

Bill No. SB 4-A

Barcode 544104

CHAMBER ACTION

Senate

House

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31

Comm: UNFAV
01/17/2007 10:42 AM

.
. .
. .
. .
. .
. .

The Committee on Banking and Insurance (Deutch) recommended the following amendment:

Senate Amendment

On page 40, line 24, through page 50, line 27, delete those lines

and insert:

(17) TEMPORARY INCREASE IN COVERAGE LIMIT OPTIONS.--

(a) Findings and intent.--

1. The Legislature finds that:

a. Because of temporary disruptions in the market for catastrophic reinsurance, many property insurers were unable to procure sufficient amounts of such reinsurance for the 2006 hurricane season or were able to procure such reinsurance only by incurring substantially higher costs than in prior years.

b. The reinsurance market problems were responsible, at least in part, for substantial premium increases to many consumers and increases in the number of policies issued by Citizens Property Insurance Corporation.

c. It is likely that the reinsurance market

Bill No. SB 4-A

Barcode 544104

1 disruptions will not significantly abate prior to the 2007
2 hurricane season.

3 2. It is the intent of the Legislature to create
4 options for insurers to purchase a temporary increased
5 coverage limit above the statutorily determined limit in
6 subparagraph (4)(c)1., applicable for the 2007 and 2008
7 hurricane seasons, to address market disruptions and enable
8 insurers, at their option, to procure additional coverage from
9 the Florida Hurricane Catastrophe Fund. It is the further
10 intent of the Legislature to structure this coverage in a
11 manner that requires insurers to pay premiums that are
12 comparable to the premiums the insurer would have paid for
13 comparable reinsurance coverage but for the current emergency
14 in the reinsurance market and also in a manner that minimizes
15 subsidies from the general public over the long run by
16 providing the optional increase in coverage limit for 2 years.

17 (b) Applicability of other provisions of this
18 section.--All provisions of this section and the rules adopted
19 under this section apply to the coverage created by this
20 subsection unless specifically superseded by provisions in
21 this subsection.

22 (c) Additional definitions.--As used in this
23 subsection, the term:

24 1. "FHCF" means Florida Hurricane Catastrophe Fund.

25 2. "FHCF reimbursement premium" means the premium paid
26 by an insurer for its coverage as a mandatory participant in
27 the FHCF, but does not include additional premiums for
28 optional coverages.

29 3. "Payout multiple" means defined as the number or
30 multiple created by dividing the statutorily defined
31 claims-paying capacity as determined in subparagraph (4)(c)1.

Bill No. SB 4-A

Barcode 544104

1 by the aggregate reimbursement premiums paid by all insurers
2 estimated or projected as of calendar year-end.

3 4. "TICL" means the temporary increase in coverage
4 limit.

5 5. "TICL options" means the temporary increase in
6 coverage options created under this subsection.

7 6. "TICL insurer" means an insurer that has opted to
8 obtain coverage under the TICL options addendum in addition to
9 the coverage provided to the insurer under its FHCF
10 reimbursement contract.

11 7. "TICL reimbursement premium" means the premium
12 charged by the fund for coverage provided under the TICL
13 option.

14 8. "TICL coverage multiple" means the coverage
15 multiple when multiplied by an insurer's reimbursement premium
16 that defines the temporary increase in coverage limit.

17 9. "TICL coverage" means the coverage for an insurer's
18 losses above the insurer's statutorily determined
19 claims-paying capacity based on the claims-paying limit in
20 subparagraph (4)(c)1., which an insurer selects as its
21 temporary increase in coverage from the fund under the TICL
22 options selected. A TICL insurer's increased coverage limit
23 options shall be calculated as follows:

24 a. The board shall calculate and report to each TICL
25 insurer the TICL coverage multiples based on three options for
26 increasing the insurer's FHCF coverage limit. Each TICL
27 coverage multiple shall be calculated by dividing \$1 billion,
28 \$2 billion, or \$3 billion by the total estimated aggregate
29 FHCF reimbursement premiums for the 2007-2008 reimbursement
30 contract year and for the 2008-2009 reimbursement contract
31 year.

Bill No. SB 4-A

Barcode 544104

1 b. The TICL insurer's increased coverage shall be the
 2 FHCF reimbursement premium multiplied by the TICL coverage
 3 multiple. In order to determine an insurer's total limit of
 4 coverage, an insurer shall add its TICL coverage multiple to
 5 its payout multiple. The total shall represent a number that,
 6 when multiplied by an insurer's FHCF reimbursement premium for
 7 a given reimbursement contract year, defines an insurer's
 8 total limit of FHCF reimbursement coverage for that
 9 reimbursement contract year.

10 10. "TICL options addendum" means an addendum to the
 11 reimbursement contract reflecting the obligations of the fund
 12 and insurers selecting an option to increase an insurer's FHCF
 13 coverage limit.

14 (d) TICL options addendum.--

15 1. The TICL options addendum shall provide for
 16 reimbursement of TICL insurers for covered events occurring
 17 between June 1, 2007, and May 31, 2008, and between June 1,
 18 2008, and May 31, 2009, in exchange for the TICL reimbursement
 19 premium paid into the fund under paragraph (e). Any insurer
 20 writing covered policies has the option of selecting an
 21 increased limit of coverage under the TICL options addendum
 22 and shall select such coverage at the time that it executes
 23 the FHCF reimbursement contract.

24 2. The TICL addendum shall contain a promise by the
 25 board to reimburse the TICL insurer for 45 percent, 75
 26 percent, or 90 percent of its losses from each covered event
 27 in excess of the insurer's retention, plus 5 percent of the
 28 reimbursed losses to cover loss adjustment expenses. The
 29 percentage shall be the same as the coverage level selected by
 30 the insurer under paragraph (4)(b).

31 3. The TICL addendum shall provide that reimbursement

Bill No. SB 4-A

Barcode 544104

1 amounts shall not be reduced by reinsurance paid or payable to
 2 the insurer from other sources.

3 4. The priorities, schedule, and method of
 4 reimbursements under the TICL addendum shall be the same as
 5 provided under subsection (4).

6 (e) TICL reimbursement premiums.--

7 1. Each TICL insurer shall pay to the fund, in the
 8 manner and at the time provided in the reimbursement contract
 9 for payment of reimbursement premiums, a TICL reimbursement
 10 premium calculated as specified in this paragraph.

11 2. Each insurer's TICL premium shall be calculated
 12 based on the additional limit of increased coverage that it
 13 selects. Such limit is determined by multiplying the TICL
 14 multiple associated with one of the three options times the
 15 insurer's FHCF reimbursement premium. For the amount of
 16 increased coverage based on the option of using \$1 billion to
 17 derive the TICL multiple, the rate-on-line for such coverage
 18 shall be 20 percent. For the option using \$2 billion, the
 19 rate-on-line shall be 17.5 percent and for the option using \$3
 20 billion, the rate-on-line shall be 15 percent.

21 (f) Effect on claims-paying capacity of the fund.--For
 22 the contract terms commencing June 1, 2007, and April 1, 2008,
 23 the program created by this subsection shall increase the
 24 claims-paying capacity of the fund as provided in subparagraph
 25 (4)(c)1. by an amount not to exceed \$3 billion dollars and
 26 shall depend on the TICL coverage options selected and the
 27 number of insurers that select the TICL optional coverage. The
 28 additional capacity shall apply only to the additional
 29 coverage provided under the TICL options and shall not
 30 otherwise affect any insurer's reimbursement from the fund if
 31 the insurer chooses not to select the temporary option to

Bill No. SB 4-A

Barcode 544104

1 increase its limit of coverage under the FHCF.

2 (18) FLORIDA HURRICANE EXCESS LOSS PROGRAM.--

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31