

Bill No. SB 4-A

Barcode 610330

	CHAMBER ACTION	
<u>Senate</u>		<u>House</u>

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Senators Webster and Geller moved 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 disruptions will not significantly abate prior to the 2007

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1 hurricane season.

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

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19 subsection unless specifically superseded by provisions in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

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

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

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

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

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1 estimated or projected as of calendar year-end.

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

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

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

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

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

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

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

31 b. The TICL insurer's increased coverage shall be the

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

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

13 (d) TICL options addendum.--

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

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

30 3. The TICL addendum shall provide that reimbursement
 31 amounts shall not be reduced by reinsurance paid or payable to

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1 the insurer from other sources.

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

5 (e) TICL reimbursement premiums.--

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

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

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

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

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