

March 16, 2015

Ash Williams
Executive Director
Florida State Board of Administration

Jack Nicholson
Chief Operating Officer
Florida Hurricane Catastrophe Fund

Dear Mr. Williams and Dr. Nicholson:

We the undersigned represent a diverse coalition that is concerned about the long-term continued health of Florida's economy. We also appreciate the important role of the Florida Hurricane Catastrophe Fund in protecting our economic future. Although the Cat Fund is currently fiscally sound, thanks in part to wise decisions by yourselves and lawmakers, it is also largely due to Florida's unprecedented, nine-year lucky streak of tropical calm.

This presents you and the State Board of Administration a unique opportunity. Given that global reinsurance prices are at their lowest level in years, this would be an ideal time to consider spreading some of Florida's enormous hurricane risk held by the Cat Fund to the global private market. Doing so would have no adverse impact on consumers, but instead would reduce the likelihood or magnitude of debt the Cat Fund would have to incur to cover losses, and by extension, reduce the potential of multi-year assessments upon our businesses, churches, charities, local governments and most Floridians. These concerns were reflected in a 2010 report by Florida TaxWatch, and more recently in a study authored by R Street Institute analyst RJ Lehmann published in January by The James Madison Institute.

Until January of this year, Floridians were paying assessments to cover losses dating all the way back to the 2005 hurricane season. Exporting some of the Cat Fund's risk would protect Floridians from additional assessments should the wind blow. Furthermore, the flood of outside capital—rather than debt—after a hurricane would allow the state to quickly recover both physically and economically.

It is only a matter of time before our lucky streak runs out. As such, we urge you and the State Board of Administration to take advantage of this unique opportunity to insure some of the Cat Fund's risk before the forthcoming hurricane season.

Sincerely,

Steve Pociask
President & CEO

The American Consumer Institute
Center for Citizen Research

Tom Feeny
President & CEO

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