

1 A bill to be entitled
 2 An act relating to the Florida Hurricane Catastrophe
 3 Fund; amending s. 215.555, F.S.; revising the
 4 definitions of the terms "covered policy,"
 5 "retention," and "corporation"; providing for
 6 calculation of an insurer's reimbursement premium and
 7 retention under the reimbursement contract; revising
 8 coverage levels available under the reimbursement
 9 contract; revising aggregate coverage limits;
 10 providing for the phase-in of changes to coverage
 11 levels and limits; changing the name of the Florida
 12 Hurricane Catastrophe Fund Finance Corporation;
 13 amending s. 215.555, F.S.; deleting provisions
 14 relating to temporary emergency options for additional
 15 coverage; amending s. 627.062, F.S.; providing for
 16 recoupment of certain costs of reinsurance; amending
 17 s. 627.0629, F.S.; conforming a cross-reference;
 18 providing effective dates.

19
 20 Be It Enacted by the Legislature of the State of Florida:

21
 22 Section 1. Effective June 1, 2013, paragraphs (c), (e),
 23 and (n) of subsection (2), paragraphs (b) and (c) of subsection
 24 (4), and paragraph (d) of subsection (6) of section 215.555,
 25 Florida Statutes, are amended to read:

26 215.555 Florida Hurricane Catastrophe Fund.—

27 (2) DEFINITIONS.—As used in this section:

28 (c) "Covered policy" means any insurance policy covering

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29 residential property in this state, including, but not limited
30 to, any homeowner's, mobile home owner's, farm owner's,
31 condominium association, condominium unit owner's, tenant's, or
32 apartment building policy, or any other policy covering a
33 residential structure or its contents issued by any authorized
34 insurer, including ~~a commercial self-insurance fund holding a~~
35 ~~certificate of authority issued by the Office of Insurance~~
36 ~~Regulation under s. 624.462~~, the Citizens Property Insurance
37 Corporation, and any joint underwriting association or similar
38 entity created under law. The term "covered policy" includes any
39 collateral protection insurance policy covering personal
40 residences which protects both the borrower's and the lender's
41 financial interests, in an amount at least equal to the coverage
42 for the dwelling in place under the lapsed homeowner's policy,
43 if such policy can be accurately reported as required in
44 subsection (5). Additionally, covered policies include policies
45 covering the peril of wind removed from the Florida Residential
46 Property and Casualty Joint Underwriting Association or from the
47 Citizens Property Insurance Corporation, created under s.
48 627.351(6), or from the Florida Windstorm Underwriting
49 Association, created under s. 627.351(2), by an authorized
50 insurer under the terms and conditions of an executed assumption
51 agreement between the authorized insurer and such association or
52 Citizens Property Insurance Corporation. Each assumption
53 agreement between the association and such authorized insurer or
54 Citizens Property Insurance Corporation must be approved by the
55 Office of Insurance Regulation before the effective date of the
56 assumption, and the Office of Insurance Regulation must provide

57 | written notification to the board within 15 working days after
58 | such approval. "Covered policy" does not include any policy that
59 | excludes wind coverage or hurricane coverage or any reinsurance
60 | agreement and does not include any policy otherwise meeting this
61 | definition which is issued by a surplus lines insurer or a
62 | reinsurer. All commercial residential excess policies and all
63 | deductible buy-back policies that, based on sound actuarial
64 | principles, require individual ratemaking shall be excluded by
65 | rule if the actuarial soundness of the fund is not jeopardized.
66 | For this purpose, the term "excess policy" means a policy that
67 | provides insurance protection for large commercial property
68 | risks and that provides a layer of coverage above a primary
69 | layer insured by another insurer.

70 | (e) "Retention" means the amount of losses below which an
71 | insurer is not entitled to reimbursement from the fund. An
72 | insurer's retention shall be calculated as follows:

73 | 1.a. The board shall calculate and report to each insurer
74 | the retention multiples for that year. For the contract year
75 | beginning June 1, 2005, the retention multiple shall be equal to
76 | \$4.5 billion divided by the total estimated reimbursement
77 | premium for the contract year; for subsequent years, the
78 | retention multiple shall be equal to \$4.5 billion, adjusted
79 | based upon the reported exposure for the contract year occurring
80 | 2 years before the particular contract year to reflect the
81 | percentage growth in exposure to the fund for covered policies
82 | since 2004, divided by the total estimated reimbursement premium
83 | for the contract year. Total reimbursement premium for purposes
84 | of the calculation under this subparagraph shall be estimated

85 using the assumption that all insurers have selected the 90-
86 percent coverage level.

87 b. In order to implement the phase-in of reduced coverage
88 levels as provided in paragraph (4) (b), total reimbursement
89 premium for purposes of the calculation under this subparagraph
90 shall be estimated using the following assumptions:

91 (I) For the 2013-2014 contract year, the assumption is
92 that all insurers have selected the 90 percent coverage level.

93 (II) For the 2014-2015 contract year, the assumption is
94 that all insurers have selected the 85 percent coverage level.

95 (III) For the 2015-2016 contract year, the assumption is
96 that all insurers have selected the 80 percent coverage level.

97 (IV) For the 2016-2017 contract year and subsequent
98 contract years, the assumption is that all insurers have
99 selected the 75 percent coverage level.

100 2. The retention multiple as determined under subparagraph
101 1. shall be adjusted to reflect the coverage level elected by
102 the insurer.

103 a. For an insurer electing the maximum coverage level
104 available under paragraph (4) (b) for a particular contract year
105 ~~For insurers electing the 90 percent coverage level, the~~
106 adjusted retention multiple is 100 percent of the amount
107 determined under subparagraph 1.

108 b. In order to implement the phase-in of reduced coverage
109 levels as provided in paragraph (4) (b), for an insurer electing
110 a coverage level other than the maximum coverage level, the
111 adjusted retention multiple is as follows:

112 (I) With respect to the 2013-2014 contract year, for an

113 insurer ~~For insurers~~ electing the 75-percent coverage level, the
114 retention multiple is 90/75ths ~~120 percent~~ of the amount
115 determined under subparagraph 1., and for an insurer ~~For~~
116 ~~insurers~~ electing the 45-percent coverage level, the adjusted
117 retention multiple is 90/45ths ~~200 percent~~ of the amount
118 determined under subparagraph 1.

119 (II) With respect to the 2014-2015 contract year, for an
120 insurer electing the 75-percent coverage level, the retention
121 multiple is 85/75ths of the amount determined under subparagraph
122 1., and for an insurer electing the 45-percent coverage level,
123 the retention multiple is 85/45ths of the amount determined
124 under subparagraph 1.

125 (III) With respect to the 2015-2016 contract year, for an
126 insurer electing the 75-percent coverage level, the retention
127 multiple is 80/75ths of the amount determined under subparagraph
128 1., and for an insurer electing the 45-percent coverage level,
129 the retention multiple is 80/45ths of the amount determined
130 under subparagraph 1.

131 (IV) With respect to the 2016-2017 contract year and
132 subsequent contract years, for an insurer electing the 45-
133 percent coverage level, the retention multiple is 75/45ths of
134 the amount determined under subparagraph 1.

135 3. An insurer shall determine its provisional retention by
136 multiplying its provisional reimbursement premium by the
137 applicable adjusted retention multiple and shall determine its
138 actual retention by multiplying its actual reimbursement premium
139 by the applicable adjusted retention multiple.

140 4. For insurers who experience multiple covered events

141 causing loss during the contract year, beginning June 1, 2005,
 142 each insurer's full retention shall be applied to each of the
 143 covered events causing the two largest losses for that insurer.
 144 For each other covered event resulting in losses, the insurer's
 145 retention shall be reduced to one-third of the full retention.
 146 The reimbursement contract shall provide for the reimbursement
 147 of losses for each covered event based on the full retention
 148 with adjustments made to reflect the reduced retentions on or
 149 after January 1 of the contract year provided the insurer
 150 reports its losses as specified in the reimbursement contract.

151 (n) "Corporation" means the State Board of Administration
 152 ~~Florida Hurricane Catastrophe Fund~~ Finance Corporation created
 153 in paragraph (6) (d).

154 (4) REIMBURSEMENT CONTRACTS.—

155 (b)1.a. The contract shall contain a promise by the board
 156 to reimburse the insurer for a specified percentage ~~45 percent,~~
 157 ~~75 percent, or 90 percent~~ of its losses from each covered event
 158 in excess of the insurer's retention, plus 10 ~~5~~ percent of the
 159 reimbursed losses to cover loss adjustment expenses.

160 b. The available coverage levels are as follows:

161 (I) For the 2013-2014 contract year, 90 percent, 75
 162 percent, and 45 percent.

163 (II) For the 2014-2015 contract year, 85 percent, 75
 164 percent, and 45 percent.

165 (III) For the 2015-2016 contract year, 80 percent, 75
 166 percent, and 45 percent.

167 (IV) For the 2016-2017 contract year and subsequent
 168 contract years, 75 percent and 45 percent.

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169 2.a. The insurer must elect one of the percentage coverage
170 levels specified in this paragraph and may, upon renewal of a
171 reimbursement contract, elect a lower percentage coverage level
172 if no revenue bonds issued under subsection (6) after a covered
173 event are outstanding, or elect a higher percentage coverage
174 level, regardless of whether or not revenue bonds are
175 outstanding. All members of an insurer group must elect the same
176 percentage coverage level. Any joint underwriting association,
177 risk apportionment plan, or other entity created under s.
178 627.351 must elect the maximum ~~90-percent~~ coverage level
179 available under subparagraph 1.

180 b. In order to implement the phase-in of reduced coverage
181 levels as provided in subparagraph 1., and notwithstanding any
182 provisions of sub-subparagraph a. to the contrary, if revenue
183 bonds issued under subsection (6) after a covered event are
184 outstanding and the insurer has elected the maximum coverage
185 level available under subparagraph 1., the insurer must, upon
186 renewal of the reimbursement contract, elect the maximum
187 coverage level available under subparagraph 1. for the renewal
188 contract year.

189 3. The contract shall provide that reimbursement amounts
190 shall not be reduced by reinsurance paid or payable to the
191 insurer from other sources.

192 ~~4. Notwithstanding any other provision contained in this~~
193 ~~section, the board shall make available to insurers that~~
194 ~~purchased coverage provided by this subparagraph in 2008,~~
195 ~~insurers qualifying as limited apportionment companies under s.~~
196 ~~627.351(6)(c), and insurers that have been approved to~~

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197 ~~participate in the Insurance Capital Build-Up Incentive Program~~
198 ~~pursuant to s. 215.5595 a contract or contract addendum that~~
199 ~~provides an additional amount of reimbursement coverage of up to~~
200 ~~\$10 million. The premium to be charged for this additional~~
201 ~~reimbursement coverage shall be 50 percent of the additional~~
202 ~~reimbursement coverage provided, which shall include one prepaid~~
203 ~~reinstatement. The minimum retention level that an eligible~~
204 ~~participating insurer must retain associated with this~~
205 ~~additional coverage layer is 30 percent of the insurer's surplus~~
206 ~~as of December 31, 2008, for the 2009-2010 contract year; as of~~
207 ~~December 31, 2009, for the 2010-2011 contract year; and as of~~
208 ~~December 31, 2010, for the 2011-2012 contract year. This~~
209 ~~coverage shall be in addition to all other coverage that may be~~
210 ~~provided under this section. The coverage provided by the fund~~
211 ~~under this subparagraph shall be in addition to the claims-~~
212 ~~paying capacity as defined in subparagraph (c)1., but only with~~
213 ~~respect to those insurers that select the additional coverage~~
214 ~~option and meet the requirements of this subparagraph. The~~
215 ~~claims paying capacity with respect to all other participating~~
216 ~~insurers and limited apportionment companies that do not select~~
217 ~~the additional coverage option shall be limited to their~~
218 ~~reimbursement premium's proportionate share of the actual~~
219 ~~claims paying capacity otherwise defined in subparagraph (c)1.~~
220 ~~and as provided for under the terms of the reimbursement~~
221 ~~contract. The optional coverage retention as specified shall be~~
222 ~~accessed before the mandatory coverage under the reimbursement~~
223 ~~contract, but once the limit of coverage selected under this~~
224 ~~option is exhausted, the insurer's retention under the mandatory~~

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225 ~~coverage will apply. This coverage will apply and be paid~~
226 ~~concurrently with mandatory coverage. This subparagraph expires~~
227 ~~on May 31, 2012.~~

228 (c)1. The contract shall also provide that the obligation
229 of the board with respect to all contracts covering a particular
230 contract year shall not exceed the actual claims-paying capacity
231 of the fund up to the limit specified in this subparagraph.

232 a. For the 2013-2014 contract year, the limit is \$17
233 billion.

234 b. For the 2014-2015 contract year, the limit is \$16
235 billion.

236 c. For the 2015-2016 contract year, the limit is \$15
237 billion.

238 d. For the 2016-2017 contract year and subsequent contract
239 years, the limit is \$14 billion.

240 e. For contract years after the 2016-2017 contract year,
241 if a limit of \$17 billion for that contract year, unless the
242 board determines that there is sufficient estimated claims-
243 paying capacity to provide \$14 \$17 billion of capacity for the
244 current contract year and an additional \$14 \$17 billion of
245 capacity for subsequent contract years. If the board makes such
246 a determination, the estimated claims-paying capacity for the
247 particular contract year shall be determined by adding to the
248 \$14 \$17 billion limit one-half of the fund's estimated claims-
249 paying capacity in excess of \$28 \$34 billion. However, the
250 dollar growth in the limit may not increase in any year by an
251 amount greater than the dollar growth of the balance of the fund
252 as of December 31, less any premiums or interest attributable to

253 | ~~optional coverage~~, as defined by rule which occurred over the
 254 | prior calendar year.

255 | 2. In May and October of the contract year, the board
 256 | shall publish in the Florida Administrative Weekly a statement
 257 | of the fund's estimated borrowing capacity, the fund's estimated
 258 | claims-paying capacity, and the projected balance of the fund as
 259 | of December 31. After the end of each calendar year, the board
 260 | shall notify insurers of the estimated borrowing capacity,
 261 | estimated claims-paying capacity, and the balance of the fund as
 262 | of December 31 to provide insurers with data necessary to assist
 263 | them in determining their retention and projected payout from
 264 | the fund for loss reimbursement purposes. In conjunction with
 265 | the development of the premium formula, as provided for in
 266 | subsection (5), the board shall publish factors or multiples
 267 | that assist insurers in determining their retention and
 268 | projected payout for the next contract year. For all regulatory
 269 | and reinsurance purposes, an insurer may calculate its projected
 270 | payout from the fund as its share of the total fund premium for
 271 | the current contract year multiplied by the sum of the projected
 272 | balance of the fund as of December 31 and the estimated
 273 | borrowing capacity for that contract year as reported under this
 274 | subparagraph.

275 | (6) REVENUE BONDS.—

276 | (d) State Board of Administration ~~Florida Hurricane~~
 277 | ~~Catastrophe Fund~~ Finance Corporation.—

278 | 1. In addition to the findings and declarations in
 279 | subsection (1), the Legislature also finds and declares that:

280 | a. The public benefits corporation created under this

281 paragraph will provide a mechanism necessary for the cost-
282 effective and efficient issuance of bonds. This mechanism will
283 eliminate unnecessary costs in the bond issuance process,
284 thereby increasing the amounts available to pay reimbursement
285 for losses to property sustained as a result of hurricane
286 damage.

287 b. The purpose of such bonds is to fund reimbursements
288 through the Florida Hurricane Catastrophe Fund to pay for the
289 costs of construction, reconstruction, repair, restoration, and
290 other costs associated with damage to properties of
291 policyholders of covered policies due to the occurrence of a
292 hurricane.

293 c. The efficacy of the financing mechanism will be
294 enhanced by the corporation's ownership of the assessments, by
295 the insulation of the assessments from possible bankruptcy
296 proceedings, and by covenants of the state with the
297 corporation's bondholders.

298 2.a. There is created a public benefits corporation, which
299 is an instrumentality of the state, to be known as the State
300 Board of Administration ~~Florida Hurricane Catastrophe Fund~~
301 Finance Corporation.

302 b. The corporation shall operate under a five-member board
303 of directors consisting of the Governor or a designee, the Chief
304 Financial Officer or a designee, the Attorney General or a
305 designee, the director of the Division of Bond Finance of the
306 State Board of Administration, and the Chief Operating Officer
307 ~~senior employee of the State Board of Administration responsible~~
308 ~~for operations~~ of the Florida Hurricane Catastrophe Fund.

309 c. The corporation has all of the powers of corporations
310 under chapter 607 and under chapter 617, subject only to the
311 provisions of this subsection.

312 d. The corporation may issue bonds and engage in such
313 other financial transactions as are necessary to provide
314 sufficient funds to achieve the purposes of this section.

315 e. The corporation may invest in any of the investments
316 authorized under s. 215.47.

317 f. There shall be no liability on the part of, and no
318 cause of action shall arise against, any board members or
319 employees of the corporation for any actions taken by them in
320 the performance of their duties under this paragraph.

321 3.a. In actions under chapter 75 to validate any bonds
322 issued by the corporation, the notice required by s. 75.06 shall
323 be published in two newspapers of general circulation in the
324 state, and the complaint and order of the court shall be served
325 only on the State Attorney of the Second Judicial Circuit.

326 b. The state hereby covenants with holders of bonds of the
327 corporation that the state will not repeal or abrogate the power
328 of the board to direct the Office of Insurance Regulation to
329 levy the assessments and to collect the proceeds of the revenues
330 pledged to the payment of such bonds as long as any such bonds
331 remain outstanding unless adequate provision has been made for
332 the payment of such bonds pursuant to the documents authorizing
333 the issuance of such bonds.

334 4. The bonds of the corporation are not a debt of the
335 state or of any political subdivision, and neither the state nor
336 any political subdivision is liable on such bonds. The

337 corporation does not have the power to pledge the credit, the
 338 revenues, or the taxing power of the state or of any political
 339 subdivision. The credit, revenues, or taxing power of the state
 340 or of any political subdivision shall not be deemed to be
 341 pledged to the payment of any bonds of the corporation.

342 5.a. The property, revenues, and other assets of the
 343 corporation; the transactions and operations of the corporation
 344 and the income from such transactions and operations; and all
 345 bonds issued under this paragraph and interest on such bonds are
 346 exempt from taxation by the state and any political subdivision,
 347 including the intangibles tax under chapter 199 and the income
 348 tax under chapter 220. This exemption does not apply to any tax
 349 imposed by chapter 220 on interest, income, or profits on debt
 350 obligations owned by corporations other than the State Board of
 351 Administration ~~Florida Hurricane Catastrophe Fund~~ Finance
 352 Corporation.

353 b. All bonds of the corporation shall be and constitute
 354 legal investments without limitation for all public bodies of
 355 this state; for all banks, trust companies, savings banks,
 356 savings associations, savings and loan associations, and
 357 investment companies; for all administrators, executors,
 358 trustees, and other fiduciaries; for all insurance companies and
 359 associations and other persons carrying on an insurance
 360 business; and for all other persons who are now or may hereafter
 361 be authorized to invest in bonds or other obligations of the
 362 state and shall be and constitute eligible securities to be
 363 deposited as collateral for the security of any state, county,
 364 municipal, or other public funds. This sub-subparagraph shall be

365 considered as additional and supplemental authority and shall
 366 not be limited without specific reference to this sub-
 367 subparagraph.

368 6. The corporation and its corporate existence shall
 369 continue until terminated by law; however, no such law shall
 370 take effect as long as the corporation has bonds outstanding
 371 unless adequate provision has been made for the payment of such
 372 bonds pursuant to the documents authorizing the issuance of such
 373 bonds. Upon termination of the existence of the corporation, all
 374 of its rights and properties in excess of its obligations shall
 375 pass to and be vested in the state.

376 7. The State Board of Administration Finance Corporation
 377 is for all purposes the successor to the Florida Hurricane
 378 Catastrophe Fund Finance Corporation.

379 Section 2. Effective June 1, 2013, subsections (17) and
 380 (18) of section 215.555, Florida Statutes, are renumbered as
 381 subsections (16) and (17), respectively, and present subsection
 382 (16) of that section is amended to read:

383 215.555 Florida Hurricane Catastrophe Fund.—

384 ~~(16) TEMPORARY EMERGENCY OPTIONS FOR ADDITIONAL COVERAGE.—~~

385 ~~(a) Findings and intent.—~~

386 ~~1. The Legislature finds that:~~

387 ~~a. Because of temporary disruptions in the market for~~
 388 ~~eatastrophic reinsurance, many property insurers were unable to~~
 389 ~~procure reinsurance for the 2006 hurricane season with an~~
 390 ~~attachment point below the insurers' respective Florida~~
 391 ~~Hurricane Catastrophe Fund attachment points, were unable to~~
 392 ~~procure sufficient amounts of such reinsurance, or were able to~~

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393 ~~procure such reinsurance only by incurring substantially higher~~
394 ~~costs than in prior years.~~

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

399 ~~e. It is likely that the reinsurance market disruptions~~
400 ~~will not significantly abate prior to the 2007 hurricane season.~~

401 ~~2. It is the intent of the Legislature to create a~~
402 ~~temporary emergency program, applicable to the 2007, 2008, and~~
403 ~~2009 hurricane seasons, to address these market disruptions and~~
404 ~~enable insurers, at their option, to procure additional coverage~~
405 ~~from the Florida Hurricane Catastrophe Fund.~~

406 ~~(b) Applicability of other provisions of this section. All~~
407 ~~provisions of this section and the rules adopted under this~~
408 ~~section apply to the program created by this subsection unless~~
409 ~~specifically superseded by this subsection.~~

410 ~~(c) Optional coverage. For the contract year commencing~~
411 ~~June 1, 2007, and ending May 31, 2008, the contract year~~
412 ~~commencing June 1, 2008, and ending May 31, 2009, and the~~
413 ~~contract year commencing June 1, 2009, and ending May 31, 2010,~~
414 ~~the board shall offer for each of such years the optional~~
415 ~~coverage as provided in this subsection.~~

416 ~~(d) Additional definitions. As used in this subsection,~~
417 ~~the term:~~

418 ~~1. "TEACO options" means the temporary emergency~~
419 ~~additional coverage options created under this subsection.~~

420 ~~2. "TEACO insurer" means an insurer that has opted to~~

421 ~~obtain coverage under the TEACO options in addition to the~~
422 ~~coverage provided to the insurer under its reimbursement~~
423 ~~contract.~~

424 ~~3. "TEACO reimbursement premium" means the premium charged~~
425 ~~by the fund for coverage provided under the TEACO options.~~

426 ~~4. "TEACO retention" means the amount of losses below~~
427 ~~which a TEACO insurer is not entitled to reimbursement from the~~
428 ~~fund under the TEACO option selected. A TEACO insurer's~~
429 ~~retention options shall be calculated as follows:~~

430 ~~a. The board shall calculate and report to each TEACO~~
431 ~~insurer the TEACO retention multiples. There shall be three~~
432 ~~TEACO retention multiples for defining coverage. Each multiple~~
433 ~~shall be calculated by dividing \$3 billion, \$4 billion, or \$5~~
434 ~~billion by the total estimated mandatory FHCF reimbursement~~
435 ~~premium assuming all insurers selected the 90 percent coverage~~
436 ~~level.~~

437 ~~b. The TEACO retention multiples as determined under sub-~~
438 ~~subparagraph a. shall be adjusted to reflect the coverage level~~
439 ~~elected by the insurer. For insurers electing the 90 percent~~
440 ~~coverage level, the adjusted retention multiple is 100 percent~~
441 ~~of the amount determined under sub-subparagraph a. For insurers~~
442 ~~electing the 75 percent coverage level, the retention multiple~~
443 ~~is 120 percent of the amount determined under sub-subparagraph~~
444 ~~a. For insurers electing the 45 percent coverage level, the~~
445 ~~adjusted retention multiple is 200 percent of the amount~~
446 ~~determined under sub-subparagraph a.~~

447 ~~e. An insurer shall determine its provisional TEACO~~
448 ~~retention by multiplying its estimated mandatory FHCF~~

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449 reimbursement premium by the applicable adjusted TEACO retention
450 multiple and shall determine its actual TEACO retention by
451 multiplying its actual mandatory FHCF reimbursement premium by
452 the applicable adjusted TEACO retention multiple.

453 d. For TEACO insurers who experience multiple covered
454 events causing loss during the contract year, the insurer's full
455 TEACO retention shall be applied to each of the covered events
456 causing the two largest losses for that insurer. For other
457 covered events resulting in losses, the TEACO option does not
458 apply and the insurer's retention shall be one third of the full
459 retention as calculated under paragraph (2)(e).

460 5. "TEACO addendum" means an addendum to the reimbursement
461 contract reflecting the obligations of the fund and TEACO
462 insurers under the program created by this subsection.

463 6. "FHCF" means the Florida Hurricane Catastrophe Fund.

464 (e) TEACO addendum.

465 1. The TEACO addendum shall provide for reimbursement of
466 TEACO insurers for covered events occurring during the contract
467 year, in exchange for the TEACO reimbursement premium paid into
468 the fund under paragraph (f). Any insurer writing covered
469 policies has the option of choosing to accept the TEACO addendum
470 for any of the 3 contract years that the coverage is offered.

471 2. The TEACO addendum shall contain a promise by the board
472 to reimburse the TEACO insurer for 45 percent, 75 percent, or 90
473 percent of its losses from each covered event in excess of the
474 insurer's TEACO retention, plus 5 percent of the reimbursed
475 losses to cover loss adjustment expenses. The percentage shall
476 be the same as the coverage level selected by the insurer under

477 ~~paragraph (4) (b).~~

478 ~~3. The TEACO addendum shall provide that reimbursement~~
479 ~~amounts shall not be reduced by reinsurance paid or payable to~~
480 ~~the insurer from other sources.~~

481 ~~4. The TEACO addendum shall also provide that the~~
482 ~~obligation of the board with respect to all TEACO addenda shall~~
483 ~~not exceed an amount equal to two times the difference between~~
484 ~~the industry retention level calculated under paragraph (2) (e)~~
485 ~~and the \$3 billion, \$4 billion, or \$5 billion industry TEACO~~
486 ~~retention level options actually selected, but in no event may~~
487 ~~the board's obligation exceed the actual claims paying capacity~~
488 ~~of the fund plus the additional capacity created in paragraph~~
489 ~~(g). If the actual claims paying capacity and the additional~~
490 ~~capacity created under paragraph (g) fall short of the board's~~
491 ~~obligations under the reimbursement contract, each insurer's~~
492 ~~share of the fund's capacity shall be prorated based on the~~
493 ~~premium an insurer pays for its mandatory reimbursement coverage~~
494 ~~and the premium paid for its optional TEACO coverage as each~~
495 ~~such premium bears to the total premiums paid to the fund times~~
496 ~~the available capacity.~~

497 ~~5. The priorities, schedule, and method of reimbursements~~
498 ~~under the TEACO addendum shall be the same as provided under~~
499 ~~subsection (4).~~

500 ~~6. A TEACO insurer's maximum reimbursement for a single~~
501 ~~event shall be equal to the product of multiplying its mandatory~~
502 ~~FHCF premium by the difference between its FHCF retention~~
503 ~~multiple and its TEACO retention multiple under the TEACO option~~
504 ~~selected and by the coverage selected under paragraph (4) (b),~~

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505 ~~plus an additional 5 percent for loss adjustment expenses. A~~
506 ~~TEACO insurer's maximum reimbursement under the TEACO option~~
507 ~~selected for a TEACO insurer's two largest events shall be twice~~
508 ~~its maximum reimbursement for a single event.~~

509 ~~(f) TEACO reimbursement premiums.—~~

510 ~~1. Each TEACO insurer shall pay to the fund, in the manner~~
511 ~~and at the time provided in the reimbursement contract for~~
512 ~~payment of reimbursement premiums, a TEACO reimbursement premium~~
513 ~~calculated as specified in this paragraph.~~

514 ~~2. The insurer's TEACO reimbursement premium associated~~
515 ~~with the \$3 billion retention option shall be equal to 85~~
516 ~~percent of a TEACO insurer's maximum reimbursement for a single~~
517 ~~event as calculated under subparagraph (e)6. The TEACO~~
518 ~~reimbursement premium associated with the \$4 billion retention~~
519 ~~option shall be equal to 80 percent of a TEACO insurer's maximum~~
520 ~~reimbursement for a single event as calculated under~~
521 ~~subparagraph (e)6. The TEACO premium associated with the \$5~~
522 ~~billion retention option shall be equal to 75 percent of a TEACO~~
523 ~~insurer's maximum reimbursement for a single event as calculated~~
524 ~~under subparagraph (e)6.~~

525 ~~(g) Effect on claims-paying capacity of the fund. For the~~
526 ~~contract term commencing June 1, 2007, the contract year~~
527 ~~commencing June 1, 2008, and the contract term beginning June 1,~~
528 ~~2009, the program created by this subsection shall increase the~~
529 ~~claims-paying capacity of the fund as provided in subparagraph~~
530 ~~(4)(c)1. by an amount equal to two times the difference between~~
531 ~~the industry retention level calculated under paragraph (2)(c)~~
532 ~~and the \$3 billion industry TEACO retention level specified in~~

533 ~~sub-subparagraph (d) 4.a. The additional capacity shall apply~~
 534 ~~only to the additional coverage provided by the TEACO option and~~
 535 ~~shall not otherwise affect any insurer's reimbursement from the~~
 536 ~~fund.~~

537 Section 3. Subsection (5) of section 627.062, Florida
 538 Statutes, is amended to read:

539 627.062 Rate standards.—

540 (5) With respect to a rate filing involving coverage of
 541 the type for which the insurer is required to pay a
 542 reimbursement premium to the Florida Hurricane Catastrophe Fund,
 543 the insurer may fully recoup in its property insurance premiums
 544 any reimbursement premiums paid to the fund, together with
 545 reasonable costs of other reinsurance; ~~however, except as~~
 546 ~~otherwise provided in this section, the insurer may not recoup~~
 547 ~~reinsurance costs that duplicate coverage provided by the fund.~~
 548 An insurer may not recoup more than 1 year of reimbursement
 549 premium at a time. Any under-recoupment from the prior year may
 550 be added to the following year's reimbursement premium, and any
 551 over-recoupment must be subtracted from the following year's
 552 reimbursement premium.

553 Section 4. Subsection (5) of section 627.0629, Florida
 554 Statutes, is amended to read:

555 627.0629 Residential property insurance; rate filings.—

556 (5) In order to provide an appropriate transition period,
 557 an insurer may implement an approved rate filing for residential
 558 property insurance over a period of years. Such insurer must
 559 provide an informational notice to the office setting out its
 560 schedule for implementation of the phased-in rate filing. The

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561 insurer may include in its rate the actual cost of private
562 market reinsurance that corresponds to available coverage of the
563 Temporary Increase in Coverage Limits, TICL, from the Florida
564 Hurricane Catastrophe Fund. The insurer may also include the
565 cost of reinsurance to replace the TICL reduction implemented
566 pursuant to s. 215.555(16)(d)9. ~~215.555(17)(d)9.~~ However, this
567 cost for reinsurance may not include any expense or profit load
568 or result in a total annual base rate increase in excess of 10
569 percent.

570 Section 5. Except as otherwise expressly provided in this
571 act, this act shall take effect upon becoming a law.