

## HOUSE MESSAGE SUMMARY

[s2488.hms]

BILL: CS/CS/CS/CS/SB 2488

SPONSOR: Appropriations Committee, Finance and Taxation Committee, Governmental Oversight and Productivity Committee, Banking and Insurance Committee, and Senator Alexander

SUBJECT: Florida Hurricane Catastrophe Fund

PREPARED BY: Senate Committee on Banking and Insurance

DATE: April 30, 2004

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### I. Amendments Contained in Message:

**House Amendment 1 – 369115** (body)

**House Amendment 2 – 911335** (body)

**House Amendment 3 – 577877** (body with title)

### II. Summary of Amendments Contained in Message:

**House Amendment 1** sets the retention (similar to a deductible) for the Florida Hurricane Catastrophe Fund (FHCF) at \$4.5 billion, beginning on June 1, 2004 for the 2004-2005 contract year, to be adjusted based upon the reported exposure from the prior contract year to reflect the percentage growth in exposure to the fund for covered policies since 2003. Prior to this amendment, the Senate bill required the retention to be set at \$4.5 billion on June 1, 2005 for the 2005-2006 contract year and retained the current retention for the 2004-2005 contract year, estimated to be \$4.866 billion.

The amendment also raises the maximum annual reimbursement of the FHCF to \$15 billion (the same level set in the Senate bill) effective June 1, 2004, instead of June 1, 2005. The capacity for subsequent contract years will be adjusted to reflect the percentage growth in exposure to the fund for covered policies since 2003 instead of 2004, but not to exceed the increase in the cash balance of the FHCF.

**House Amendment 2** states that the exemption of medical malpractice insurance premiums from FHCF emergency assessments is repealed on May 31, 2007. On June 1, 2007, medical malpractice insurance premiums will be subject to emergency assessments attributable to loss events that occur during a contract year. The Senate bill created the exemption for medical malpractice insurance premiums, but did not contain a provision repealing the exemption.

**House Amendment 3** provides an option for insurers to select coverage for contract year 2004-2005 either under current law or under the expanded coverage offered in the bill. Insurers who select FHCF reinsurance coverage under current law will have coverage based on \$11 billion capacity and \$4.866 billion aggregate retention rather than the bill's \$15 billion capacity and retention of \$4.5 billion. The option of selecting coverage based upon the \$11 billion capacity and \$4.866 billion retention is available only if selected by June 1, 2004. The option is not available to a joint underwriting association formed

under s. 627.351, F.S., meaning Citizens Property Insurance Corporation, must purchase coverage at the \$15 billion capacity and \$4.5 billion retention levels. Payout for any insurer that uses either option will be calculated as though all insurers had selected that option. An insurer that does not choose the alternative coverage provision providing \$11 billion capacity and \$4.866 billion retention shall have its retention multiple calculated using the \$15 billion capacity and \$4.5 billion retention. The provisions of this amendment only apply to the FHCF 2004-2005 contract year.

Representatives with the State Board of Administration have stated that in order to have sufficient time to make emergency rules and to give insurance companies time to make an election prior to June 1, 2004, the Governor must sign the legislation by May 10, 2004.

The amendment states that, except as otherwise provided by the bill, the bill takes effect upon becoming law. This allows the transitional provisions of this amendment to take effect upon the date the bill is signed by the Governor. Otherwise, the provisions of the bill take effect June 1, 2004.