

**GUY CARPENTER**

**Florida Update**



Marsh & McLennan Companies

## Florida Hurricane Catastrophe Fund

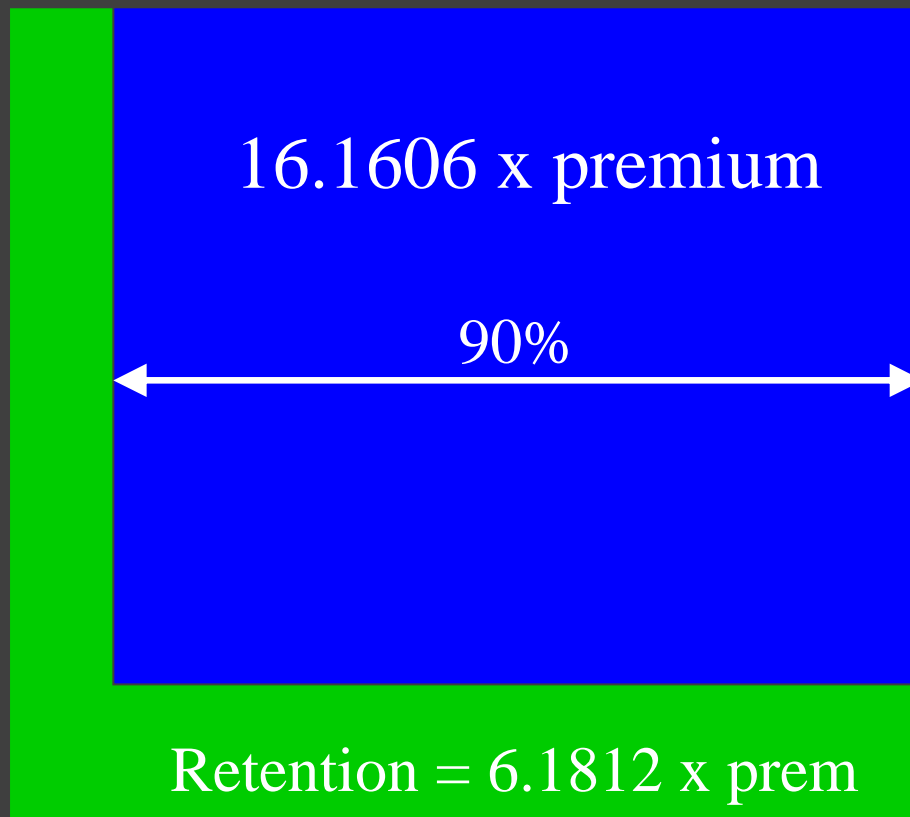
### *Key Facts*

- Formed in 1993 during a special legislative session following Hurricane Andrew
- Tax-exempt state trust fund under the direction of the State Board of Administration of Florida (SBA)
- Covers residential and commercial residential exposures
- Hurricane only
- Rates vary by type of business, deductible group, construction class, and FHCF rating region.
- Exposure x applicable rates = Reimbursement Premium
- Claims paying capacity comprised of cash and bonding; supported by 6% assessment per year, 10% aggregate

## Florida Hurricane Catastrophe Fund

*How does individual company coverage work?*

### 90% Option



- Retention per occurrence
- Coverage aggregate
- 45%, 75% or 90% coverage

## Florida Hurricane Catastrophe Fund

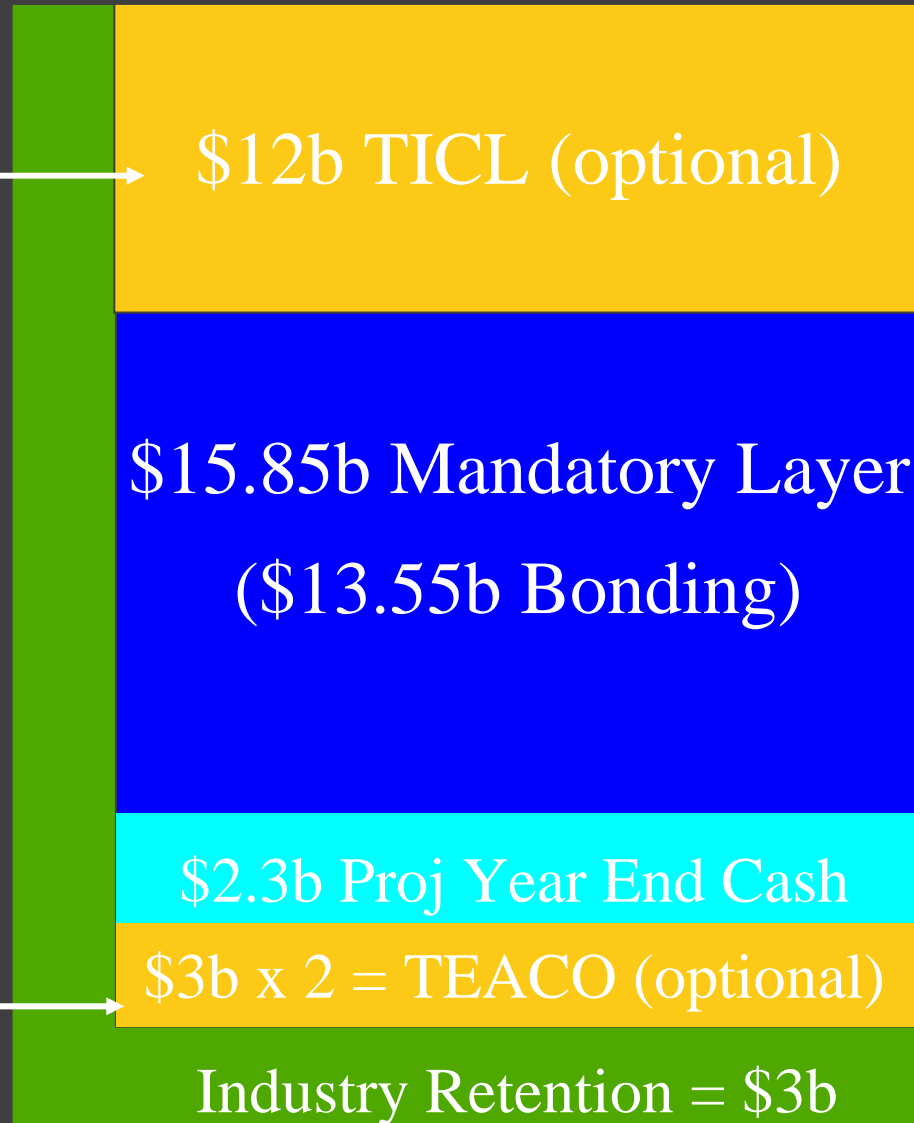
*2007 Legislation created significant additional capacity.*

- Created additional coverage through TEACO and TICL
- Renewed \$10m Optional Coverage layer
- Eliminated Citizens excess coverage
- Eliminated 25% Rapid Cash Build-up Factor
- Cover to include Commercial Self-insurance Funds
- File and Use rate filing required
- Representative Dennis Ross Statement (no vote):
  - *“While I understand and appreciate the great political pressure to provide immediate insurance rate relief, I cannot accept such short term relief when it comes at an even greater, long term risk to our homeowners and taxpayers.”*

# Florida Hurricane Catastrophe Fund 2007/08 Industry Coverage

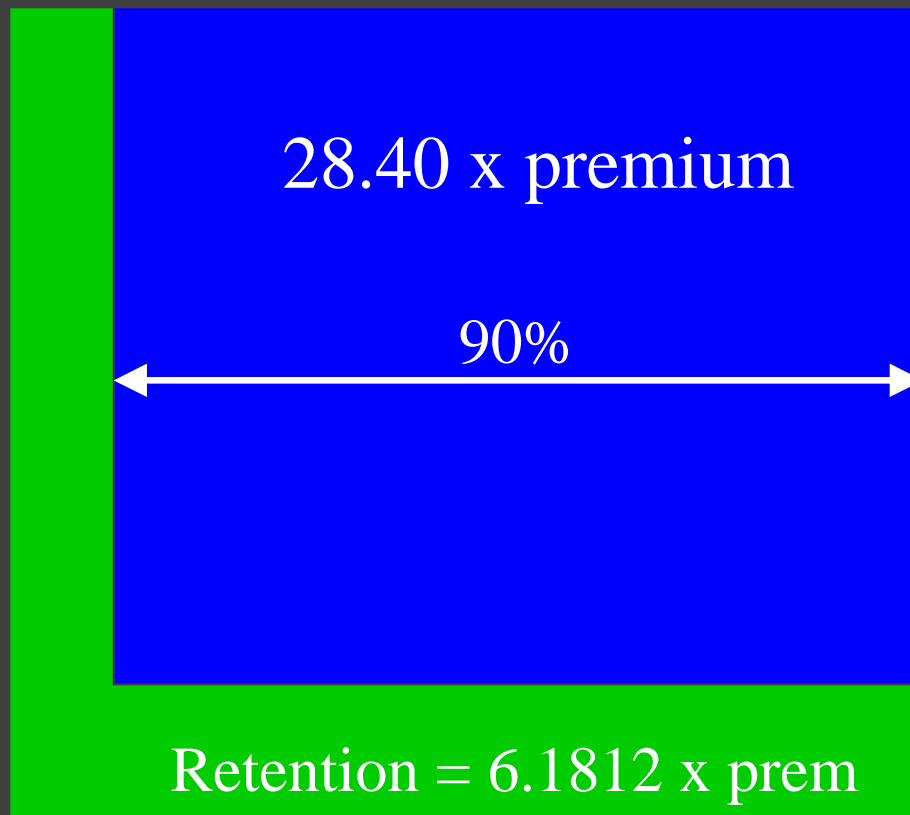
132 companies selected  
(\$11.37b of cover)

Not Taken Up



## Florida Hurricane Catastrophe Fund *Multiples with TICL*

90% Option

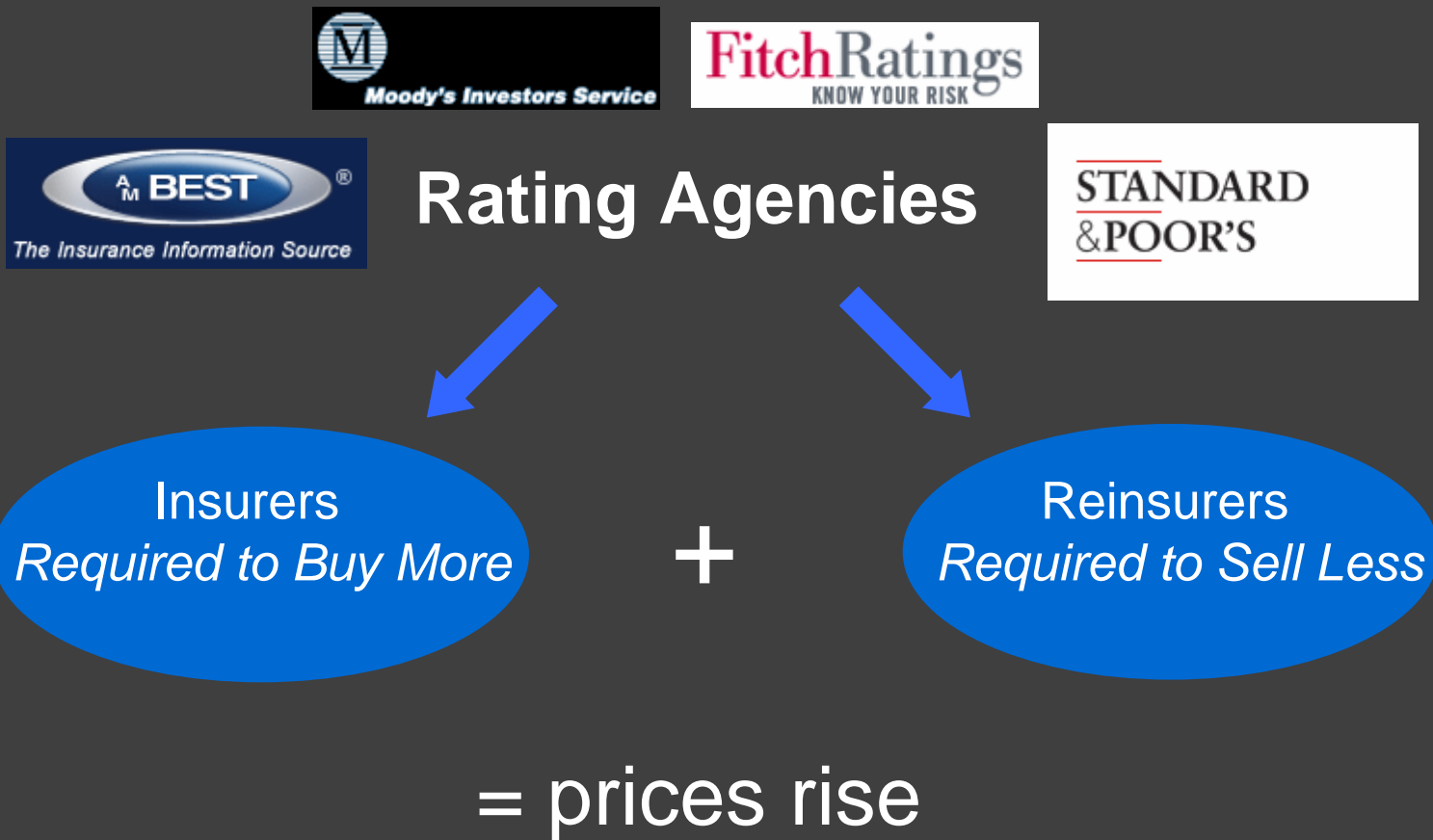


- Retention per occurrence
- Coverage aggregate
- 45%, 75% or 90% coverage

## The Financial Impact

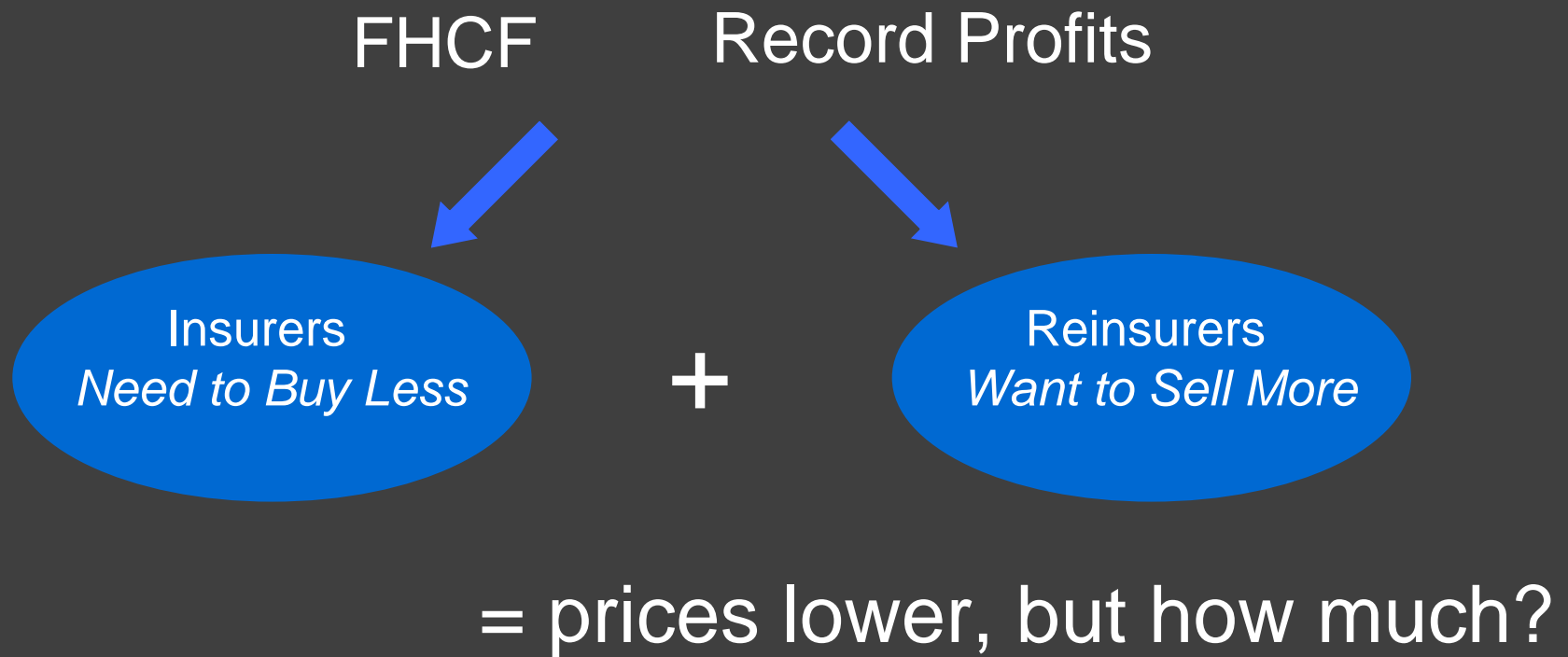
- State of Florida Financial position
  - S&P
    - State rating re-affirmed AAA
    - FHCF outstanding issues downgraded to AA-
    - FHCF outlook AA- stable
  - AM Best revised the FHCF credit risk factor charge from 4% to 12%
  - Citizens assessment base expanded to more than \$30 billion, compared with \$11.7 billion in 2006 (now equivalent to FHCF)
  - Total future assessment potential is enormous

## 2006: The Forces of Supply and Demand at Work



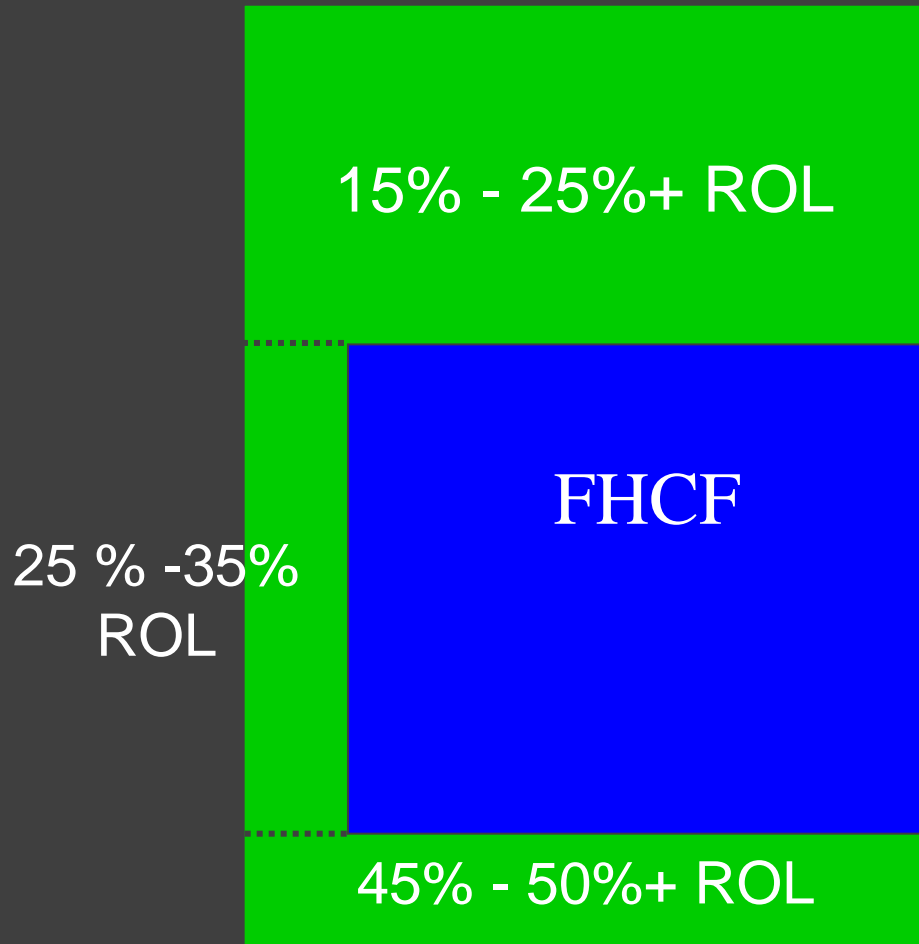


2007: The Forces of Supply and Demand at Work  
*...in reverse*

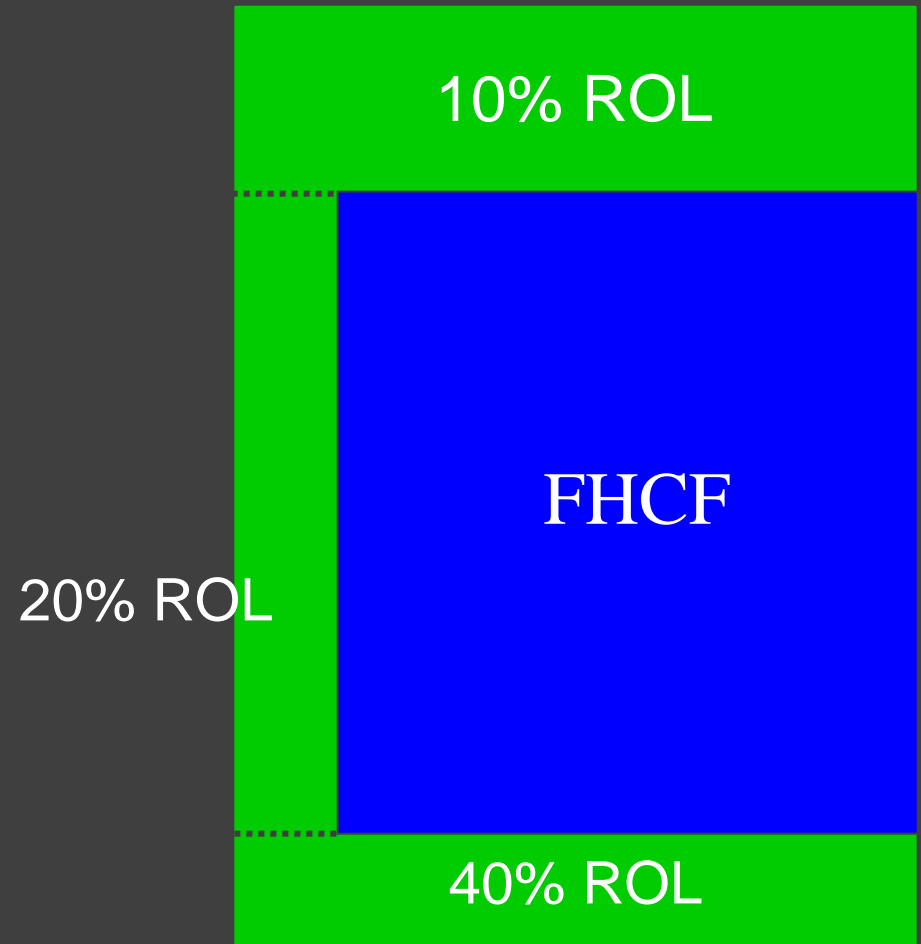


# FHCF Changes Have a Significant Impact on Pricing

## Aprox 2006 Pricing



## Aprox 2007 Pricing



## The ILW Market Responds

### 2006 ILW Pricing

Trigger	Price
\$20B	33% ROL
\$50B	15% ROL
\$60B	10% ROL

### 2007 ILW Pricing

Trigger	Price
\$10B	28% ROL
\$15B	22.5% ROL
\$20B	19% ROL
\$30B	13.5% ROL



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