

## **Florida Hurricane Fund Catastrophe Fund**

The Florida Hurricane Fund Catastrophe Fund (FHCF) was created in November 1993 during a special session subsequent to Hurricane Andrew. The enabling legislation is codified in Section 215.555, Florida Statutes. The purpose of the FHCF is to improve the availability and affordability of residential property insurance in Florida by providing reimbursement to insurers for a portion of their catastrophic hurricane losses.

The State Board of Administration (SBA) is responsible for administering the Fund. The SBA collects reimbursement premiums from participating companies, and may use the money in the FHCF only to pay companies according to their reimbursement contracts, and to pay other obligations and expenses as specified in the Statute. In addition, the SBA is responsible for investing the FHCF's assets. Authority is provided in the Statute for the FHCF Finance Corporation or a local government agency to issue revenue bonds in order to pay reimbursable losses to the extent that funds collected as reimbursement premiums and investment income on those funds is insufficient to meet the SBA's obligations.

The FHCF operates as a state administered reinsurance program and is mandatory for residential insurers writing covered policies in the state of Florida. FHCF coverage is on a per occurrence basis and applies to any storm declared to be a hurricane by the National Hurricane Center which causes insured losses in Florida. Coverage is immediate upon hurricane declaration and continues through subsequent downgrades regardless if there is landfall. Tropical storms that do not become hurricanes are not covered.

California's Office of Emergency Services' Recovery Branch is responsible for managing disaster recovery and providing local assistance to local governments and individuals impacted by disasters. The Recovery Branch acts as the grantee for federally funded disaster assistance programs, as grantor for the state California Disaster Assistance Act program and coordinates recovery assistance for individuals, businesses and the agricultural community.

There has been legislation passed by the U.S. House of Representatives to implement a national catastrophe fund. The legislation, the Homeowners Defense Act, or HR 3355, is currently awaiting action by the Senate Banking Committee. Proponents of a national cat fund should serve as a guaranty pool and be funded through mandatory contributions from insurance companies. However, opponents argue that such a fund will force homeowner's in low-risk areas to subsidize those in coastal regions and other areas prone to hurricanes and other storms.