

8. Senior FHCF Officer's Report

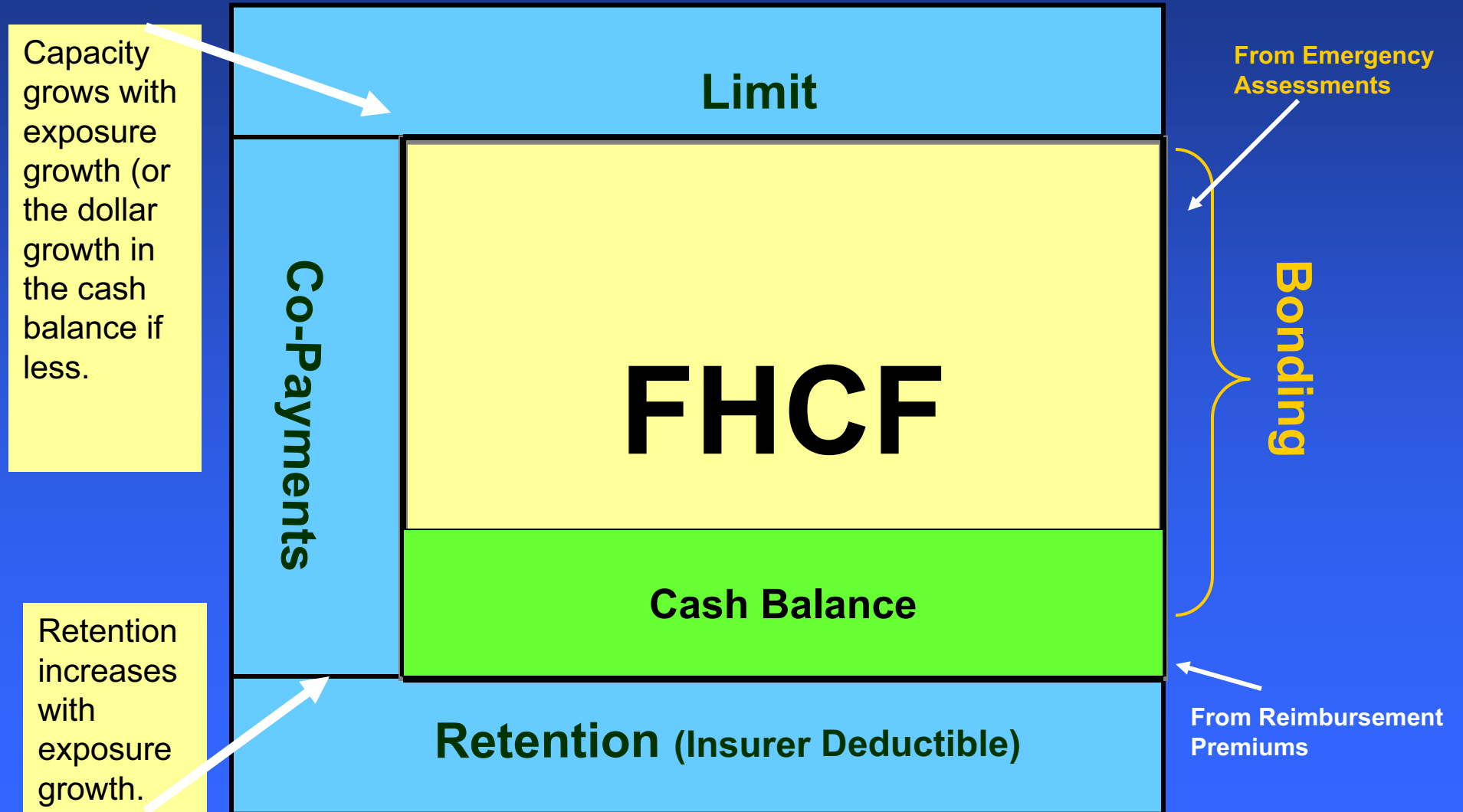
-- Jack Nicholson

- Proposed FHCF Legislation by CFO Sink
- Losses
 - Bonding
 - Assessments
- FHCF Coverage

Summary of the CFO's Proposed FHCF Legislation

- 1. Reorganization of the FHCF to report to a “Board” consisting of the Governor and the Cabinet.**
- 2. The FHCF makes recommendations to the Board based on an evaluation of the capacity of the reinsurance markets & the feasibility/risk associated with bond transactions relative to the current financial markets.**
- 3. The Board determines what FHCF optional coverages to offer, the limits, and the pricing (subject to statutory constraints).**
- 4. Creates a deadline of February 15 of each year for the Board to specify the parameters for optional coverages.**
- 5. Residential property insurers would have the option to purchase their reinsurance from the FHCF unless they can obtain it at a lower price from the private market.**

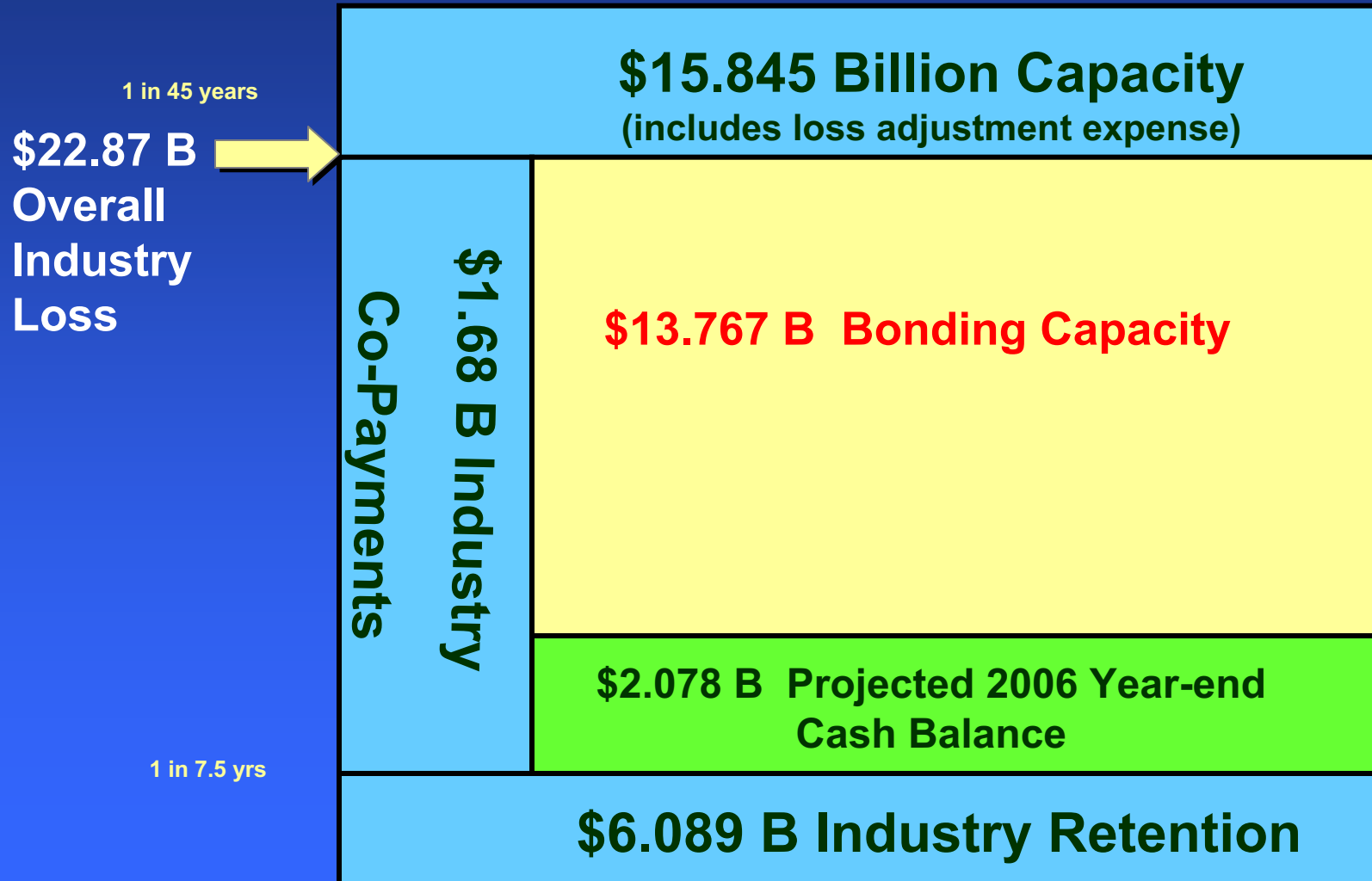
Basic Structure of the FHCF



Not Drawn to scale.

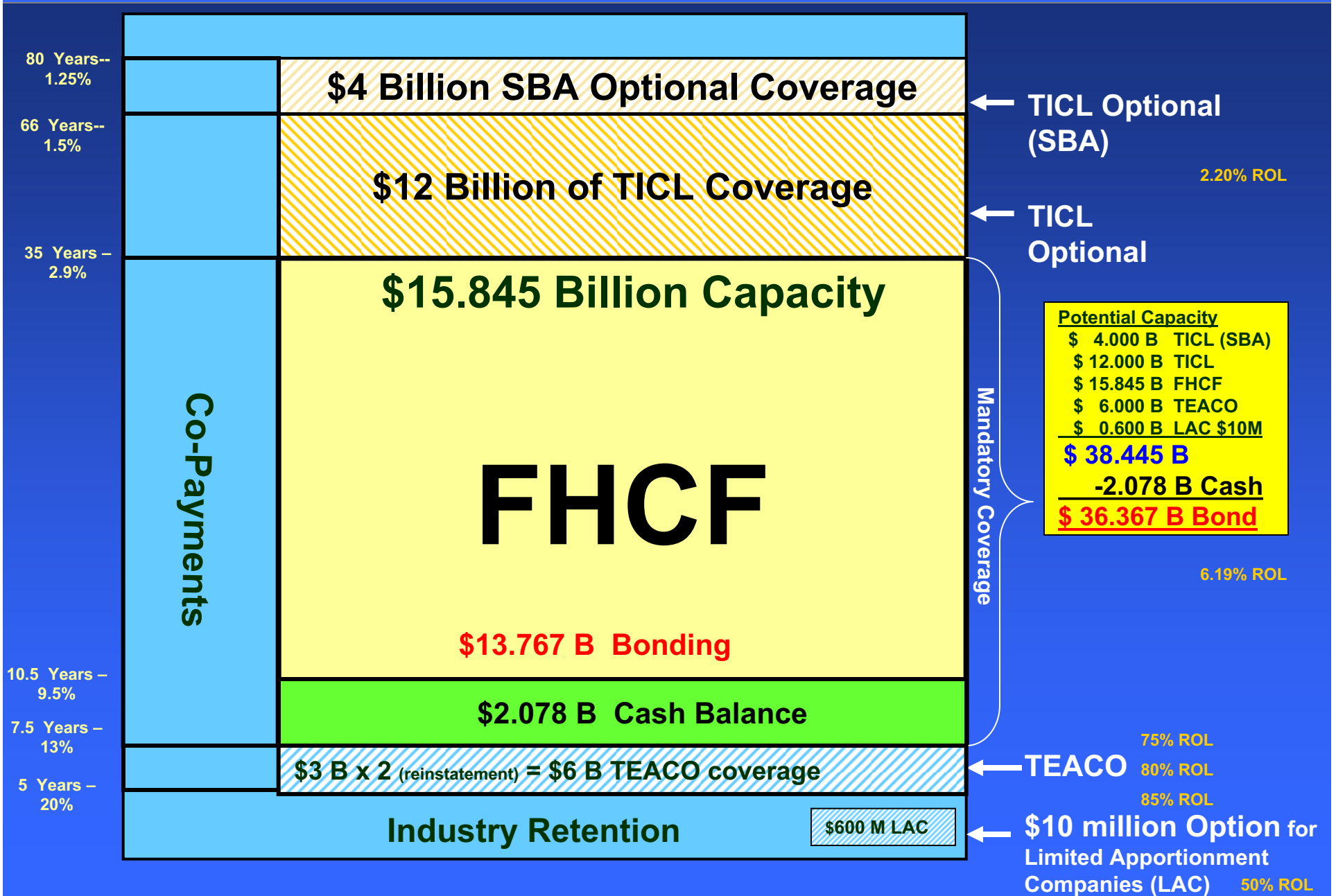
Initial Season Capacity for the 2007 Hurricane Season

Mandatory Coverage



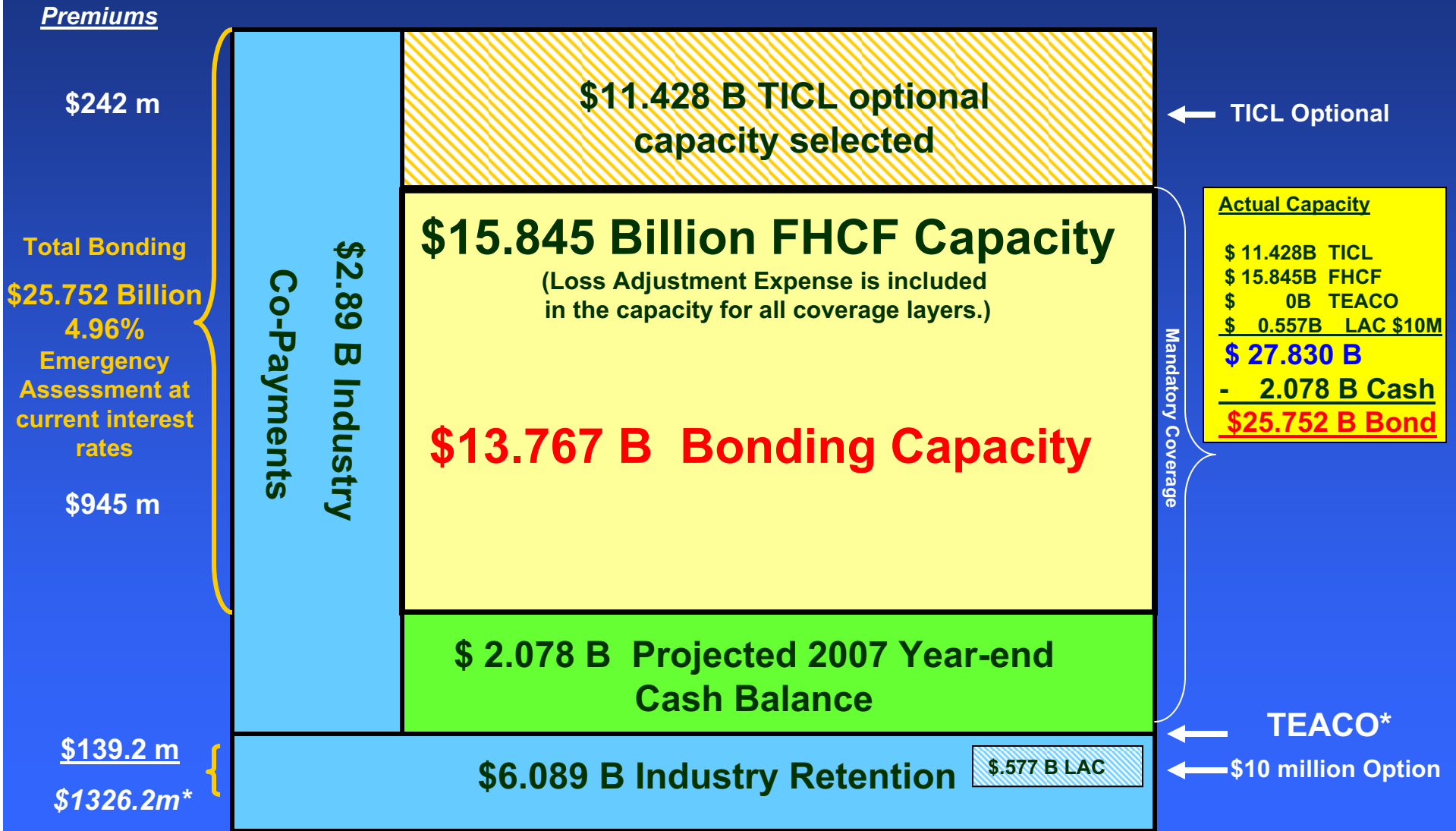
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FHCF Optional Coverages



Initial Season Capacity

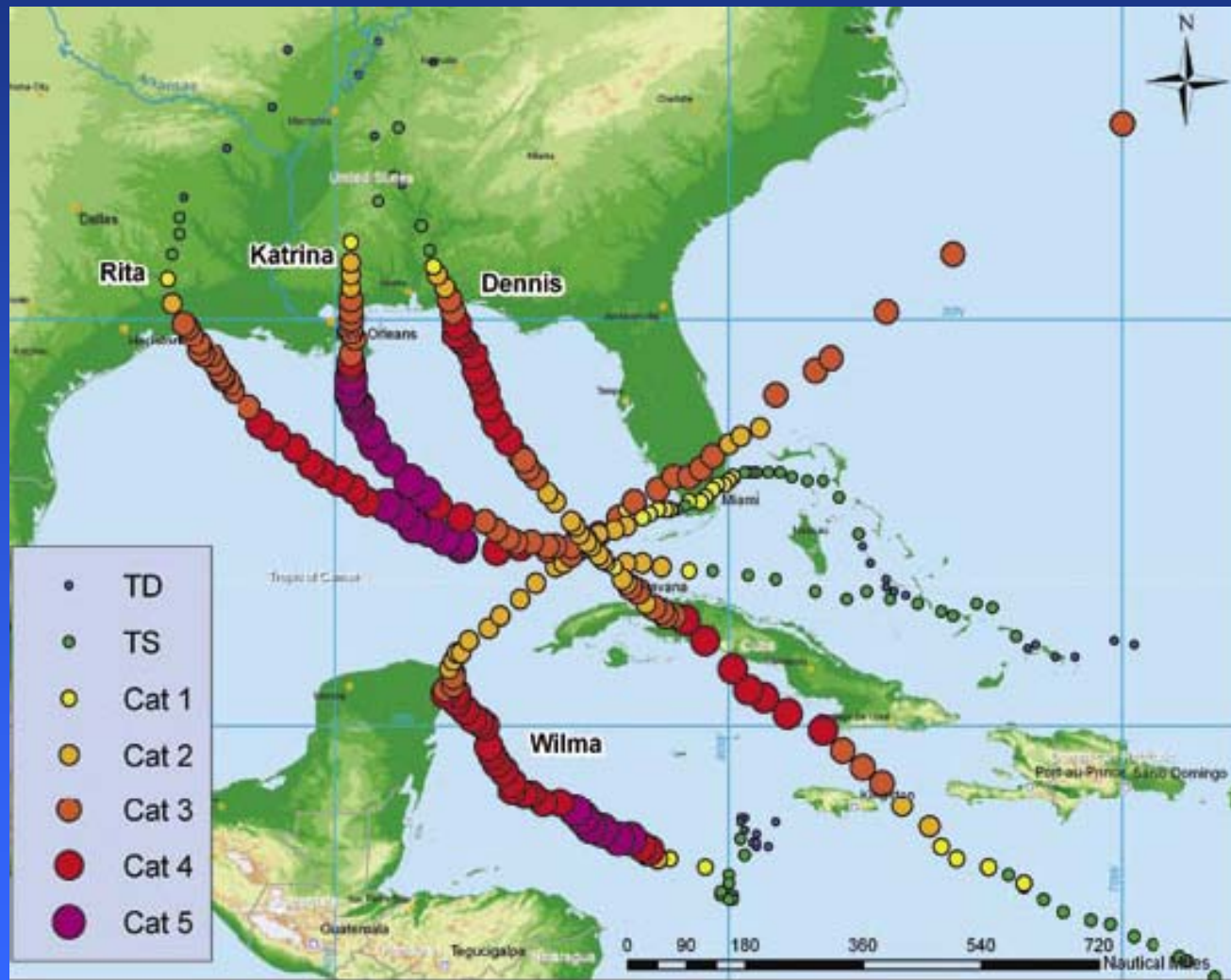
Actual Mandatory & Optional Coverage Selected



*No TEACO coverage selected

Not Drawn to scale.

2005 Hurricane Season



2004 & 2005 FHCF Losses as of 10-5-07

Residential Loss \$15.969 billion

2004

\$3.95 Billion

\$76 m outstanding

Total Losses	
	\$3.95 B
Reported Losses	
96.7%	\$3.821 B
Paid Losses*	
	\$3.745B
99.0%	

\$129 m Reserves for future reported losses IBNR

+\$76 m Reserves for reported losses

\$205 m Total Cash Assets available to pay the remaining 2004 losses

Residential Loss \$10.582 billion

2005

\$4.50 Billion

\$402 m outstanding

\$478 m outstanding

\$530 m in resources

\$478 m outstanding

\$ 52 m difference

Total Losses	
	\$4.50 B
Reported Losses	
101.7%	\$4.577 B
Paid Losses*	
	\$4.175 B
91.2%	

-\$77 m Reserves for future reported losses IBNR

+\$402 m Reserves for reported losses

\$325 m Total Cash Assets available to pay the remaining 2005 losses

\$530 m outstanding to be paid

***Note:** Proof of Loss (POL) Reports were processed within 2 to 7 days until bonds were issued. Now due to "liquidation" lag, POL reports are now processed within 8-14 days.

Bonding

- **2005 Post-Event (Tax-exempt) Revenue Bonds -- \$1.35 billion**
 - To cover shortfall associated with 2005 losses.
 - 1% emergency assessment for 6 years beginning 1/1/07.
- **2006 Pre-Event (Taxable) Extendable Floating Rate Notes -- \$2.577 billion (Extended and re-priced) out of \$2.8 billion originally**
 - To provide for liquidity for future hurricane seasons.
 - No assessments, financed out of interest earnings & FHCF reimbursement premiums.

Ratings:

Standard & Poors --

Long Term

AA

Short Term

A-1+

Fitch --

AA

F1+

Moodys --

Aa3

P-1

Bonding (continued)

- **2007 Pre-Event (Taxable) Floating Rate Notes -- \$3.5 billion**
 - To provide for liquidity for future hurricane seasons.
 - No assessments, financed out of interest earnings & FHCF reimbursement premiums.
 - Difficult market conditions (sub-prime problems caused a credit crunch).

Emergency Assessments

- **Emergency Assessments**

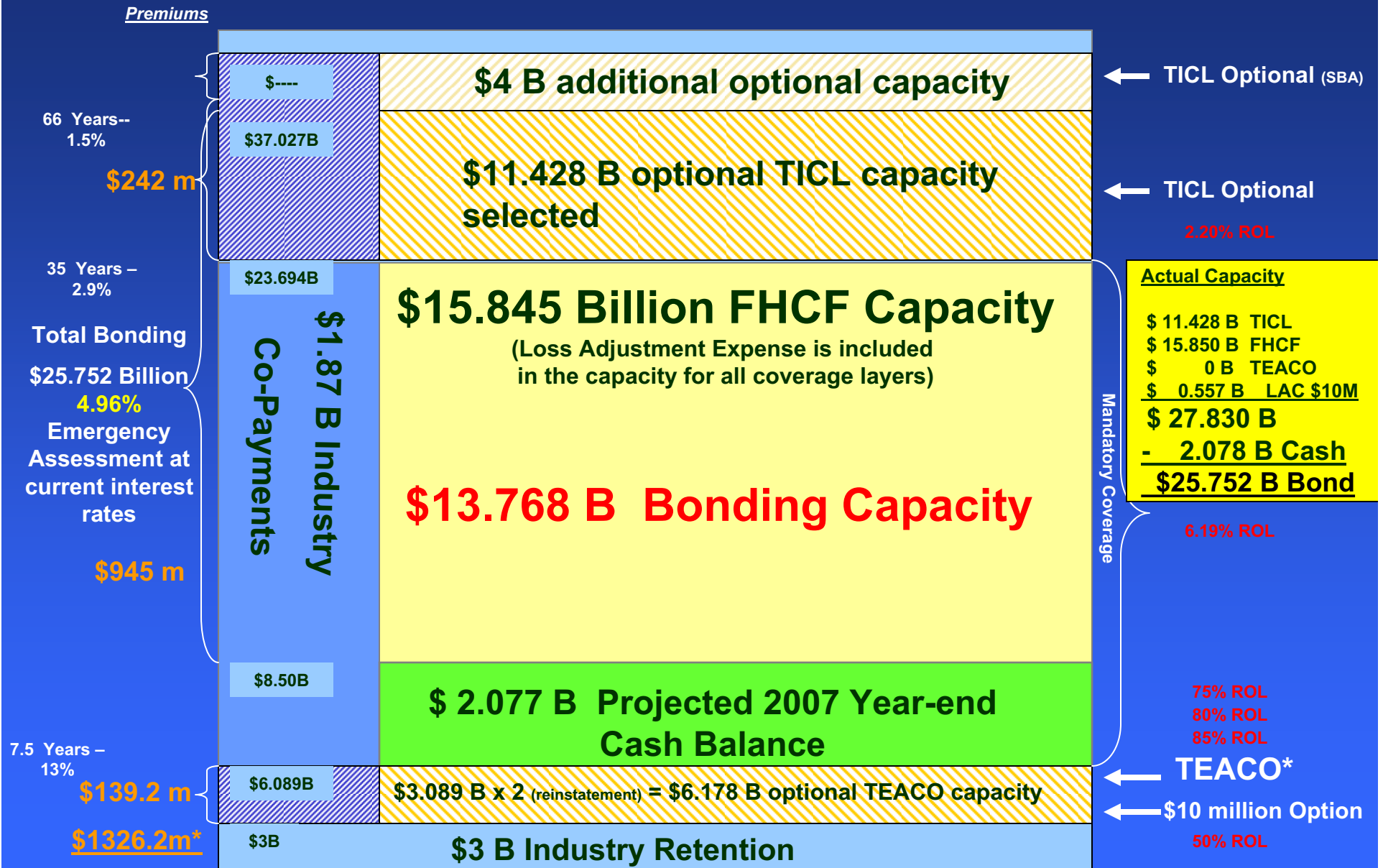
- Levied on all P&C lines including surplus lines, but excluding workers' comp, medical malpractice (until 2010), federal flood, and accident and health
- 1% on all policies written or renewed on or after 1-1-2007
- Approximately \$197 million collected for Q1 and Q2 through 9-30-2007
- Consistent with projections for bonding purposes related to debt service requirements
- OIR responsible for accurate and timely collection
- Approximately 600 assessable admitted companies
- FHCF bills late penalty – 49 companies billed Q1 and 18 companies billed Q2

Initial Season Capacity

D-R-A-F-T

Actual Mandatory & Optional Coverage Selected

D-R-A-F-T



*No TEACO coverage selected

Not Drawn to scale.