted securities described in Appendix A.

All securities purchased must be consistent with Section 215.47 of the Florida Statutes. Further:

(1) The SBA has determined that the FHCF constitutes (i) an "accredited investor" as defined in Rule 501(a)(7) promulgated under the Securities Act of 1933; as amended (the "Securities Act"), as long as the FHCF has total assets in excess of $5,000,000 and (ii) a "qualified purchaser" as defined in Section 2(a)(51)(A)(iv) of the Investment Company Act of 1940, as amended as long as the FHCF in the aggregate owns and invests on a discretionary basis not less than $25,000,000 in investments, but does not constitute a "qualified institutional buyer" as defined by the United States Securities and Exchange Commission in Rule 144(a)(1) promulgated under the Securities Act of 1933. The SBA is restricted from purchasing or acquiring securities or investments on behalf of the FHCF that would require the FHCF to represent in connection with such purchase or acquisition that it is a "qualified institutional buyer" as defined in Rule 144A(a)(1) promulgated under the Securities Act.

(2) The SBA has determined that the Corporation constitutes (i) an "accredited investor" as defined in Rule 501(a)(7) promulgated under the Securities Act of 1933; as amended (the "Securities Act"), as long as the Corporation has total assets in excess of $5,000,000 and (ii) a "qualified purchaser" as defined in Section 2(a)(51)(A)(iv) of the Investment Company Act of 1940, as amended as long as the Corporation in the aggregate owns and invests on a discretionary basis not less than $25,000,000 in investments, but does not constitute a "qualified institutional buyer" as defined by the United States Securities and Exchange Commission in Rule 144(a)(1) promulgated under the Securities Act of 1933. The SBA is restricted from purchasing or acquiring securities or investments on behalf of the Corporation that would require the Corporation to represent in connection with such purchase or acquisition that it is a "qualified institutional buyer" as defined in Rule 144A(a)(1) promulgated under the Securities Act.

Credit Quality

The SBA will manage credit risk by maintaining a "Short-Term Approved List" of issuers, programs or securities that meet the requirements within this Statement. Inclusion on the Short-Term Approved List requires consent of both the Senior Portfolio Manager on the Short-term Desk and the Senior Portfolio Manager – Investment Grade Credit, with at least annual written acknowledgement and approval of the Short-Term Approved List by the Senior Investment Officer – Fixed Income. The SBA will monitor the credit risks of all portfolio securities on an ongoing basis by reviewing periodic financial data, issuer news and developments, ratings of certain nationally recognized statistical rating organizations (NRSROs) as outlined below, liquidity and/or credit enhancement structures, and pledged underlying credit support in the transaction documents for securities. The Senior Investment Officer – Fixed Income is responsible for maintaining documentation supporting the Short-Term Approved List and communicating any changes to the designated Compliance Officer.

At the time of purchase, all investments must be on the Short-Term Approved List and have credit quality in accordance with the following:

(1) Short-term investment ratings must be in the highest applicable rating categories from at least two of Moody's, S&P, and/or Fitch and must be a minimum of P-1 by Moody's, A-1 by S&P, and/or F1 by Fitch, without regard to any gradation within such categories;
(2) Long-term investment ratings must be obtained from at least two of Moody's, S&P, and/or Fitch and must be a minimum of A2 by Moody's, A by S&P, and/or A by Fitch;
(3) Money market mutual fund ratings must be in the highest applicable category from at least one of: Moody's (Aaa), S&P (AAAm) or Fitch (AAA);
(4) Any asset-backed commercial paper (ABCP) or medium term note must have 100% liquidity support or enhancements in the form of a backstop from an A-rated entity, typically a bank or other financial institution;
(5) Bankers Acceptances (BAs) and Certificates of Deposit (CDs) can be issued by any domestic or foreign bank with minimum capital of $100 million and the bank must have at least two ratings and be rated a minimum of P-1 by Moody's, A-1 by S&P, and/or F1 by Fitch, or have comparable long-term ratings.

Diversification

It is the FHCF's intent to maintain properly diversified portfolios in order to reduce its risk from changes in the market conditions for various classes of securities and to protect against changes in the financial health of any issuer of securities in the Portfolios. At the time of purchase:

(1) Treasury and Agency securities, Treasury and Agency money market mutual funds, Notes whose principal and interest payments are fully insured by the FDIC, and Treasury and Agency Collateralized Repurchase Agreements must in total be at least 50% of total portfolio amortized cost.
(2) Corporate securities, Commercial Paper, BAs, CDs, Municipal securities, and money market mutual funds whose underlying assets are less than 100% Treasury and/or Agency securities in total cannot comprise more than 50% of total portfolio amortized cost.
(3) No more than 25% of total portfolio amortized cost shall be in a single industry sector except that more than 25% of total portfolio amortized cost may be invested in the financial services industry sector, which includes banks, broker-dealers, and finance companies. This higher limit is in recognition of the large outstanding value of money fund instruments issued by financial services firms. Treasury and Agency securities are not considered to be part of an industry sector for these purposes.
(4) Securities of a single issuer (excluding Treasury and Agency securities) shall not represent more than 3% of total portfolio amortized cost. The maximum single issuer limit can be 5% of total portfolio amortized cost if timing issues related to delayed delivery transactions are the sole cause of this discrepancy, so long as the percentage is reduced to 3% or less within 7 days.
(5) No more than 5% of total portfolio amortized cost may be invested in any one issuer of FDIC insured notes (issuer means the financial institution which issues through the Temporary Liquidity Guarantee Program and not the FDIC).
(6) Investments in an individual money market mutual fund (including Treasury and Agency money market mutual funds) shall be limited to those authorized as SBA custodian sweep vehicles and no more than 10% of total portfolio amortized cost may be invested in an individual money market mutual fund (including any one Treasury or Agency money market mutual fund).
(7) Municipal securities shall not represent more than 25% of total portfolio amortized cost.
(8) Repurchase Agreements shall not represent more than 25% of total portfolio amortized cost and must be collateralized at least 102% with U.S. Government, Agency, or Agency Mortgage Backed Securities. All Repurchase Agreements must be marked-to-market daily. The maximum percentage can be increased upon approval by Executive Director & Chief Investment Officer with a written notification to FHCF.

(9) In general, issuer concentration limits described above will be verified using issuer information within a third-party analytics system or internal portfolio accounting system. For ABCP the supporting entity will be considered the issuer for concentration limit considerations and the supporting entity must be on the Short-Term Approved List.

Duration and Liquidity

The FHCF's intent under this Statement is to have a short-term portfolio that can provide ready liquidity at a price approximating amortized cost. Limiting the duration of investments in the Portfolios is one important way that this goal can be achieved. The following duration restrictions apply:

(1) Final maturities shall not exceed 397 days, with the exception of those for Government securities and Agency securities, which shall not exceed 3 years. Contractual agreements shall not be executed for an investment that exceeds 3 years. No more than 20% of total portfolio amortized cost may be invested in fixed rate securities with remaining time to maturity exceeding 397 days.
(2) The dollar weighted average maturity to reset of the Portfolios shall not exceed 90 days (i.e., DWAM shall not exceed 90 days), calculated using the interest rate reset period for any Variable Rate Obligations (VROs).
(3) The dollar weighted average final maturity of the Portfolios shall not exceed 180 days (i.e., WAL shall not exceed 180 days), calculated using the stated legal maturity for any VROs.
(4) BAs and CDs must have a maximum maturity of less than 397 days.
(5) The maximum term for Repurchase Agreements shall not exceed 30 days.
(6) The maximum term for ABCP shall not exceed 180 days.

Monitoring

The SBA will regularly monitor the Portfolios to assess their ability to meet levels of credit risk, redemptions, and interest rate changes, including the following:

(1) On at least a weekly basis, the Senior Investment Officer – Fixed Income will review and document:
   a. Interest rate sensitivity (i.e., days to reset).
   b. Spread duration (i.e., weighted average life and related measures).
   c. Natural maturity schedule.
   d. Holdings that meet the purchase requirements of this Investment Policy Statement, but:
      i. have elevated market risk and are not approved for future purchases;
      ii. have elevated market risk.
   e. Holdings that do not meet the purchase requirements of this Investment Policy Statement.
(2) The designated Compliance Officer will perform monthly compliance monitoring to ensure that investment practices comply with the requirements of this Investment Policy Statement and will communicate compliance exceptions to the Investment Oversight Group at regular monthly meetings and to the FHCF through delivery of monthly compliance packages. The Investment Oversight Group may agree to suspend the foregoing reporting to the extent that extraordinary market conditions, portfolio distributions, or other events are expected to cause the Portfolios to remain out of compliance for a period of time, and further reporting will not provide new information.
(3) At any time, in the event that a security no longer meets the criteria for purchase due to default, event of insolvency, a credit rating downgrade or other material event ("Affected Security"), the Senior Investment Officer – Fixed Income must identify the Affected Security and cause the Portfolio Manager to either dispose of the security within 5 business days or present a justification for the retention of the security to the Investment Oversight Group within 3 business days. If an Affected Security matures within 5 business days, no further action is

required. An Affected Security may be held after 5 days only if the Executive Director & Chief Investment Officer has determined, based upon a recommendation from the Senior Investment Officer – Fixed Income and the Investment Oversight Group, that it would not be in the best interest of the Portfolios to dispose of the security taking into account market conditions that may affect an orderly disposition. FHCF and the Investment Oversight Group will be contemporaneously notified by the Senior Investment Officer – Fixed Income of any Affected Securities.

(4) When the deviation between the market value and amortized cost of FHCF exceeds:

a. 0.50%, according to pricing information provided by the Custodian, the Senior Investment Officer – Fixed Income will submit a formal action plan. The Investment Oversight Group will review the formal action plan and prepare a recommendation for consideration by the Executive Director & Chief Investment Officer.

b. 0.75%, according to pricing information provided by the Custodian, the Investment Oversight Group and the Executive Director & Chief Investment Officer will promptly consider what action, if any, will be initiated. Where the Executive Director & Chief Investment Officer believes the extent of any deviation from amortized cost price per share may result in material dilution or other unfair results to asset classes or portfolios, the Executive Director & Chief Investment Officer will cause such action to be taken as the Executive Director & Chief Investment Officer deems appropriate to eliminate or reduce to the extent reasonably practicable such dilution or unfair results.

c. FHCF and the Investment Oversight Group will be contemporaneously notified by the designated Compliance Officer should the deviation between the market value and amortized cost of the Portfolios exceed the preceding thresholds. This notification duty does not negate the need for portfolio management staff to daily monitor the deviation versus thresholds.

(5) SBA will at least quarterly stress test the Portfolios and will report the results of the stress tests to the FHCF and to the Investment Oversight Group. Stress tests must be conducted for at least the following events, or combinations of events (i) a change in short-term interest rates; (ii) after a storm or 90 days prior to any maturity date of a pre-event bond (iii) downgrades or defaults; and (iv) changes between a benchmark overnight interest rate and the interest rates on securities in the portfolio (i.e., shocks to spreads).

Other Restrictions

(1) Asset Backed Securities and Mortgage Backed Securities (including Agency MBS) are not permitted.

(2) Derivatives are not permitted.

(3) Subordinate obligations, regardless of ratings, are not permitted.

(4) Reverse Repurchase Agreements are not permitted.

(5) Securities Lending is not permitted.

(6) Corporate variable or floating rate obligations with a demand feature are not permitted.

(7) ABCP under the conditions described above are permitted, but extendible ABCP and commercial paper or medium term notes issued by Collateralized Debt Obligations are not permitted.

(8) All securities not explicitly listed as permitted investments are hereby deemed to be prohibited under this Statement unless written permission is received from the Executive Director & Chief Investment Officer.

(9) Overnight Repurchase Agreements are only permitted when transacted with any registered broker/dealer or any U.S. branches of commercial banks whose unsecured short-term U.S. dollar-denominated debt obligations are rated at least P-1 by Moody's, A-1 by S&P, and/or F1 by Fitch without regard to gradation. Term Repurchase Agreements are only permitted with counterparties with the highest such gradation (e.g., A-1+). In addition, (a) a specific written repurchase agreement must govern the transaction, (b) the securities must be held free and clear

of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee, and (c) such party must be a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $100 million, and the Indenture Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee.

It is the responsibility of the SBA to (i) ascertain prior to the purchase of any investment for the Portfolios that such purchase is allowable and that the Portfolios will be in compliance with all aspects of this Statement subsequent to such purchase; and to (ii) reasonably maintain compliance with all aspects of this Statement. The FHCF staff will not independently verify compliance and therefore it is imperative for a robust and independent compliance process to be applied to the Portfolios as described above.

In addition, all SBA staff has an affirmative duty to immediately disclose any material impact on the Portfolios to SBA and FHCF management.

Evaluation

Performance evaluation will be conducted on the Portfolios and reported to the FHCF monthly, net of all fees. The blend of 50% of the average of the three month Treasury Bill rate and 50% of the iMoneyNet First Tier Institutional Money Market Funds Net Index will be used for evaluation for periods beginning July 1, 2010. Both cost and total return performance will be calculated. The SBA must provide reports on a monthly basis to enable the FHCF staff, advisory council, and governing board to understand how the Portfolios are invested and how they are performing versus the benchmark. As requested, the SBA will also provide industry sector breakdowns, the Short-term Approved List, and related credit analysis.

Appendix A-Types of Permitted Securities

Corporate Debt Securities

Corporate debt securities are fixed income securities issued by private businesses. Notes, bonds, debentures and commercial paper are the most prevalent types of corporate debt securities. FHCF may also purchase interests in bank loans to companies.

Commercial Paper

Commercial Paper is an issuer's obligation with a maturity of less than 9 months. Companies typically issue commercial paper to pay for current expenditures. Most issuers routinely reissue commercial paper and use the proceeds (or bank loans) to repay maturing paper. If an issuer cannot continue to obtain liquidity in this fashion, its commercial paper may default. Bank liquidity support for commercial paper can help reduce this risk.

Medium-Term Notes (MTN)

Medium-Term Notes are fixed income securities generally issued under a funding program that allows for a streamlined issuance process using a series of underlying documents.

Bank Instruments

Bank instruments are unsecured interest bearing deposits with banks. Bank instruments include, but are not limited to, bank accounts, time deposits, certificates of deposit and bankers acceptances. Yankee instruments are denominated in U.S. dollars and issued by U.S. branches of foreign banks. Eurodollar instruments are denominated in U.S. dollars and issued by non-U.S. branches of U.S. or foreign banks.

FHCF will not invest in instruments of domestic or foreign banks and savings and loans unless they have capital, surplus and undivided profits of over $100,000,000, or if the principal amount of the instrument is insured by the Bank Insurance Fund or the Savings Association Insurance Fund, which are administered by the Federal Deposit Insurance Corporation either directly or as part of CDARS (Certificate of Deposit Account Registry Service) program. These instruments may include Eurodollar Certificates of Deposit, Yankee Certificates of Deposit, and Eurodollar Time Deposits.

Government Securities

Government securities are any securities issued or guaranteed as to principal or interest by the United States, or by a person controlled or supervised by and acting as an instrumentality of the Government of the United States pursuant to authority granted by the Congress of the United States; or any certificate of deposit for any of the foregoing.

U.S. Treasury Securities

U.S. Treasury securities are direct obligations of the federal government of the United States.

Agency Securities

Agency securities are issued or guaranteed by a federal agency or other Government-Sponsored Entity (GSE) acting under federal authority. Some GSE securities are supported by the full faith and credit of the

United States. These include securities issued by the Government National Mortgage Association, Small Business Administration, Farmers Home Administration, Federal Financing Bank, General Services Administration, Department of Housing and Urban Development, Export-Import Bank, Overseas Private Investment Corporation, and Washington Metropolitan Area Transit Authority.

Other GSE securities receive support through federal subsidies, loans, or other benefits. For example, the U.S. Treasury is authorized to purchase specified amounts of securities issued by (or otherwise make funds available to) the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, and Tennessee Valley Authority in support of such obligations.

A few GSE securities have no explicit financial support, but are regarded as having implied support because the federal government sponsors their activities. These include securities issued by the Farm Credit System Financing Corporation, and Resolution Funding Corporation.

Notes issued through the U.S. Government Temporary Liquidity Guarantee Program, whose interest and principal payments are fully and unconditionally guaranteed by the FDIC will be considered Agency Notes.

Insurance Contracts

Insurance contracts include guaranteed investment contracts (GICs), funding agreements, and annuities. GICs and funding agreements are contracts sold by insurance companies which guarantee the repayment of principal and a fixed or floating interest rate over a predetermined period of time. Insurance companies also offer annuity policies or contracts in which the annuitant invests a lump sum or installments in return for a series of fixed or variable payments over a set time period. These investments are treated as fixed income securities and are subject to credit risk.

Municipal Securities

Municipal securities are issued by states, counties, cities, and other political subdivisions and authorities. The two basic types of municipal securities are general obligation bonds and revenue bonds. General obligation bonds are backed by the full faith and credit of the issuer, including its general taxation authority and the ability to raise funds through credit. Revenue bonds are repaid using the revenue generated by the project the bonds are issued to fund.

Foreign Securities

Foreign securities are U.S. dollar-denominated securities of issuers based outside the United States. FHCF considers the issuer to be based outside the United States if: it is organized under the laws of, or has a principal office located in, another country; or it (or its subsidiaries) derived in its most current fiscal year at least 50% of its total assets, capitalization, gross revenue, or profit from goods produced, services performed or sales made in another country.

Zero Coupon Securities

Zero coupon securities do not pay interest or principal until final maturity unlike debt securities that provide periodic payments of interest (referred to as a "coupon payment"). Investors buy zero coupon securities at a price below the amount payable at maturity. The difference between the purchase price and the amount paid at maturity represents interest on the zero coupon security. Since investors must wait until maturity to receive interest and principal, this increases the interest rate and credit risks of zero coupon securities.

Callable Securities

Callable securities contain a provision which allows the issuer to call or retire the debt prior to maturity. Callable securities are subject to reinvestment risks.

Money Market Mutual Funds

Money Market Mutual Funds are registered investment companies that comply with rule 2a-7 of the Investment Company Act of 1940.

Repurchase Agreements (REPOs)

Repurchase Agreements are a common form of short-term borrowing for dealers. An investor buys a security from a dealer or bank and agrees to sell the security back at a mutually agreed-upon time and price. The repurchase price exceeds the sale price, reflecting the portfolio's return on the transaction. This return is unrelated to the interest rate on the underlying security. The custodian or subcustodian will take possession of the securities subject to repurchase agreements and will monitor the value of the underlying securities each day to ensure that the value of the securities always equals or exceeds the repurchase price. Repurchase agreements are executed only with banks and other recognized financial institutions, such as securities dealers, that are deemed creditworthy. Repurchase agreements are subject to credit risks.

Delayed Delivery Transactions

Delayed delivery transactions, including when-issued transactions, are arrangements in which a portfolio buys securities for a set price, with payment and delivery of the securities scheduled for a future time. During the period between purchase and settlement, no payment is made by the portfolio to the issuer and no interest accrues to the fund. The transaction is recorded when the portfolio manager agrees to buy the securities and their value is reflected in determining the market value of the portfolio. Settlement dates may not be more than seven business days after entering into these transactions; nonetheless, the market values of the securities bought may vary from the purchase prices. Therefore, delayed delivery transactions create interest rate risks. These transactions also involve credit risks in the event of a counterparty default.