A bill to be entitled

An act relating to insurance; amending s. 215.555, F.S.; extending application of provisions relating to temporary increase in coverage limit operations for the Florida Hurricane Catastrophe Fund; providing additional reimbursement requirements for temporary increase in coverage addenda for additional contract years; amending s. 627.351, F.S.; defining the term "actuarially sound rates" for purposes of coverage by Citizens Property Insurance Corporation; requiring the corporation to implement certain rate increases each year; providing for termination of such rate increase implementation under certain circumstances; requiring the corporation to transfer certain moneys to the General Revenue Fund; providing for termination of such transfers under certain circumstances; providing for appropriation of certain transferred funds to the Insurance Regulatory Trust Fund for certain purposes; requiring the My Safe Florida Home Program to use certain funds for certain mitigation grants; authorizing the department to establish a separate account in the trust fund for accounting purposes; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Paragraphs (a), (c), (d), (e), and (g) of subsection (17) of section 215.555, Florida Statutes, are amended to read:

215.555 Florida Hurricane Catastrophe Fund.--

(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 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 hurricane season.

2. It is the intent of the Legislature to create options for insurers to purchase a temporary increased coverage limit above the statutorily determined limit in subparagraph (4)(c)1., applicable for the 2007, 2008, ~~and~~ 2009, 2010, 2011, 2012, 2013, 2014, and 2015 hurricane seasons, to address market disruptions and enable insurers, at their option, to procure additional coverage from the Florida Hurricane Catastrophe Fund.

(c) Optional coverage.--For the contract year commencing June 1, 2007, and ending May 31, 2008, the contract year commencing June 1, 2008, and ending May 31, 2009, ~~and~~ the contract year commencing June 1, 2009, and ending May 31, 2010, the contract year commencing June 1, 2010, and ending May 31, 2011, the contract year commencing June 1, 2011, and ending May

31, 2012, the contract year commencing June 1, 2012, and ending May 31, 2013, the contract year commencing June 1, 2013, and ending May 31, 2014, the contract year commencing June 1, 2014, and ending May 31, 2015, and the contract year commencing June 1, 2015, and ending May 31, 2016, the board shall offer, for each of such years, the optional coverage as provided in this subsection.

(d) Additional definitions.--As used in this subsection, the term:

1. "FHCF" means Florida Hurricane Catastrophe Fund.

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

3. "Payout multiple" means the number or multiple created by dividing the statutorily defined claims-paying capacity as determined in subparagraph (4)(c)1. by the aggregate reimbursement premiums paid by all insurers estimated or projected as of calendar year-end.

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

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

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

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

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

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

a. The board shall calculate and report to each TICL insurer the TICL coverage multiples based on 12 options for increasing the insurer's FHCF coverage limit. Each TICL coverage multiple shall be calculated by dividing $1 billion, $2 billion, $3 billion, $4 billion, $5 billion, $6 billion, $7 billion, $8 billion, $9 billion, $10 billion, $11 billion, or $12 billion by the total estimated aggregate FHCF reimbursement premiums for the 2007-2008 contract year, the 2008-2009 contract year, ~~and~~ the 2009-2010 contract year, the 2010-2011 contract year, the 2011-2012 contract year, the 2012-2013 contract year, the 2013-2014 contract year, the 2014-2015 contract year, and the 2015-2016 contract year.

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

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

(e) TICL options addendum.--

1. The TICL options addendum shall provide for reimbursement of TICL insurers for covered events occurring between June 1, 2007, and May 31, 2008, ~~and~~ between June 1, 2008, and May 31, 2009, ~~or~~ between June 1, 2009, and May 31, 2010, <u>between June 1, 2010, and May 31, 2011, between June 1, 2011, and May 31, 2012, between June 1, 2012, and May 31, 2013, between June 1, 2013, and May 31, 2014, between June 1, 2014, and May 31, 2015, or between June 1, 2015, and May 31, 2016,</u> in exchange for the TICL reimbursement premium paid into the fund under paragraph (f). Any insurer writing covered policies has the option of selecting an increased limit of coverage under the TICL options addendum and shall select such coverage at the time that it executes the FHCF reimbursement contract.

2.<u>a.</u> The TICL addendum <u>for the contract year commencing June 1, 2007, and ending May 31, 2008, the contract year commencing June 1, 2008, and ending May 31, 2009, or the contract year commencing June 1, 2009, and ending May 31, 2010,</u> shall contain a promise by the board to reimburse the TICL insurer for 45 percent, 75 percent, or 90 percent of its losses from each covered event in excess of the insurer's retention, plus 5 percent of the reimbursed losses to cover loss adjustment expenses. The percentage shall be the same as the coverage level selected by the insurer under paragraph (4)(b).

<u>b. The TICL addendum for the contract year commencing June 1, 2010, and ending May 31, 2011, shall contain a promise by the board to reimburse the TICL insurer for 45 percent or 75 percent of its losses from each covered event in excess of the insurer's retention, plus 5 percent of the reimbursed losses to cover loss adjustment expenses.</u>

<u>c. The TICL addendum for the contract year commencing June 1, 2011, and ending May 31, 2012, shall contain a promise by the board to reimburse the TICL insurer for 45 percent or 65 percent of its losses from each covered event in excess of the insurer's retention, plus 5 percent of the reimbursed losses to cover loss adjustment expenses.</u>

<u>d The TICL addendum for the contract year commencing June 1, 2012, and ending May 31, 2013, shall contain a promise by the board to reimburse the TICL insurer for 45 percent or 55 percent of its losses from each covered event in excess of the insurer's retention, plus 5 percent of the reimbursed losses to cover loss adjustment expenses.</u>

<u>e. The TICL addendum for the contract year commencing June 1, 2013, and ending May 31, 2014, shall contain a promise by the board to reimburse the TICL insurer for 45 percent of its losses from each covered event in excess of the insurer's retention, plus 5 percent of the reimbursed losses to cover loss adjustment expenses.</u>

<u>f. The TICL addendum for the contract year commencing June 1, 2014, and ending May 31, 2015, shall contain a promise by the board to reimburse the TICL insurer for 30 percent of its losses from each covered event in excess of the insurer's retention, plus 5 percent of the reimbursed losses to cover loss adjustment expenses.</u>

<u>g. The TICL addendum for the contract year commencing June 1, 2015, and ending May 31, 2016, shall contain a promise by the board to reimburse the TICL insurer for 15 percent of its losses from each covered event in excess of the insurer's retention, plus 5 percent of the reimbursed losses to cover loss adjustment expenses.</u>

3. The TICL addendum shall provide that reimbursement amounts shall not be reduced by reinsurance paid or payable to the insurer from other sources.

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

(g) Effect on claims-paying capacity of the fund.--For the contract terms commencing June 1, 2007, June 1, 2008, and June 1, 2009, <u>June 1, 2010, June 1, 2011, June 1, 2012, June 1, 2013, June 1, 2014, and June 1, 2015,</u> the program created by this subsection shall increase the claims-paying capacity of the fund as provided in subparagraph (4)(c)1. by an amount not to exceed $12 billion and shall depend on the TICL coverage options selected and the number of insurers that select the TICL optional coverage. The additional capacity shall apply only to the additional coverage provided under the TICL options and shall not otherwise affect any insurer's reimbursement from the fund if the insurer chooses not to select the temporary option to increase its limit of coverage under the FHCF.

Section 2. Paragraph (m) of subsection (6) of section 627.351, Florida Statutes, is amended to read:

627.351 Insurance risk apportionment plans.--

(6) CITIZENS PROPERTY INSURANCE CORPORATION.--

(m)1. Rates for coverage provided by the corporation shall be actuarially sound and subject to the requirements of s. 627.062, except as otherwise provided in this paragraph. For the purposes of this paragraph, the term "actuarially sound rate" means a rate at least sufficient for a certain classification of risk in a certain rating area to generate sufficient revenue to cover all expected losses and expected expenses, plus a rate factor of 15 percent representing a capital charge. The corporation shall file its recommended rates with the office at least annually. The corporation shall provide any additional information regarding the rates which the office requires. The office shall consider the recommendations of the board and issue a final order establishing the rates for the corporation within 45 days after the recommended rates are filed. The corporation may not pursue an administrative challenge or judicial review of the final order of the office.

2. In addition to the rates otherwise determined pursuant to this paragraph, the corporation shall impose and collect an amount equal to the premium tax provided for in s. 624.509 to augment the financial resources of the corporation.

3. After the public hurricane loss-projection model under s. 627.06281 has been found to be accurate and reliable by the Florida Commission on Hurricane Loss Projection Methodology, that model shall serve as the minimum benchmark for determining the windstorm portion of the corporation's rates. This subparagraph does not require or allow the corporation to adopt rates lower than the rates otherwise required or allowed by this paragraph.

4. The rate filings for the corporation which were approved by the office and which took effect January 1, 2007, are rescinded, except for those rates that were lowered. As soon as possible, the corporation shall begin using the lower rates that were in effect on December 31, 2006, and shall provide refunds to policyholders who have paid higher rates as a result of that rate filing. The rates in effect on December 31, 2006, shall remain in effect for the 2007 and 2008 calendar years except for any rate change that results in a lower rate. The next rate change that may increase rates shall take effect pursuant to a new rate filing recommended by the corporation and established by the office, subject to the requirements of this paragraph.

5. Beginning on July 15, 2009, and each year thereafter, the corporation must make a recommended actuarially sound rate filing for each personal and commercial line of business it writes, to be effective no earlier than January 1, 2010.

6. Notwithstanding the board's recommended rates and the office's final order regarding the corporation's filed rates under subparagraph 1., the corporation shall implement a rate

increase each year which does not exceed a statewide average of 10 percent, exceed 15 percent for any rating territory by line used by the corporation, or exceed 20 percent for any single policy issued by the corporation adjusted for exposure change.

7. The corporation's implementation of rates as prescribed in subparagraph 6. shall cease upon the corporation's implementation of actuarially sound rates as prescribed in subparagraph 1.

8. Beginning January 1, 2011, and each year thereafter, the corporation shall transfer 50 percent of the funds received from the rate increase prescribed by subparagraph 6. to the General Revenue Fund. The corporation's transfer of such funds shall cease upon the corporation's implementation of actuarially sound rates as prescribed in subparagraph 1.

Section 3. Upon receipt of funds transferred to the General Revenue Fund pursuant to s. 627.351(6)(m)8., Florida Statutes, the funds transferred are appropriated on a nonrecurring basis from the General Revenue Fund to the Insurance Regulatory Trust Fund in the Department of Financial Services for purposes of the My Safe Florida Home Program specified in s. 215.5586, Florida Statutes. The My Safe Florida Home Program shall use the funds solely for the provision of mitigation grants in accordance with s. 215.5586(2), Florida Statutes. The department shall establish a separate account within the trust fund for accounting purposes.

Section 4. This act shall take effect July 1, 2009.