



## United States Senate

WASHINGTON DC 20510-0905

BILL NELSON  
FLORIDA

March 4, 2009

Timothy F. Geithner  
Secretary of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

RE: Request for Legal Opinion Regarding the Legal Authority of the Treasury Department to Issue a Standby Line of Credit to the State of Florida for the Florida Hurricane Catastrophe Fund

Dear Secretary Geithner:

I write to you regarding the possibility of securing a standby letter of credit from the Treasury Department to the Florida Hurricane Catastrophe Fund (FHCF) to facilitate liquidity in the event of multiple catastrophic hurricanes. Both Florida Governor Charlie Crist and Insurance Commissioner Kevin McCarty have contacted my office to express their interest in such a letter, and I understand Mr. McCarty has raised the matter with you directly.

The FHCF was created to provide stability and continuity to the Florida property insurance market by providing a complement to, and stabilizer for, the private reinsurance market. It provides coverage only for hurricane-related losses above a fairly high threshold; payments are made to participating insurers only once insured losses have reached that threshold.

The FHCF satisfies its obligations through both its reserves, which are funded by earned premiums, and its statutory bonding capacity. The law establishing the FHCF requires that premiums charged to insurers are actuarially accurate assessments of probable future losses. These are pure losses, as the FHCF is a tax-exempt entity. In the event that the FHCF cannot satisfy claims through its accumulated earned premiums and investment income, the fund has legal authority to issue bonds in the municipal market.

In light of the current credit crisis, the State of Florida has concerns about its ability to obtain sufficient liquidity in the municipal market in the event of a catastrophic hurricane. The State of Florida is exploring alternative liquidity facilities to address such an event, including a standby letter of credit from the United States Treasury.

As you may know, I recently introduced legislation that would establish federal lines of credit for state catastrophe funds like the FHCF. Such legislation passed the House of Representatives last year, and I hope it will pass the Senate as well in the current Congress. In the meantime, I hope you will consider using existing legal authority to issue a standby letter of credit as requested by the State of Florida.

Thank you for your attention to this matter. If you, or your staff, have any questions, please contact Stephanie Mickle in my office at (202) 224-1554.

Sincerely,

A handwritten signature in black ink that reads "Bill Nelson". The signature is written in a cursive style with a long, sweeping underline.

Copies to:

Governor Charlie Crist

Kevin McCarty, State of Florida Office of Insurance Regulation