Florida Hurricane Catastrophe Fund

REPORT PREPARED FOR THE FLORIDA HURRICANE CATASTROPHE FUND

CLAIMS-PAYING CAPACITY ESTIMATES

OCTOBER 18, 2011

ONCE FINALIZED, THE STATEMENT OF THE FHCF'S ESTIMATED BORROWING CAPACITY, ESTIMATED CLAIMS-PAYING CAPACITY, AND PROJECTED YEAR-END BALANCE REQUIRED UNDER S. 215.555(4)(C)2., F.S., WILL BE PUBLISHED IN THE FLORIDA ADMINISTRATIVE WEEKLY AS REQUIRED BY LAW.

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I. Introduction

The Florida Hurricane Catastrophe Fund ("FHCF") is a tax-exempt trust fund created by the State of Florida in 1993. Its purpose is to stabilize state property insurance markets by providing contractually specified coverage for loss reimbursement to participating insurers after a hurricane(s). In exchange for this loss reimbursement, participating insurers pay the FHCF annual reimbursement premiums that are proportionate to each insurer's share of the FHCF's risk exposure. In addition, participating insurers must meet a contractually specified retention on each hurricane before the FHCF begins its reimbursements, and all such reimbursements are subject to co-pay amounts selected by each participating insurer based on statutorily available options. With limited exceptions, participation in the FHCF is mandatory for property insurers writing residential property insurance in the State.

The FHCF may obtain funds to pay its contractual reimbursement obligations from several potential sources:

(1) Accumulated reimbursement premiums

(2) Pre-event bond proceeds and other pre-event liquidity resources (if any)

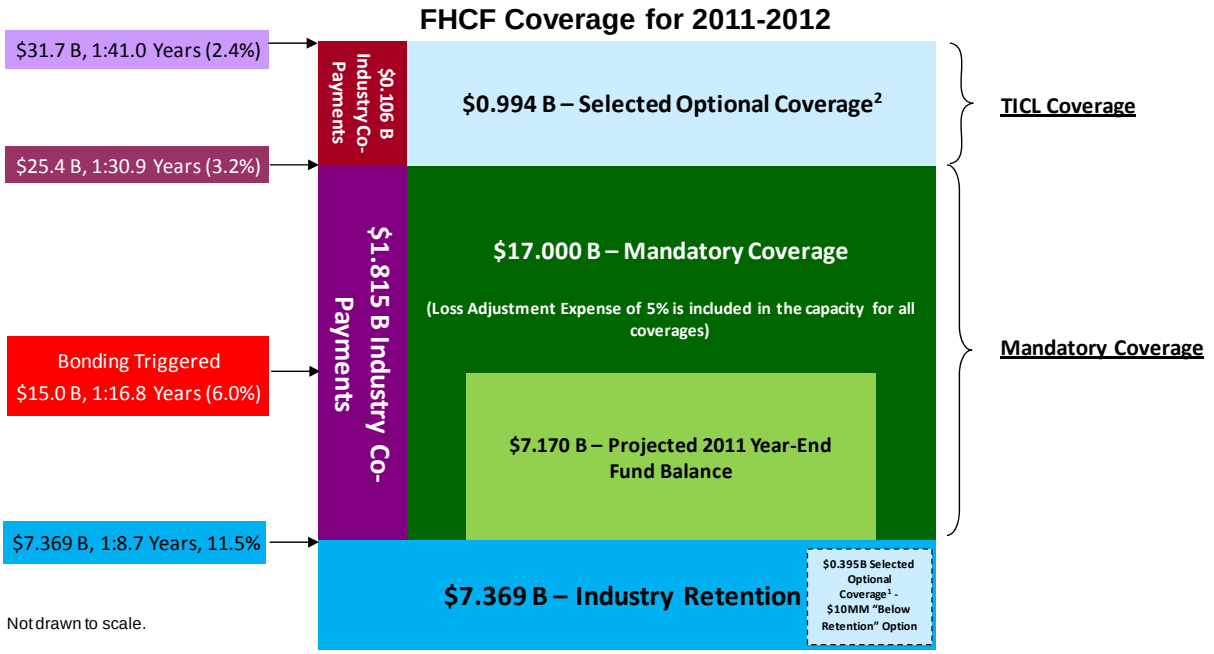
(3) Reinsurance recoveries (if any)

(4) Post-event revenue bond proceeds (issued pursuant to FL Statutes 215.555(6)) secured by emergency assessments

(5) Emergency assessments (which may be levied pursuant to FL Statutes 215.555(6)(b)) in lieu of or in addition to revenue bonds)

(6) Investment earnings on accumulated reimbursement premiums and emergency assessments

The total potential obligation of the FHCF is set statutorily, for each contract year. For the contract year June 1, 2011 – May 31, 2012, the maximum total obligation for the mandatory portion of the FHCF is $17 billion. In addition, there are two types of optional coverage that certain insurers may select. Given actual selections for the current contract year, the total potential reimbursement obligation of the FHCF is $18.389 billion. The chart below depicts a summary of the FHCF's coverage for the 2011-2012 contract year:



Total Potential FHCF 2011 Obligations = $17 B (mandatory coverage) + $0.994 B (TICL) + $0.395 B (optional coverage for certain companies) = $18.389 B

[1] *Optional coverage selected by certain statutorily designated companies (Limited Apportionment Companies and companies approved to participate in the Insurance Capital Build-Up Incentive Program); total maximum available coverage is $1 billion, but only $395 million was selected*

[2] *Total maximum available optional TICL coverage is $6 billion, but only $994 million was selected by participating insurers*

Pursuant to FL Statutes 215.555(4)(c)(2), *"in May and October of the contract year, the board shall publish in the Florida Administrative Weekly a statement of the fund's estimated borrowing capacity, the fund's estimated claims-paying capacity, and the projected balance of the fund as of December 31."* The purpose of this report is to provide an estimate of the bonding and claims-paying capacity of the FHCF in order to help the board meet its statutory mandate.

II. The Process

Raymond James and the FHCF staff utilized the resources of the FHCF's senior managing underwriters to estimate FHCF bonding capacity

In order to estimate the FHCF's borrowing capacity, we took the following steps:

(1) *Evaluated market conditions for the FHCF using internal resources;* Raymond James & Associates, Inc. ("Raymond James"), a full service broker dealer with over $2.6 billion in shareholders' equity (NYSE: RJF, www.raymondjames.com), serves as the independent financial advisor to the FHCF. We participate daily in the market for fixed income securities similar to those the FHCF would issue to help meet its reimbursement obligations after an event, and have served as advisor or underwriter on the issuance of over $25 billion of debt and related financial instruments for the FHCF and other state-sponsored property insurance entities around the country during the past five years.

(2) *With FHCF staff, conducted one-on-one phone calls with each of the FHCF's four senior managing underwriters from its financial services team.* These firms – Barclay's, Citi, Goldman Sachs, and JP Morgan[1] – are four of the largest financial services firms in the world, and each one has extensive experience and expertise with FHCF securities and similar instruments. In these calls, we sought to ensure that the underwriters had a clear understanding of the purpose of asking them to provide such estimates, and the uses thereof. We also discussed market conditions which they thought might impact the FHCF's issuance of debt after a hurricane, asked questions about their evaluation of the impact of those conditions and other factors, and answered their questions about the process. These calls all took place during the weeks of September 26-30 and October 3-7, 2011.

(3) *Solicited formal written feedback from those four senior managing underwriters.* In the solicitation, we asked the four firms to provide their estimates, given certain assumptions, of the FHCF's bonding capacity. A copy of the solicitation and the response of each of the managers is contained at Appendix A.

(4) *With FHCF staff, evaluated the written feedback and determined a recommended bonding capacity estimate for inclusion in this report.*

[1] *The financial services team was selected through a competitive solicitation process in May 2008.*

III. Analytical Considerations

The major constraint for the FHCF in achieving its maximum reimbursement obligation is potential limitation of market access, not a lack of assessment capability

The FHCF has strong debt repayment capabilities. From a credit standpoint, its ability to levy emergency assessments on all property and casualty insurance lines except workers' compensation, medical malpractice, accident and health is akin to a statewide sales tax on an essential product. The strength of this pledged revenue stream is the primary reason the three major rating agencies – Moody's, Standard and Poor's and Fitch – rate the FHCF's debt Aa3, AA-, and AA respectively. To put those ratings in perspective, less than 5% of U.S. corporations have ratings in the AA category by Standard and Poor's.

While the FHCF statute does place restrictions on the amount of such assessments that can be levied – 6% for losses attributable to one contract year and 10% cumulatively – these percentages, when applied to the current size of the assessment base ($33.603 billion[2]) mean the FHCF could levy annual assessments of as much as $2.016 billion for one contract year and $3.360 billion for multiple contract years. These annual amounts, in conjunction with the other available resources of the FHCF, are more than sufficient to support enough bonds to enable the FHCF to meet its maximum initial season obligations, and to fund a full subsequent season of coverage as well, *assuming that the FHCF has market access to issue such bonds*.

The immediately preceding clause is critical to understanding the challenges facing the FHCF. Given the FHCF's current resources and potential statutory obligations, it could need to bond for as much as $11.219 billion after a hurricane event that caused losses during the current contract year. The table on the following page shows how this is calculated.

Note that, while the FHCF does have an additional $3.5 billion of resources available from the proceeds of a pre-event note issuance in 2007, we have not considered those proceeds as an offset to potential bonding needs. The 2007 notes mature on October 1, 2012, and the FHCF could only draw on those moneys to pay claims in the months leading up to that date if it had a high degree of certainty that it could issue post-event bonds in time to pay the principal due on that date. While we can imagine circumstances where this might be possible, in the interest of conservatism we have excluded these note proceeds from the calculation of amounts available to offset post-event bonding needs.

[2] *See Appendix B for an analysis of the size of the FHCF's assessment base over time*

FHCF Obligations and Cash Resources – 2011-2012 Contract Year	Amount ($ in billions)
Potential FHCF Obligations	
Mandatory Coverage	$17.000
TICL Additional Optional Coverage	$0.994
Optional Coverage - "Below Retention" Option	$0.395
Total Potential FHCF Obligations	**$18.389**
Projected 2011 Year-End Fund Balance	**$7.170**
Net Amount Potentially Needed from Bonding	**$11.219**

Bonding needs of this size are extremely large by market standards. For example, the chart below shows that the largest single issue in the municipal market (taxable or tax-exempt) since 2009 was $6.543 billion by the State of California.[3]

Largest 25 Issuances By Par Amount Since 2009

Rank	Issuer Name	State	Year of Sale	Issue Description	Tax Status	Par ($MM)
1	California	CA	2009	Various Purpose GO Bonds	Tax-Exempt	$6,543
2	California	CA	2009	Various Purpose GO Bonds	Taxable	$5,000
3	Illinois	IL	2011	General Obligation Bonds	Taxable	$3,700
4	Illinois	IL	2010	General Obligation Bonds	Taxable	$3,466
5	Puerto Rico Sales Tax Finance Corporation	PR	2009	Sales Tax Revenue Bonds	Tax-Exempt	$3,418
6	California	CA	2010	Various Purpose GO Bonds	Taxable	$3,025
7	New York Liberty Development Corporation	NY	2009	Revenue Bonds	Tax-Exempt	$2,594
8	California	CA	2010	Various Purpose GO Bonds	Tax-Exempt	$2,500
8	California	CA	2010	Various Purpose GO Bonds	Taxable	$2,500
9	California	CA	2011	Various Purpose GO & Ref Bonds	Tax-Exempt	$2,366
10	California Statewide Comm Development Authority	CA	2009	Revenue Bonds	Tax-Exempt	$1,895
11	New Jersey Turnpike Authority	NJ	2010	Turnpike Revenue Bonds	Taxable	$1,850
12	Puerto Rico Sales Tax Finance Corporation	PR	2010	Sales Tax Revenue Bonds	Tax-Exempt	$1,824
13	California	CA	2009	Various Purpose GO Bonds	Taxable	$1,750
14	Pennsylvania Hghr Ed Assist Agcy	PA	2011	Student Loan Asset-Backed Notes	Tax-Exempt	$1,676
15	Puerto Rico Sales Tax Finance Corporation	PR	2010	Sales Tax Revenue Bonds	Tax-Exempt	$1,619
16	California	CA	2009	Economic Recovery Ref Bonds	Tax-Exempt	$1,615
17	Florida Citizens Property Insurance Corporation	FL	2010	High-Risk Acct Sr Secured Bonds	Tax-Exempt	$1,550
18	Wisconsin	WI	2009	Gen Fund Appropriation Bonds	Tax-Exempt	$1,529
19	Railsplitter Tobacco Settlement Authority	IL	2010	Tobacco Settlement Rev Bonds	Tax-Exempt	$1,503
20	Illinois	IL	2010	GO Refunding Bonds	Tax-Exempt	$1,501
21	Bay Area Toll Authority	CA	2010	Subordinate Toll Bridge Rev Bonds	Taxable	$1,500
21	Texas Transportation Commission	TX	2010	State Highway Fund Revenue Bonds	Taxable	$1,500
22	California Dept of Wtr Resources	CA	2010	Power Supply Revenue Bonds	Tax-Exempt	$1,496
22	California Dept of Wtr Resources	CA	2010	Power Supply Revenue Bonds	Tax-Exempt	$1,496
23	Puerto Rico Government Development Bank	PR	2010	Senior Notes	Tax-Exempt	$1,449
24	New Jersey Turnpike Authority	NJ	2009	Turnpike Revenue Bonds	Taxable	$1,375
25	Los Angeles USD	CA	2009	General Obligation Bonds	Taxable	$1,370

Source: Thomson Financial for long-term issuances from January 1, 2009 to October 13, 2011.

[3] *For this and all other market comparison data, we have restricted the data set to 2009 and later. The financial crisis that began in 2007 fundamentally changed the dynamics of fixed income markets from both an issuer and an investor standpoint. Therefore, comparisons to transactions that occurred during or prior to the crisis have little analytical value for the FHCF in 2011-2012.*

However, after a hurricane occurs, the FHCF may not need to do one single large financing, but based on past payout patterns could potentially meet its obligations by issuing multiple series of bonds over 12 months or longer. Therefore, it is also instructive to consider which issuers in the municipal market have issued the most debt in a 12 month period. The chart below shows that in 2009 the State of California issued over $23.180 billion of municipal debt (and another $10.544 billion in 2010). These are encouraging data points from the FHCF's standpoint, since this massive issuance occurred at a time when California was undergoing significant fiscal distress, and being downgraded to become the lowest-rated of all 50 states (A1/A-/BBB, several notches below the FHCF's ratings).

Largest 25 Issuers By Issued Par Amount In 2009

Rank	Issuer Name	Par ($MM)
1	California	$23,180
2	NYS Dorm Authority	$7,501
3	New York City-New York	$6,161
4	Puerto Rico Sales Tax Fin Corp	$5,574
5	NYC Transitional Finance Auth	$4,344
6	Illinois Finance Authority	$4,137
7	California Statewide Comm Dev Au	$4,121
8	Connecticut	$3,788
9	Washington	$3,315
10	Pennsylvania Turnpike Commission	$2,946
11	Los Angeles USD	$2,925
12	Regents of the Univ of California	$2,741
13	New York Liberty Dev Corp	$2,594
14	Empire State Development Corp	$2,551
15	Georgia	$2,513
16	New Jersey Turnpike Authority	$2,499
17	NYC Municipal Water Finance Auth	$2,431
18	Wisconsin	$2,391
19	California Health Facs Fin Auth	$2,327
20	Indiana Finance Authority	$2,268
21	California St Public Works Board	$2,191
22	Massachusetts	$2,181
23	NYS Thruway Authority	$2,179
24	Bay Area Toll Authority	$2,069
25	District of Columbia	$2,067

Largest 25 Issuers By Issued Par Amount In 2010

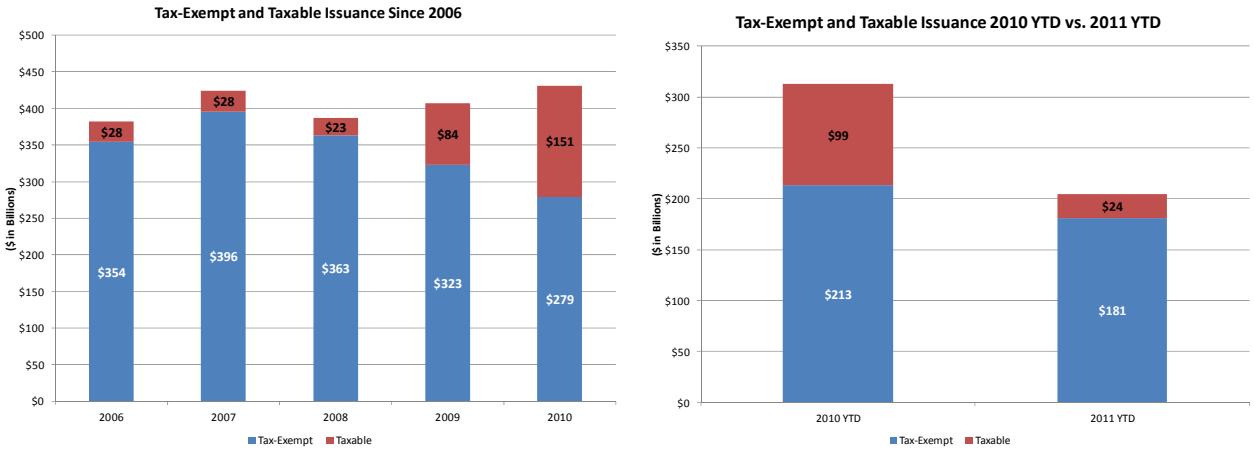
Rank	Issuer Name	Par ($MM)
1	California	$10,544
2	Illinois	$8,678
3	NYS Dorm Authority	$5,712
4	New York City-New York	$5,226
5	California Dept of Wtr Resources	$4,946
6	NYC Transitional Finance Auth	$4,317
7	NYC Municipal Water Finance Auth	$3,798
8	Puerto Rico Sales Tax Fin Corp	$3,625
9	Metropolitan Transport Auth (MTA)	$3,539
10	Chicago City-Illinois	$3,418
11	Washington	$3,398
12	Massachusetts	$3,289
13	Puerto Rico Electric Power Auth	$3,104
14	Georgia Muni Electric Au (MEAG)	$2,796
15	Puerto Rico Government Dev Bank	$2,783
16	Pennsylvania	$2,688
17	Clark Co-Nevada	$2,582
18	Texas Transportation Commission	$2,478
19	Texas Public Finance Authority	$2,435
20	Los Angeles USD	$2,411
21	Bay Area Toll Authority	$2,385
22	Miami-Dade Co-Florida	$2,385
23	American Municipal Power Inc	$2,364
24	New Jersey Trans Trust Fund Au	$2,359
25	Illinois Finance Authority	$2,327

Largest 25 Issuers By Issued Par Amount In 2011

Rank	Issuer Name	Par ($MM)
1	NYS Dorm Authority	$4,021
2	Illinois	$3,700
3	NYC Transitional Finance Auth	$3,149
4	New York City-New York	$2,516
5	NYC Municipal Water Finance Auth	$2,505
6	California	$2,391
7	New Jersey Economic Dev Auth	$2,216
8	Indiana Finance Authority	$2,031
9	Houston City-Texas	$1,927
10	Regents of the Univ of California	$1,600
11	Los Angeles City-California	$1,581
12	Massachusetts	$1,557
13	Massachusetts Dev Finance Agcy	$1,541
14	Port Authority of NY & NJ	$1,525
15	Florida State Board of Education	$1,514
16	Puerto Rico	$1,401
17	Puerto Rico Government Dev Bank	$1,395
18	Chicago City-Illinois	$1,394
19	Wisconsin	$1,349
20	Maryland	$1,293
21	California Dept of Wtr Resources	$1,269
22	Washington	$1,242
23	North Texas Tollway Authority	$1,191
24	Illinois Finance Authority	$1,129
25	Energy Northwest	$1,103

Source: Thomson Financial for long-term issuances from January 1, 2009 to October 13, 2011.

Analysis of potential market acceptance of large amounts of FHCF debt must include not only relevant historical references but also an evaluation of current market conditions. In this regard, there is reason for some concern. Municipal bond issuance, which had been relatively stable for many years prior to 2011, has declined this year by over 35% compared to 2010.



Source: Thomson Financial for long-term issuances from January 1, 2006 to October 10, 2011.

A confluence of supply and demand factors has conspired to produce this result: weak economic conditions depressing municipal budgets, investor skittishness in the wake of widespread predictions of municipal financial distress, and general debt fatigue among both issuers and investors, to name just a few. A smaller market with a more limited buyer base may present challenges that did not previously exist for the FHCF in issuing bonds. In its favor, though, the FHCF is a well-regarded, highly-rated credit that is closely associated with (though not guaranteed by) the State of Florida, which is a blue-chip name in the market. Furthermore, bond issuances of the size the FHCF may need to undertake would probably be included in the various indices market observers use to track market performance, and so institutional money managers seeking to at least match indexed returns may have a strong additional incentive to buy FHCF bonds, particularly if they are offered at interest rates higher than those typically associated with AA category credits.

Estimating the FHCF's post-event bonding capacity is an inexact science. To do so requires a consideration of the factors above, an extrapolation about what market conditions might exist after hurricanes of various sizes, and an evaluation of the many subjective and substantive considerations surrounding these estimates and the uses thereof. Certainty is not a defining characteristic of an exercise like this; nor can the results be responsibly guaranteed. Nevertheless, with the proper experience, perspective and analysis, one can make estimates suitable for the FHCF's requirements – conservative estimates, not guaranteed to be accurate, but responsibly determined using the best available sources. We now turn to that task.

IV. Bonding and Claims-Paying Capacity Estimates

Estimated Bonding Capacity

The preliminary estimated bonding capacity of the FHCF for the current contract year is $8 billion

To estimate the FHCF's bonding capacity, we used the general process described in Section II and detailed in Appendix A. The specific wording of the capacity question we asked was as follows:

> *"Please provide us with your firm's opinion on the potential tax exempt and/or taxable post event market capacity over the next 0-12 months **and** 12-24 months at rates that are above the current "market" scale as needed."*[4]

We considered all data, but, based on a desire for conservatism and guidance from FHCF staff about potential payout timing, decided to use only the estimates for the first 12 months in formulating the bonding capacity estimate. We were comfortable including estimates that contained some above-market interest rate capacity estimates in recognition of the fact that the FHCF has ample assessment capability within its statutory limits to issue bonds even at very high rates[5]. For purposes of calculating the potential assessment impact of the FHCF's bonding needs, we assumed that FHCF bonds would carry an interest rate of 10%, several hundred basis points above where the senior managers estimate the FHCF could issue bonds in the current market. This adds additional conservatism to the analysis.

A summary of the senior managers' responses is shown in the table below:

FHCF Post-Event Estimated Bonding Capacity

	Citi	Goldman Sachs	JP Morgan	Barclays	Average*
Bonding Estimates					
Tax-Exempt:					
0-12 Months	$4 B	$3 B	$3-4 B	$3-4 B	$4 B
12-24 Months	$2 B	$3 B	$2-3 B	$3-4 B	$3 B
Total tax-exempt	*$6 B*	*$6 B*	*$5-7 B*	*$6-8 B*	*$6 B*
Taxable:					
0-12 Months	$6-7 B	$2 B	$3-4 B	$5-6 B	$4 B
12-24 Months	$2-3 B	$2 B	$1-2 B	$5-6 B	$3 B
Total taxable	*$8-10 B*	*$4 B*	*$4-6 B*	*$10-12 B*	*$7 B*
0-12 Months Total	**$10-11 B**	**$5 B**	**$6-8 B**	**$8-10 B**	**$8 B**
12-24 Months Total	$4-5 B	$5 B	$3-5 B	$8-10 B	$6 B
0-24 Months Total	$14-16 B	$10 B	$9-13 B	$16-20 B	$14 B

* Averages are rounded to the nearest billion dollars

[4] *The complete information request and all responses are included at Appendix A.*

[5] *For example a 30-year bond issue at 10% interest rates sized to produce the maximum potential FHCF obligation ($11.219 billion) for the current contract year would require an annual assessment of only 3.52%, well below the 6% statutory cap.*

As discussed earlier, we believe that using only the 0-12 months number to compute an average is a conservative approach to estimating bonding capacity, and we recommend that the FHCF use this approach, which yields an estimate of approximately $8 billion[6]. This estimate results in an initial season 12 month funding shortfall of approximately $3.2 billion. If one expects that FHCF payout after an event will need to occur within 12 months, then this is the appropriate estimate to use. However, when considering the larger picture of the FHCF's sustainability, it is reasonable to note that each of the senior managers believes that the FHCF would have significant additional capacity in the period 12-24 months after an event. This capacity could be used for the initial season shortfall or potentially to fund subsequent season losses, in approximate amounts as shown below:

FHCF Bonding Capacity - Supplemental Information

Estimated Bonding Capacity 0-12 months Average	$8.000 B
Amount Needed for Bonding - Initial Season	$11.219 B
Potential Shortfall - Initial Season	($3.219 B)
Potential Additional Bonding Capacity - 12-24 months	$6.000 B
Potential Subsequent Season Bonding Capacity	$2.781 B

Estimated Claims-Paying Capacity

Claims-paying capacity of the FHCF is simply equal to the sum of the projected fund balance plus the estimated bonding capacity. The FHCF projects that its year-end fund balance will be approximately $7.170 billion as calculated by Paragon Strategic Solutions Inc., the FHCF's consulting actuary.

Using this projection, and a bonding capacity estimate of $8 billion, the FHCF's estimated claims-paying capacity for the initial season is $15.170 billion, which is $3.219 billion below the total potential maximum claims-paying obligation of $18.389 billion. However, as discussed above, if the FHCF can realize and use its estimated 12-24 months post-event bonding capacity of an additional $6 billion, it could meet its full initial season obligation and apply additional bonding amounts and fund balance accumulated during that period to subsequent season claims-paying capacity. The breakdown of this potential claims-paying capacity is shown below, for informational purposes only. We recommend that the FHCF consider only the 0-12 months numbers in publishing its offical claims-paying estimate, based on feedback from the FHCF about the timing of its payout needs.

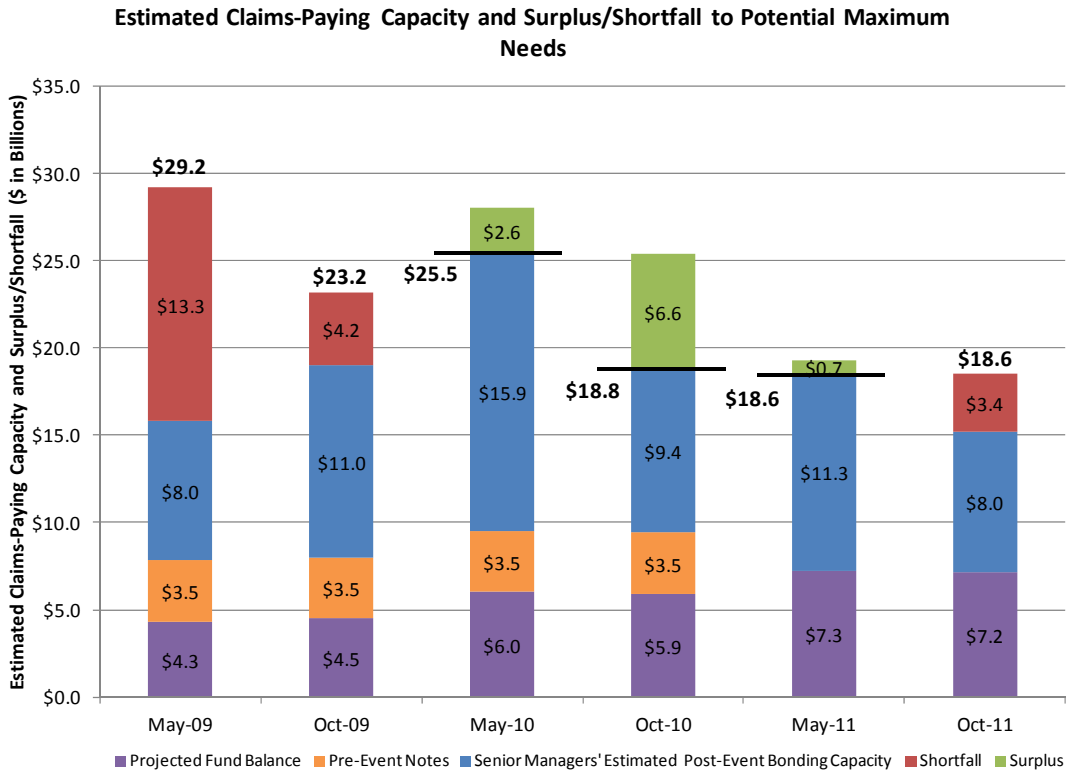
[6] *When all the FHCF claims-paying resources are considered, a bonding capacity of $8 billion would result in full payment to FHCF participating insurers over 96% of the time, according to the FHCF's actuarial estimates.*

	Projected Fund Balance	Post-Event Estimated Borrowing Capacity Required	Total Estimated Claims Paying Capacity	Annual Assessment %
Initial Season (0-12 Months)	$7.170B	$8.000B	$15.170B	2.51%
Initial Season (12-24 Months)	$7.170B	$3.219B	$10.389B	1.01%
Initial Season Total (0-24 Months)	$7.170B	$11.219B	$18.389B	3.52%
Subsequent Season	$1.225B	$2.781B	$4.006B	0.87%

Historical Perspective on Estimated Claims-Paying Capacity

The estimated claims-paying capacity of the FHCF over time is subject to changes both in the projected fund balance and estimates of bonding capacity. While projected fund balance has climbed steadily during the past several hurricane-free years, the senior managers' estimates of the FHCF's bonding capacity have varied during that time period, reflecting both the big picture fundamental changes to the market described in Section III and the impact of market volatility at the time we ask them for estimates. The current average estimate of $8 billion is the lowest it has been since May 2009, when it reached the same level, but significantly higher than the nadir of FHCF bonding capacity estimates – $3 billion – which was reached during the financial crisis period of May 2008.

The chart below shows the total claims-paying capacity of the FHCF since May 2009 with projected fund balance (**purple**), pre-event notes (**orange**) and estimated post-event bonding capacity (**blue**), as well as any post-event bonding capacity surplus above claims-paying capacity (**green**) or post-event bonding capacity shortfall below claims-paying capacity (**red**) amount.



It is also interesting to compare the range of the estimates during this time period, as one measure of the level of uncertainty of the senior managers with regard to FHCF bonding capacity. The table below shows individual as well as aggregate ranges for each estimate since May 2009.

Post-Event Estimated Bonding Capacity Over 12 Months (Senior Managers' Range)						
($ in Billions)	**May-09**	**Oct-09**	**May-10**	**Oct-10**	**May-11**	**Oct-11**
Citi	$10-$12	$5-$12	$12-$16	$14.5-$16.5	$12-$15	$10-$11
Goldman Sachs	$0-$11	$7-$11	$15-$20	$10-$15	$4.0	$5.0
JPMorgan	$3.5-$6.5	$8-$20	$22-$26	$22-$26	$17-$23	$6-$8
Barclays	N/A	N/A	Not Provided	$10.0	$10.0	$8-$10
Overall Range	$0-$12	$5-$20	$12-$26	$10-$26	$4-$23	$5-$11

The range is tighter now than it has been for recent estimates, but there is still significant dispersion. This reflects the fundamental uncertainty of the bonding capacity estimating process for the FHCF. We believe the process we have undertaken, using a survey of the opinions of the best experts with the most relevant experience, and employing a conservative approach to pick among several potential estimates of capacity, provides a reasonable estimate that suits the purposes of the FHCF. However, it does not provide a guaranteed source of claims-paying capacity, and the actual bonding results achieved by the FHCF after a hurricane could vary substantially from this estimate. In the case of a bonding shortfall, the FHCF could turn to the bank lending market, or could simply levy assessments (up to a total of approximately $2 billion per year) without issuing bonds, although this approach could fall short of meeting the FHCF's payout timing needs. Other financing solutions may also be possible. However, complete certainty of funding for the FHCF can only be achieved by increasing the pre-event committed cash resources of the fund, or by decreasing the potential obligations of the fund – or both – so that available committed cash resources meet or exceed potential obligations.

Disclaimer

The information contained herein is solely intended to suggest/discuss potentially applicable financing applications and is not intended to be a specific buy/sell recommendation, nor is it an official confirmation of terms. Any terms discussed herein are preliminary until confirmed in a definitive written agreement. Changes to any prices, levels, or assumptions contained herein may have a material impact on results. Any estimates or assumptions contained herein represent our best judgment as of the date indicated and are subject to change without notice. Examples are merely representative and are not meant to be all-inclusive. Investors, borrowers, or other market participants should not rely upon this information in making their investment/financing decisions. The information set forth herein was gathered from sources which we believe, but do not guarantee, to be accurate.

Appendix A – Bonding Capacity Solicitation & Senior Manager Responses

From: Raymond James
Sent: Tuesday, September 27, 2011 4:40 PM
To: FHCF Senior Manager Team
Subject: FHCF Bonding Capacity Analysis

FHCF Senior Team:

We need your input in preparation for presenting the FHCF's statutorily required semiannual bonding capacity estimate at the FHCF Advisory Council Meeting scheduled for 10/18/11. As we have done since 2008, we are again going to provide a "theoretical" bonding capacity analysis based on current interest rates and spread levels with no market constraints and also an "actual" capacity analysis based on current market conditions with estimated market capacity available over the next 0-12 to 12-24 months. To do this, we need a couple of things from you by close of business October 4th:

1. Please provide a 30-year scale for the FHCF using the MMD at the close of business tomorrow (09/28/11). This scale should be the one that you believe reflects a "market" scale given the FHCF's credit with no capacity constraints. Please use 30 years of serial bonds (7/1/12 - 7/1/41) with 5.0% or 5.5% coupons throughout when writing the scale. Base the scale on an uninsured financing given the FHCF's current underlying ratings of Aa3/AA-/AA (Moody's / S &P / Fitch).

2. Please provide a 30-year taxable scale using the Treasury curve at the close of business tomorrow (09/28/11). This scale should be the one that you believe reflects a "market" scale given the FHCF's credit with no capacity constraints. Please use 30 years of serial bonds (7/1/12 - 7/1/41) with par-ish coupons throughout when writing the scale. Base the scale on an uninsured financing given the FHCF's current underlying ratings of Aa3/AA-/AA (Moody's / S &P / Fitch).

3. Please provide us with your firm's opinion on the potential tax-exempt and/or taxable post-event market capacity over the next 0-12 **and** 12-24 months at rates that are above the current "market" scale as needed.

FHCF Post-Event Market Capacity			
Time Period	**Tax-Exempt**	**Taxable**	**Total**
0-12 Months			
12-24 Months			

We would like to have to your responses back by close of business Tuesday, (10/04/11). If you have any questions or comments, please call or e-mail.

Barclay's Response

Florida Hurricane Catastrophe Fund Bonding Capacity Analysis

1. Please provide a 30-year scale for the FHCF using the MMD at the close of business tomorrow (09/28/11). This scale should be the one that you believe reflects a "market" scale given the FHCF's credit with no capacity constraints. Please use 30 years of serial bonds (7/1/12 - 7/1/41) with 5.0% or 5.5% coupons throughout when writing the scale. Base the scale on an uninsured financing given the FHCF's current underlying ratings of Aa3/AA-/AA (Moody's / S &P / Fitch).

2. Please provide a 30-year taxable scale using the Treasury curve at the close of business tomorrow (09/28/11). This scale should be the one that you believe reflects a "market" scale given the FHCF's credit with no capacity constraints. Please use 30 years of serial bonds (7/1/12 - 7/1/41) with par-ish coupons throughout when writing the scale. Base the scale on an uninsured financing given the FHCF's current underlying ratings of Aa3/AA-/AA (Moody's / S &P / Fitch).

3. Please provide us with your firm's opinion on the potential tax-exempt and/or taxable post-event market capacity over the next 0-12 **and** 12-24 months at rates that are above the current "market" scale as needed.

FHCF Post-Event Market Capacity			
Time Period	**Tax-Exempt**	**Taxable**	**Total**
0-12 Months	$3-4 Billion	$5-6 Billion	$8-10 Billion
12-24 Months	$6-8 Billion	$10-12 Billion	$16-20 Billion

Florida Hurricane Catastrophe Fund Bonding Capacity Analysis

					$1.5-2.5 billion issuance		$2.5-3.5 billion issuance	
1-Jul	MMD	Coupon	UST Benchmark	UST Yield	Tax-Exempt Spread	Tax-Exempt Yield	Taxable Spread	Taxable Yield
2012	0.250	3.000%	1Yr	0.120	100	1.250%	210	2.220%
2013	0.340	4.000%	2Yr	0.240	125	1.590%	235	2.590%
2014	0.490	4.000%	3Yr	0.390	145	1.940%	250	2.890%
2015	0.670	5.000%	5Yr	0.870	155	2.220%	215	3.020%
2016	1.000	5.000%	5Yr	0.870	160	2.600%	260	3.470%
2017	1.230	5.000%	7Yr	1.330	165	2.880%	225	3.580%
2018	1.500	5.000%	7Yr	1.330	170	3.200%	265	3.980%
2019	1.790	5.000%	10Yr	1.800	175	3.540%	240	4.200%
2020	2.030	5.000%	10Yr	1.800	175	3.780%	260	4.400%
2021	2.180	5.000%	10Yr	1.800	175	3.930%	275	4.550%
2022	2.310							
2023	2.480							
2024	2.640							
2025	2.770							
2026	2.880	5.250%	10Yr	1.800	175	4.630%	350	5.300%
2027	2.980							
2028	3.080							
2029	3.180							
2030	3.280							
2031	3.360	5.500%	30Yr	2.760	170	5.060%	275	5.510%
2032	3.420							
2033	3.470							
2034	3.510							
2035	3.520							
2036	3.520							
2037	3.530							
2038	3.530							
2039	3.540							
2040	3.540							
2041	3.550	5.125%	30Yr	2.760	170	5.250%	285	5.610%

Note: We assumed a make-whole call for all taxable rates

BARCLAYS CAPITAL

Citi’s Response

Florida Hurricane Catastrophe Fund
Citi's Indications of Bonding Capacity
10/7/2011

Question 1

Tax-Exempt 30-Year Scale			
Bond Year	**Coupon**	**Yield**	**Spread**
2012	5.000%	1.250%	1.000%
2013	5.000%	1.440%	1.100%
2014	5.000%	1.690%	1.200%
2015	5.000%	1.970%	1.300%
2016	5.000%	2.350%	1.350%
2017	5.000%	2.630%	1.400%
2018	5.000%	2.950%	1.450%
2019	5.000%	3.290%	1.500%
2020	5.000%	3.530%	1.500%
2021	5.000%	3.680%	1.500%
2022	5.500%	3.810%	1.500%
2023	5.500%	3.980%	1.500%
2024	5.500%	4.140%	1.500%
2025	5.500%	4.270%	1.500%
2026	5.500%	4.380%	1.500%
2027	5.500%	4.480%	1.500%
2028	5.500%	4.580%	1.500%
2029	5.500%	4.670%	1.490%
2030	5.500%	4.750%	1.470%
2031	5.500%	4.810%	1.450%
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041	5.500%	4.950%	1.400%

Question 2

Taxable 30-Year Scale			
Bond Year	**Coupon**	**Yield**	**Spread**
2012	1.620%	1.620%	1.500%
2013	2.270%	2.270%	2.000%
2014	2.520%	2.520%	2.100%
2015	3.140%	3.140%	2.150%
2016	3.140%	3.140%	2.150%
2017	3.240%	3.240%	2.250%
2018	3.600%	3.600%	2.100%
2019	3.700%	3.700%	2.200%
2020	4.280%	4.280%	2.250%
2021	4.530%	4.530%	2.500%
2022	4.630%	4.630%	2.600%
2023	4.730%	4.730%	2.700%
2024	4.880%	4.880%	2.850%
2025	4.880%	4.880%	2.850%
2026	5.030%	5.030%	3.000%
2027	5.320%	5.320%	2.500%
2028	5.320%	5.320%	2.500%
2029	5.320%	5.320%	2.500%
2030	5.320%	5.320%	2.500%
2031	5.320%	5.320%	2.500%
2032	5.600%	5.600%	2.500%
2033	5.600%	5.600%	2.500%
2034	5.600%	5.600%	2.500%
2035	5.600%	5.600%	2.500%
2036	5.600%	5.600%	2.500%
2037	5.900%	5.900%	2.800%
2038	5.900%	5.900%	2.800%
2039	5.900%	5.900%	2.800%
2040	5.900%	5.900%	2.800%
2041	5.900%	5.900%	2.800%

** 2012 spread to 1 Year Treasury Rate*
** 2013 spread to 2 Year Treasury Rate*
** 2014 spread to 3 Year Treasury Rate*
** 2015-2017 spread to 5 Year Treasury Rate*
** 2018-2019 spread to 7 Year Treasury Rate*
** 2020-2026 spread to 10 Year Treasury Rate*
** 2027-2031 spread to 20 Year Treasury Rate*
** 2032-2041 spread to 30 Year Treasury Rate*

Question 3

FHCF Post-Event Market Capacity			
Time Period	**Tax-Exempt**	**Taxable**	**Total**
0-12 Months	$4 billion	$6 - $7 billion	**$10 - $11 billion**
12-24 Months	$2 billion	$2 - $3 billion	**$4 - $5 billion**

Subject to market conditions and buy-in from large investors.
Preliminary/ Subject to Change.

Goldman Sach’s Response

Goldman Sachs

MEMORANDUM

To: Florida Hurricane Catastrophe Fund

From: Goldman, Sachs & Co.

Date: October 10, 2011

Re: Florida Hurricane Catastrophe Fund Bonding Capacity Analysis

Goldman Sachs is pleased to provide an update of estimated FHCF post-event bonding capacity. The FHCF's financial position has improved dramatically over the past several years, and we believe that there is an excellent credit story to deliver to investors. However, the overall municipal market is much less healthy. Despite municipal issuance volume falling by approximately 35% in 2011 versus 2010 YTD, the tax-exempt market has materially underperformed other bond markets. As we describe herein, we believe that the FHCF should be modest in its market capacity expectations at this time.

By its nature, the municipal market is supported by a limited investor base representing only a small fraction of the broader credit markets. To a certain extent a narrow buyer base has long been an endemic feature of the municipal market since only a subset of investors place significant value on tax-exemption. In recent years, however, the interplay of several market dynamics has led to an underlying market fragility that is currently masked by low issuance supply. To provide some context regarding our estimates, in the following we summarize the dynamics in the municipal market that would impact an FHCF offering in today's tax-exempt market.

CONTRACTION OF PRODUCT BASE

Where there had once been numerous products that catered to different buyers for municipal bonds, the collapse of the auction market, the reduction in VRDBs (due to diminished bank appetite) and the expiration of the Build America Bond program has left fixed rate tax-exempt bonds as the primary outlet for municipal issuance. The lack of product alternatives leaves issuers vulnerable to the availability of capital for fixed rate bonds and much more sensitive to the technical factors that influence investor appetite across the yield curve.

CONTRACTION OF BUYER BASE

Prior to 2007/2008, proprietary trading accounts, leveraged funds and banks comprised a meaningful portion of the tax-exempt fixed rate buyer base since they could buy long-term fixed rate bonds with leverage. Since the credit crisis, however, those investors have virtually disappeared. While banks are currently buying paper directly, they are a fragile source of demand as their current participation is driven largely by the lack of alternative opportunities to securely deploy capital and earn meaningful yield. Long term, and with the implementation of Basel III, that will likely change.

The contraction of the other "non-traditional" buyers is driven in part because their ability to buy on leverage has diminished, and in part because of the loss of insurers, which has had two primary impacts:

- De-commoditization of credit – One of the reasons that proprietary trading accounts comprised such a large portion of tax-exempt buyers prior to the credit crisis is that "AAA" insurance commoditized credit. Investors could buy solely based on price as they didn't have to do underlying credit work. This is particularly important in the municipal universe, which has thousands of heterogeneous credits.

- Decreased liquidity - One of the side-effects of commoditizing credit was that it created liquidity in the market. One insured “AAA” bond was largely fungible with another, creating the secondary market liquidity that leveraged investors needed to participate in the market. With that now gone, liquidity has decreased substantially because every credit is unique and must be evaluated on its own merits.

INTERPLAY OF CREDIT AND LIQUIDITY ON BUYER BASE

Without the homogenizing effect of “AAA” bond insurance, attracting new investors – whether “traditional” accounts or “crossover” buyers – to the tax-exempt fixed rate market is a challenge. Professional money managers do not have the pool of analysts needed to do a deep dive and evaluate each individual credit. More often than not, investors simply pass on transactions they don't understand – and investors that don’t specialize in the sector often don't understand municipal credit. Even for those that routinely participate in the municipal market, credit complexity has forced them to put firm boundaries on the types of transactions they will consider.

The lack of liquidity created by the fragmentation of credits is problematic as it limits the opportunity to bring in crossover buyers and warehousing accounts. Investors that look for “relative value” will often participate when the returns relative to risk exceed risk-adjusted returns available in other asset classes. In the municipal market, however, the levels required to bring this additional capital base in is much less certain because their exit strategy is uncertain, expensive, and, due to the nature of tax-exemption, largely unhedgeable.

YIELD CURVE DYNAMICS

Today, there are two predominant distribution outlets for municipal bonds: bond funds and retail. The implications of this diminished capital base are profound, and should not be disguised by the current market stability. With primary market issuance down nearly 50% so far this year, the current strength of the municipal market has rested on a sharp decline in supply. This is not a sustainable dynamic, as supply will eventually pick up as issuers re-engage the market to finance their capital needs.

The fragility of the market is evident if you look at the relationship between municipals and Treasuries, as opposed to absolute yields. On an absolute basis, municipal rates are at or near historical lows. But on a relative basis, municipals are not performing as well: 30yr MMD is currently 125.4% of 30yr UST (this ratio has averaged 92% over the past 20 years, 98% over the past 10 years, and 102% over the past 5 years). Even this does not tell the full story. As the supply calendar builds and benchmark rates grind lower, credit spreads are coming under pressure. Strong, highly rated issuers that typically drive the terms of their offerings have had to widen their credit spreads by 25bp-50bp in recent weeks to be able to place bonds of any size in the long end.

The market fragility is further driven by the fact that municipal bond funds and retail investors have very different demand characteristics:

- Growth of retail investors concentrated on the short-end of the curve - The investment horizon of retail investors is generally within 10 years. Bond funds, by contrast, tend to invest longer in order to maximize yield. In recent months we’ve seen significant outflow of assets from bond funds into professionally managed retail hands called Separately Managed Accounts, or “SMAs.” This is because retail investors – who are the underlying investors in a bond fund – now have increased ability to obtain professional money managers to manage their assets exclusively, catered to their investment horizons and credit criteria. The proliferation of SMAs is due to the fact that fees and minimum size thresholds for professional management have

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declined, while at the same time investors are increasingly concerned about credit and value the "hands-on" of professional management.

- Decline in assets on the long-end of the curve - As an outgrowth of the availability of "professional retail" services, investors have pulled money out of bond funds (which have a longer investment horizon and therefore higher risk profile than they actually want) into SMAs. In other words, more money is going into the short end of the municipal curve (generally inside of 10yrs) and less is available for the long end: the outflow of assets in municipal bond funds has now outpaced the then-record outflows following the credit crisis in 2008. The diminished capital base contributes to the pressure on credit spreads in the long end.

IMPACT OF MARKET FRAGMENTATION

In light of the different demand characteristics of the contracted buyer base, market fragmentation matters more now than ever before. With so many different credits and an inability to commoditize them, it is much more challenging for traders to take large concentrated positions, as they risk owning the market and being wrong – resulting in even less liquidity. Large transactions, therefore, must be priced to sell in the primary market.

This is particularly problematic for the FHCF, which funds itself in size, and possibly over a very short period of time. In a maximum loss scenario, the FHCF also does not have the ability to pick an optimum structure for the market since the 6% assessment cap puts a limit on annual debt service and would force a significant amount of the issue into the long end of the municipal curve where there is the least amount of investor demand. And while the short end of the municipal market is not nearly as challenged as the long end, it is far from unlimited in its capacity to accept paper. At some level, the necessary size, structure and immediacy of FHCF's borrowing needs may collide with a limited tax-exempt capital base.

The weakness of the bond funds is a particular challenge in the current market, as other investors that have been major buyers of municipal bonds are dramatically smaller or have been eliminated. Bond insurance, levered investors, bank products, auction rate securities, and Build America Bonds have all been lost, or substantially reduced, as support mechanisms for the municipal market. The remaining core municipal buyer base of retail investors, bond funds (a retail proxy), and insurance companies have never been relied upon to purchase more than about $200 billion in tax-exempt bonds in a single year. Municipal issuers sold $436 billion of bonds in 2010. Balancing these challenges, to some extent, is that new issue supply has been down 51.3% YTD versus last year; however, the municipal market is still underperforming in virtually every other sector of the bond and equity markets.

The FHCF's capacity to issue taxable bonds after an event is difficult to predict. There are not directly comparable transactions that have been issued recently. The taxable market does not suffer from the same technical issues as the tax-exempt market and has performed well in 2011 to date. The taxable market for municipal credits has opened up materially as a result of the BAB program. Therefore, we are cautiously optimistic that the FHCF could successfully place some bonds at reasonable yields in the taxable market after an event, as we detail further herein.

Responses to Questions

1. Please provide a 30-year scale for the FHCF using the MMD at the close of business tomorrow (09/28/11). This scale should be the one that you believe reflects a "market" scale given the FHCF's credit with no capacity constraints. Please use 30 years of serial bonds (7/1/12 - 7/1/41) with 5.0% or 5.5% coupons throughout when writing the scale. Base the scale on an uninsured financing given the FHCF's current underlying ratings of Aa3/AA-/AA (Moody's / S &P / Fitch).

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We estimate the following spreads for the transaction described. These spreads assume a $1-2 billion financing in the current market. We assume that the borrowing occurs after a storm that does not have a material impact on the credit. Of course, the nature of the storm, the condition of the FHCF's post-event financial position, the estimated level of future borrowing, Citizens and/or FIGA borrowing, and market conditions could all have a major impact on spreads.

These spreads are based on the results of the FHCF's 2010 transaction, trading in the secondary market, and other market factors, and dated as of September 28, 2011. These spreads are slightly higher than the 2010 transaction due to changes in market conditions since then, and the estimated impact from a post-storm environment.

Year	Coupon	MMD	Spread	Yield
2012	3.00%	0.25%	2.00%	2.25%
2013	4.00%	0.34%	2.00%	2.34%
2014	5.00%	0.49%	2.00%	2.49%
2015	5.00%	0.67%	2.00%	2.67%
2016	5.00%	1.00%	2.00%	3.00%
2017	5.00%	1.23%	2.00%	3.23%
2018	5.00%	1.50%	2.00%	3.50%
2019	5.00%	1.79%	2.00%	3.79%
2020	5.00%	2.03%	2.00%	4.03%
2021	5.00%	2.18%	2.00%	4.18%
2022				
2023				
2024				
2025				
2026	5.00%	2.88%	2.00%	4.88%
2027				
2028				
2029				
2030				
2031	5.25%	3.36%	1.90%	5.26%
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041	5.25%	3.55%	1.80%	5.35%

2. Please provide a 30-year taxable scale using the Treasury curve at the close of business tomorrow (09/28/11). This scale should be the one that you believe reflects a "market" scale given the FHCF's credit with no capacity constraints. Please use 30 years of serial bonds (7/1/12 - 7/1/41) with par-ish coupons throughout when writing the scale. Base the scale on an uninsured financing given the FHCF's current underlying ratings of Aa3/AA-/AA (Moody's / S &P / Fitch).

Our spread estimates for a taxable financing are highly theoretical. There are no similar bonds sold recently or that trade in the secondary market. The last FHCF taxable offering was prior to the financial crisis and does not trade frequently enough to provide a guide on a large new offering. The best recent point of reference is a $3.7 billion offering for the State of Illinois (A1/A+/A) sold on 2/23/2011 with maturities in 2014-2019. We served as a joint bookrunning

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senior manager for this transaction. Similar to the FHCF, Illinois bonds trade much wider than other credits of a similar rating as a result of headline risk and investor perception of a challenging financial situation. While the specific credit of the Illinois transaction is very different than the FHCF, we believe it is the best guidepost to provide an estimate.

These spreads assume a $2 billion financing in the current market. Again, our estimate assumes that the borrowing occurs after a storm that does not have a material impact on the credit. Again, the nature of the storm, the condition of the FHCF's post-event financial position, the estimated level of future borrowing, Citizens and/or FIGA borrowing, and market conditions could all have a major impact on spreads.

Given the nature of the borrowing after an event, we have assumed a slight concession to the Illinois transaction. As a result, our spread estimate for a taxable transaction is 250 to 300 basis points to treasuries across the curve.

We would note that the taxable market is not accustomed to significant issuance between 10 and 30 years. We would expect the majority of interest in the 1 to 10 year maturity range. In addition, issues in the taxable market are typically structured with bullets of index eligible size (greater than $250 million. Serial bonds will not be attractive to this market. Standard tenors of 3, 5 and 10 year are the most attractive maturities. Liquid term bonds with average lives around these maturities are possible, which became common with Build America Bond issuance.

3. Please provide us with your firm's opinion on the potential tax-exempt and/or taxable post-event market capacity over the next 0-12 and 12-24 months at rates that are above the current "market" scale as needed.

We estimate that the FHCF could issue $2-3 billion in the current market assuming a storm size that does not have a material credit impact. We do believe additional capacity exists, but it is challenging to know when crossover investors will take up the name and how much capacity they have to do so. As a result of fragile market conditions, a lack of precedents, and uncertainty about how the market will handle an uptick in supply, we would recommend the FHCF assume $1-3 billion of tax-exempt capacity for planning purposes.

Capacity in the taxable market is also difficult to estimate, and the results of the Illinois issue prove that. Through a comprehensive global investor outreach, the Illinois issue garnered $6.65 billion orders from 129 investors. The taxable market is not suffering from the demand challenges that are weighing on the municipal market. The investment grade market has been performing well in 2011 to date. However, the FHCF is a very unique credit and predicting how the market will react is not a science.

We believe that the only way to achieve a successful taxable placement of a $1+ billion transaction is to embark on a substantial investor marketing and outreach program. We believe the FHCF has an excellent credit story to tell, and, when paired with an attractive yield, we believe it should be very appealing to major taxable investors domestically and, in select cases, outside the U.S. Given a robust marketing effort, and a storm that does not materially weaken the credit, we believe that a $2 billion transaction is a reasonable estimate in the current market for the FHCF's planning purposes. We believe there is some capacity beyond $2 billion, but the credit has not been approved by enough investors as of yet to know with certainty.

One point regarding a taxable offering that we would like to make is that it may be materially advantageous to capacity and price post-event for the FHCF to have a pre-event bonding program in place. We believe taxable investors would be more receptive to the FHCF prior to an event. Once an offering is placed and investors have been educated and approved on the credit, a post-event offering is much more likely to garner attention from the universe of taxable investors.

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The noise around an event can be an easy reason for taxable investors to avoid getting involved in a marketing process when there are many alternative transactions to choose from.

FHCF Post-Event Market Capacity			
Time Period	**Tax-Exempt**	**Taxable**	**Total**
0-12 Months	3	2	5
12-24 Months	3	2	5

JP Morgan’s Response

J.P.Morgan

To:	Florida Hurricane Catastrophe Fund
From:	J.P. Morgan
Date:	October 7, 2011
Subject:	Debt Capacity and Indicative Pricing

On behalf of J.P. Morgan, please find below our estimate of the Florida Hurricane Catastrophe Fund's "actual" post-event bonding capacity over the next 0-12 and 12-24 months, based on current market conditions. Pursuant to your request, we have also estimated "theoretical" post-event bonding capacity assuming on current interest rates and no market constraints on spread levels.

You will note that our October, 2011 capacity estimates for both tax-exempt and taxable bonds, assuming both actual and theoretical spread levels, are lower than our April, 2011 estimates. This reduction in estimated capacity is attributable to changes in the prevailing market environment over the last six months. Our October estimates reflect diminished appetite for risk on the part of those institutions likely to comprise FHCF's post-event investor base. Factors contributing to the downturn in estimated demand since April include ongoing fund outflows amidst a lower yield environment, concerns about the likelihood of a double dip recession, persistent Treasury market volatility and a backdrop of deteriorating credit fundamentals for sovereign debt issuers.

"Actual" Market Capacity. Based on current market conditions as of September 28, 2011, J.P. Morgan estimates that FHCF could sell $2.0 billion-$3.0 billion tax-exempt bonds and $1.0 billion-$2.0 billion taxable bonds over the next 0-12 months. Over the following 12-24 month period, FHCF could sell an additional $1.0-$2.0 billion of tax-exempt bonds and $1.0 million-$2.0 billion of taxable bonds. This would provide FHCF a total post-event market capacity of $3.0-$5.0 billion tax-exempt and $2.0-$4.0 billion taxable, assuming current market conditions.

"Theoretical" Market Capacity. Assuming unconstrained spreads, J.P. Morgan believes it is reasonable to expect that FHCF could sell $3.0 billion-$4.0 billion tax-exempt bonds and $3.0-$4.0 billion taxable bonds over the next 0-12 months. Over the following 12-24 month period, FHCF could sell an additional $2.0 billion-$3.0 billion of tax-exempt bonds and $1.0 billion to $2.0 billion of taxable bonds. This would provide FHCF a total theoretical capacity of $5.0-$7.0 billion tax-exempt and $4.0-$6.0 billion taxable, assuming unlimited spreads

Please see the tables below for indicative market capacity over the next 0-12 and 12-24 months.

Indicative Market Capacity, as of October 7, 2011			
Structure	**0-12 Months**	**12-24 Months**	**Potential Total Capacity by Product**
30 year tax-exempt – current rates	$2.0-$3.0 billion	$1.0-$2.0 billion	$3.0-$5.0 billion
30 year tax-exempt – unconstrained spread	$3.0-$4.0 billion	$2.0-$3.0 billion	$5.0-$7.0 billion
30 year taxable – current rates	$1.0-$2.0 billion	$1.0 -$2.0 billion	$2.0-$4.0 billion
30 year taxable – unconstrained spread	$3.0-$4.0 billion	$1.0-$2.0 billion	$4.0-$6.0 billion

	Total Tax-Exempt	**Total Taxable**	**TOTAL**
Current Market	$3.0-$5.0 billion	$2.0-$4.0 billion	$5.0-$9.0 billion
Unlimited Spread	$5.0-$7.0 billion	$4.0-$6.0 billion	$9.0-$13.0 billion

On the following pages, please find J.P. Morgan's estimated 30-year tax-exempt and taxable scales assuming market conditions as of September 28, 2011 and an initial issuance of up to $5.0 billion tax-exempt and $4 billion taxable bonds. The scales assume FHCF's current underlying ratings of Aa3/AA-/AA. As market conditions change, J.P. Morgan will review our estimates of FHCF's post-event capacity and promptly update FHCF and its Financial Advisor.

J.P.Morgan

Florida Hurricane Catastrophe Fund
Tax-Exempt Rates as of Close of Business September 28, 2011

Maturity	MMD	Coupon (%)	Yield (%)	Spread (bps)
7/1/2012	0.250%	3.000%	0.850%	60
7/1/2013	0.340%	3.000%	1.540%	120
7/1/2014	0.490%	4.000%	1.890%	140
7/1/2015	0.670%	5.000%	2.220%	155
7/1/2016	1.000%	5.000%	2.700%	170
7/1/2017	1.230%	5.000%	3.030%	180
7/1/2018	1.500%	5.000%	3.400%	190
7/1/2019	1.790%	5.000%	3.740%	195
7/1/2020	2.030%	5.000%	4.030%	200
7/1/2021	2.180%	5.000%	4.230%	205
7/1/2022	2.310%	5.000%	4.410%	210
7/1/2023	2.480%	5.000%	4.630%	215
7/1/2024	2.640%	5.000%	4.790%	215
7/1/2025	2.770%	5.000%	4.920%	215
7/1/2026	2.880%	5.000%	5.030%	215
7/1/2027	2.980%	5.000%	5.130%	215
7/1/2028	3.080%	5.125%	5.230%	215
7/1/2029	3.180%	5.250%	5.330%	215
7/1/2030	3.280%	5.375%	5.400%	212
7/1/2031	3.360%	5.375%	5.460%	210
7/1/2032	3.420%	5.500%	5.520%	
7/1/2033	3.470%	5.500%	5.520%	
7/1/2034	3.510%	5.500%	5.520%	
7/1/2035	3.520%	5.500%	5.520%	
7/1/2036	3.520%	5.500%	5.520%	200
7/1/2037	3.530%	5.500%	5.550%	
7/1/2038	3.530%	5.500%	5.550%	
7/1/2039	3.540%	5.500%	5.550%	
7/1/2040	3.540%	5.500%	5.550%	
7/1/2041	3.550%	5.500%	5.550%	200

J.P.Morgan

Florida Hurricane Catastrophe Fund
Taxable Rates as of Close of Business September 28, 2011

Maturity	Treasury	Coupon (%)	Yield (%)	Spread (bps)
7/1/2012	0.120%	1.020%	1.020%	90
7/1/2013	0.270%	2.520%	2.520%	225
7/1/2014	0.420%	2.920%	2.920%	250
7/1/2015	0.990%	3.490%	3.490%	250
7/1/2016	0.990%	3.790%	3.790%	280
7/1/2017	0.990%	3.740%	3.740%	275
7/1/2018	1.500%	4.550%	4.550%	305
7/1/2019	2.030%	4.980%	4.980%	295
7/1/2020	2.030%	5.130%	5.130%	310
7/1/2021	2.030%	5.280%	5.280%	325
7/1/2022	2.030%	5.430%	5.430%	340
7/1/2023	2.030%	5.580%	5.580%	355
7/1/2024	2.030%	5.730%	5.730%	370
7/1/2025	2.030%	5.880%	5.880%	385
7/1/2026	2.030%	6.030%	6.030%	400
7/1/2027	3.100%	6.500%	6.500%	
7/1/2028	3.100%	6.500%	6.500%	
7/1/2029	3.100%	6.500%	6.500%	
7/1/2030	3.100%	6.500%	6.500%	
7/1/2031	3.100%	6.500%	6.500%	340
7/1/2032	3.100%	6.550%	6.550%	
7/1/2033	3.100%	6.550%	6.550%	
7/1/2034	3.100%	6.550%	6.550%	
7/1/2035	3.100%	6.550%	6.550%	
7/1/2036	3.100%	6.550%	6.550%	345
7/1/2037	3.100%	6.600%	6.600%	
7/1/2038	3.100%	6.600%	6.600%	
7/1/2039	3.100%	6.600%	6.600%	
7/1/2040	3.100%	6.600%	6.600%	
7/1/2041	3.100%	6.600%	6.600%	350

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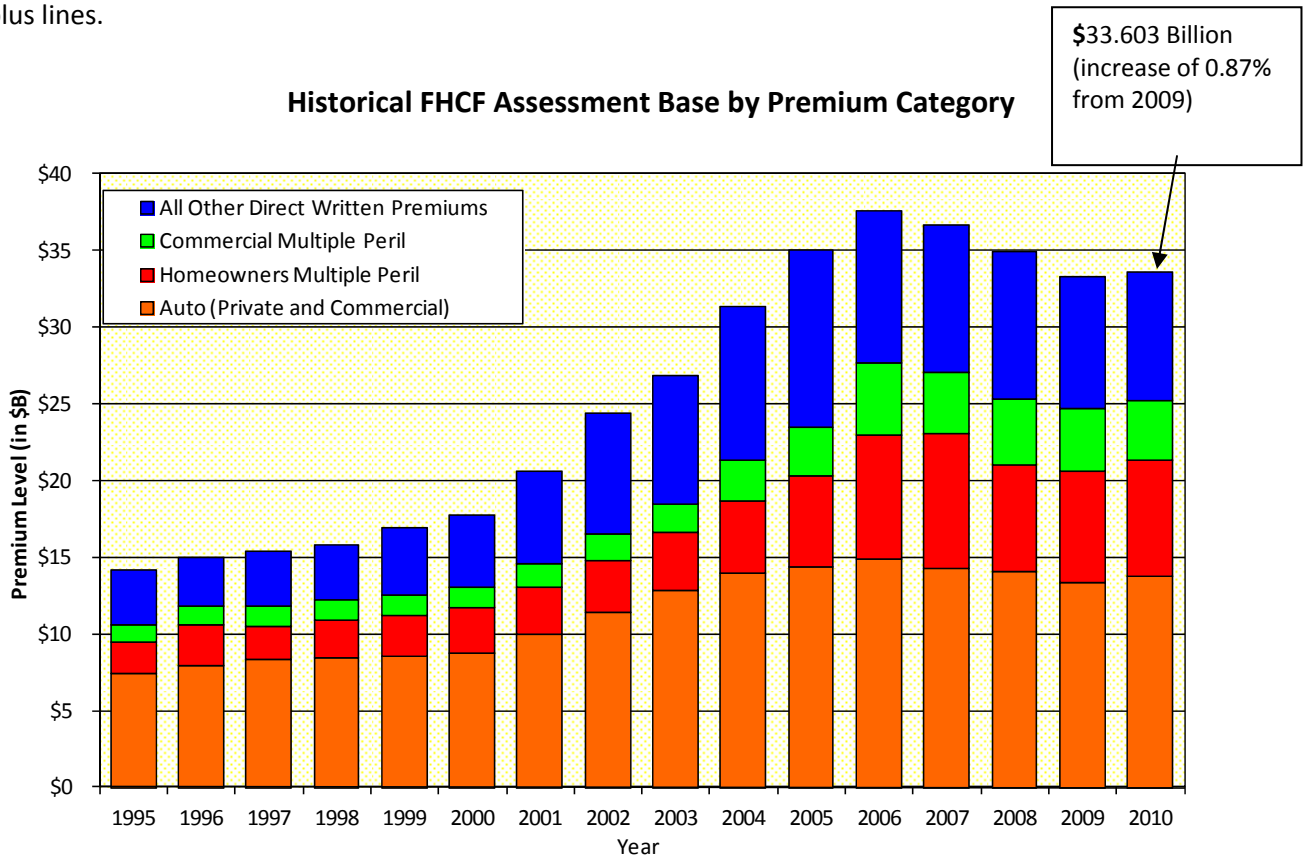
Appendix B – The FHCF's Assessment Base

According to Florida Statutes 215.555(6)(b)1., *"(i)f the board determines that the amount of revenue produced under subsection (5) is insufficient to fund the obligations, costs, and expenses of the fund and the corporation, including repayment of revenue bonds and that portion of the debt service coverage not met by reimbursement premiums, the board shall direct the Office of Insurance Regulation to levy, by order, an* ***emergency assessment on direct premiums for all property and casualty lines of business in this state, including property and casualty business of surplus lines insurers regulated under part VIII of chapter 626, but not including any workers' compensation premiums or medical malpractice premiums. As used in this subsection, the term "property and casualty business" includes all lines of business identified on Form 2, Exhibit of Premiums and Losses, in the annual statement required of authorized insurers by s. 624.424 and any rule adopted under this section, except for those lines identified as accident and health insurance and except for policies written under the National Flood Insurance Program****."*

In numerical terms, this gives the FHCF an ability to assess against a base which as of the end of 2010 (the last official measurement date) totalled approximately $33.6 billion. The chart and table below shows the evolution of the FHCF's assesment base over time, both by type of coverage and admitted market vs. surplus lines.

Historical FHCF Assessment Base by Premium Category



Historical FHCF Assessment Base – Admitted Market vs. Surplus Lines, and the dollar value of a 6% assessment

Calendar Year	Admitted Lines DWP	Surplus Lines	Total Aggregate Premium	6% Emergency Assessment	% Premium Change from Prior Year
1995	$13,782,528,507	-	$13,782,528,507	-	6.87%
1996	$14,994,283,493	-	$14,994,283,493	-	8.79%
1997	$15,401,838,211	-	$15,401,838,211	-	2.72%
1998	$15,817,192,766	-	$15,817,192,766	-	2.70%
1999	$16,036,013,133	-	$16,036,013,133	-	1.38%
2000	$16,780,114,935	-	$16,780,114,935	-	4.64%
2001	$19,195,286,560	-	$19,195,286,560	-	14.39%
2002	$22,150,290,949	-	$22,150,290,949	-	15.39%
2003	$24,410,590,887	$2,434,696,171	$26,845,287,058	$1,610,717,223	21.20%
2004	$28,648,648,240	$2,695,485,410	$31,344,133,650	$1,880,648,019	16.76%
2005	$31,713,757,522	$3,275,286,947	$34,989,044,469	$2,099,342,668	11.63%
2006	$33,346,228,384	$4,207,911,564	$37,554,139,948	$2,253,248,397	7.33%
2007	$32,545,116,166	$4,101,192,689	$36,646,308,855	$2,198,778,531	-2.42%
2008	$30,830,430,041	$4,095,348,540	$34,925,778,581	$2,095,546,715	-4.69%
2009	$29,453,527,854	$3,859,038,017	$33,312,565,871	$1,998,753,952	-4.62%
2010	$29,888,170,348	$3,714,534,581	$33,602,704,929	$2,016,162,296	0.87%

Source: OIR and FSLSO
DWP is as of 12/31 as reported by the companies to the NAIC on the Annual Statement until 1/1/07 when DWP is based on companies reporting to the FHCF and is subject to change as company/agent adjustments are reported.
In 2004, the Florida legislation excluded medical malpractice for 3 years and included surplus lines.
In 2010, the Florida legislation excluded medical malpractice until June 2013.
Average assessment increase from 1995-2010 (geometric mean) is 6.17%.

2010 Admitted Market Lines Premiums

Line of Business	2010 Total Assessable Premium (as of 4/15/11)
Fire	$1,217,591,350
Allied Lines	$2,261,480,425
Multiple Peril Crop	-$926,518
Farmowners Multiple Peril	$23,963,595
Homeowners Multiple Peril	$7,411,487,883
Commercial Multiple Peril (Non-Liability)	$1,010,945,177
Commercial Multiple Peril (Liability)	$414,448,865
Mortgage Guaranty	$224,848,423
Ocean Marine	$286,833,950
Inland Marine	$706,232,151
Financial Guaranty	$27,309,876
Earthquake	$6,892,202
Other Liability	$1,684,018,664
Products Liability	$91,919,399
Private Passenger Auto No-Fault (PIP)	$2,414,990,208
Other Private Passenger Auto Liability	$6,476,171,054
Commercial Auto No-Fault (PIP)	$71,056,381
Other Commercial Auto Liability	$1,113,365,791
Private Passenger Auto Physical	$3,410,053,798
Commercial Auto Physical Damage	$220,217,995
Aircraft (All Perils)	$108,643,757
Fidelity	$55,421,869
Surety	$260,234,266
Burglary and Theft	$11,909,649
Boiler and Machinery	$54,335,166
Credit	$46,848,936
Aggregate Write-ins	$254,407,184
Independently Procured Coverage (IPC)	$23,468,852
Totals	**$29,888,170,348**

Source: Florida Office of Insurance Regulation, Market Research Unit

2010 Surplus Lines Premiums

Coverage Code		2010 Surplus Lines Premiums (as of 04/15/11)
1000	Commercial Property	$1,903,469,583
1001	Builders Risk	$19,906,192
1002	Business Income	$5,753,907
1003	Apartments (Commercial)	$8,685,411
1004	Boiler and Machinery	$323,579
1005	Commercial Package (Property & Casualty)	$249,931,439
1006	Condominium Package (Commercial)	$44,666,007
1007	Crop Hail	$87,004
1008	Difference In Conditions	$20,075,340
1009	Earthquake	$215,992
1010	Flood	$82,878,832
1011	Glass (Commercial)	$24,465
1012	Mortgagee Impairment	$460,378
1013	Windstorm &/or Hail	$61,824,490
1014	Mold Coverage - Commercial	$28,348
1016	Excess Flood - Commercial	$7,506,600
1100	Bankers Blanket Bond	$2,884,046
1101	Blanket Crime Policy	$1,109,300
1102	Employee Dishonesty	$126,135
1103	Identity Theft	$245,090
1104	Deposit Forgery	$32,404
1200	Accident & Health	$30,275
1201	Credit Insurance	$494,745
1202	Animal Mortality	$282,761
1203	Mortgage Guaranty	$318,286
1205	Product Recall	$695,555
1206	Kidnap/Ransom	$35,463
1207	Surety	$610,647
1208	Weather Insurance	$12,011
1209	Prize Indemnification	$11,880
1210	Travel Accident	$318,046
1211	Terrorism	$13,990,978
2000	Homeowners-HO-1	$201,104
2001	Homeowners-HO-2	$44,176
2002	Homeowners-HO-3	$132,721,959
2003	Tenant Homeowners-HO-4	$427,172
2004	Homeowners-HO-5	$7,375,191
2005	Condo Unit-Owners HO-6	$25,776,457
2006	Homeowners-HO-8	$12,026,322
2007	Dwelling Builders Risk	$725,627
2008	Dwelling Flood	$11,423,821
2009	Dwelling Property	$37,148,915
2010	Farmowners Multi-Peril	$1,470,572
2011	Mobile Homeowners	$3,492,271
2012	Windstorm	$22,934,793
2013	Mold Coverage - Residential	$2,750
2015	Excess Flood - Residential	$17,497,107
3000	Marina Operations Legal	$956,071
3001	Marine Liabilities Package	$5,855,130
3002	Ocean Marine-Hull &/or Protection & Indemnity	$6,725,034
3003	Ocean Cargo Policy	$12,324,927
3004	Ship Repairers Legal Liability	$41,000
3005	Stevedores Legal Liability	$455,203
3006	Personal & Pleasure Boats & Yachts	$24,430,079
3007	Ocean Marine Builder's Risk	$2,001
4000	Inland Marine (Commercial)	$23,084,467
4001	Inland Marine (Personal)	$18,703,720
4002	Motor Truck Cargo	$10,860,163
4003	Jewelers Block	$5,885,091
4004	Furriers Block	$9,354
4005	Contractors Equipment	$1,229,444
4006	Electronic Data Processing	$210,943
5000	Commercial General Liability	$468,821,592
5001	Commercial Umbrella Liability	$48,505,998
5002	Directors & Officers Liability (Profit)	$23,098,834
5003	Directors & Officers Liability (Non-Profit)	$3,300,964
5004	Educator Legal Liability	$1,068,412
5005	Employment Practices Liability	$8,696,007
5006	Excess Commercial General Liability (Not Umbrella)	$63,940,405
5007	Excess Personal Liability (Not Umbrella)	$951,546
5008	Liquor Liability	$2,908,102
5009	Owners & Contractors Protective	$1,213,549
5010	Personal Umbrella	$3,798,732
5011	Personal Liability	$4,814,504
5012	Pollution & Environment Liability	$35,900,866
5013	Product & Completed Operations Liability	$10,392,489
5014	Public Officials Liability	$1,776,099
5015	Police Professional Liability	$1,696,688
5016	Media Liability	$3,679,659
5017	Railroad Protective Liability	$1,564,957
5018	Asbestos Removal & Abatement	$129,022
5019	Guard Service Liability	$608,584
5020	Special Events Liability	$1,655,562
6001	Miscellaneous Medical Professionals	$501,616
6002	Nursing Home Professional Liability	$10,000
6003	Physician/Surgeon	$3,535
7000	Architects & Engineers Liability	$21,137,144
7001	Insurance Agents & Brokers E&O	$15,846,949
7002	Lawyers Professional Liability	$25,592,618
7003	Miscellaneous E&O Liability	$76,956,878
7004	Real Estate Agents E&O	$1,825,563
7005	Software Design Computer E & S	$879,255
8000	Commercial Auto Liability	$5,608,424
8001	Commercial Auto Excess Liability	$4,846,248
8002	Commercial Auto Physical Damage	$14,341,720
8003	Dealers Open Lot	$3,499,551
8004	Garage Liability	$18,867,891
8005	Garage Keepers Legal	$1,636,158
8006	Private Passengers Auto-Physical Damage Only	$4,243,923
8007	Personal Excess Auto Liability	$1,194,572
9000	Commercial Aircraft Hull &/or Liability	$9,368,573
9001	Airport Liability	$2,143,834
9002	Aviation Cargo	$904,089
9003	Aviation Product Liability	$5,449,530
9005	Personal & Pleasure Aircraft	$77,885
Total		**$3,714,534,581**

Source: FSLSO
Based on policies with a submitted/filed/written date from 1/1/10 to 12/31/10.
Independently Procured Coverage (IPC) included in totals ($5,515,118).