

Amendment No. 1

COMMITTEE/SUBCOMMITTEE ACTION

ADOPTED	<u>      </u>	(Y/N)
ADOPTED AS AMENDED	<u>      </u>	(Y/N)
ADOPTED W/O OBJECTION	<u>      </u>	(Y/N)
FAILED TO ADOPT	<u>      </u>	(Y/N)
WITHDRAWN	<u>      </u>	(Y/N)
OTHER	<u>      </u>	

---

1 Committee/Subcommittee hearing bill: Insurance & Banking  
2 Subcommittee

3 Representative Hager offered the following:

4

5 **Amendment (with title amendment)**

6 Remove everything after the enacting clause and insert:

7 Section 1: Effective June 1, 2013, paragraph (n) of  
8 subsection (2) is amended, paragraphs (b) and (c) of subsection  
9 (4) are amended and paragraph (h) of said subsection is created,  
10 and paragraphs (b) and (d) of subsection (6) of section 215.555,  
11 Florida Statutes, are amended to read:

12 215.555 Florida Hurricane Catastrophe Fund.—

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

14 (n) "Corporation" means the State Board of Administration  
15 ~~Florida Hurricane Catastrophe Fund~~ Finance Corporation created  
16 in paragraph (6) (d).

17 (4) REIMBURSEMENT CONTRACTS.—

18 (b)1. The contract shall contain a promise by the board to  
19 reimburse the insurer for 45 percent, 75 percent, or 90 percent  
20 of its losses from each covered event in excess of the insurer's

Amendment No. 1

21 retention, plus 5 percent of the reimbursed losses to cover loss  
22 adjustment expenses.

23 2. The insurer must elect one of the percentage coverage  
24 levels specified in this paragraph and may, upon renewal of a  
25 reimbursement contract, elect a lower percentage coverage level  
26 if no revenue bonds issued under subsection (6) after a covered  
27 event are outstanding, or elect a higher percentage coverage  
28 level, regardless of whether or not revenue bonds are  
29 outstanding. All members of an insurer group must elect the same  
30 percentage coverage level. Any joint underwriting association,  
31 risk apportionment plan, or other entity created under s.  
32 627.351 must elect the 90-percent coverage level.

33 3. The contract shall provide that reimbursement amounts  
34 shall not be reduced by reinsurance paid or payable to the  
35 insurer from other sources.

36 ~~4. Notwithstanding any other provision contained in this~~  
37 ~~section, the board shall make available to insurers that~~  
38 ~~purchased coverage provided by this subparagraph in 2008,~~  
39 ~~insurers qualifying as limited apportionment companies under s.~~  
40 ~~627.351(6) (c), and insurers that have been approved to~~  
41 ~~participate in the Insurance Capital Build-Up Incentive Program~~  
42 ~~pursuant to s. 215.5595 a contract or contract addendum that~~  
43 ~~provides an additional amount of reimbursement coverage of up to~~  
44 ~~\$10 million. The premium to be charged for this additional~~  
45 ~~reimbursement coverage shall be 50 percent of the additional~~  
46 ~~reimbursement coverage provided, which shall include one prepaid~~  
47 ~~reinstatement. The minimum retention level that an eligible~~  
48 ~~participating insurer must retain associated with this~~

Amendment No. 1

49 ~~additional coverage layer is 30 percent of the insurer's surplus~~  
50 ~~as of December 31, 2008, for the 2009-2010 contract year; as of~~  
51 ~~December 31, 2009, for the 2010-2011 contract year; and as of~~  
52 ~~December 31, 2010, for the 2011-2012 contract year. This~~  
53 ~~coverage shall be in addition to all other coverage that may be~~  
54 ~~provided under this section. The coverage provided by the fund~~  
55 ~~under this subparagraph shall be in addition to the claims-~~  
56 ~~paying capacity as defined in subparagraph (c)1., but only with~~  
57 ~~respect to those insurers that select the additional coverage~~  
58 ~~option and meet the requirements of this subparagraph. The~~  
59 ~~claims-paying capacity with respect to all other participating~~  
60 ~~insurers and limited apportionment companies that do not select~~  
61 ~~the additional coverage option shall be limited to their~~  
62 ~~reimbursement premium's proportionate share of the actual~~  
63 ~~claims-paying capacity otherwise defined in subparagraph (c)1.~~  
64 ~~and as provided for under the terms of the reimbursement~~  
65 ~~contract. The optional coverage retention as specified shall be~~  
66 ~~accessed before the mandatory coverage under the reimbursement~~  
67 ~~contract, but once the limit of coverage selected under this~~  
68 ~~option is exhausted, the insurer's retention under the mandatory~~  
69 ~~coverage will apply. This coverage will apply and be paid~~  
70 ~~concurrently with mandatory coverage. This subparagraph expires~~  
71 ~~on May 31, 2012.~~

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

## Amendment No. 1

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

78 b. For the 2014-2015 contract year, the limit is \$16.5  
79 billion.

80 c. For the 2015-2016 contract year, the limit is \$15.5  
81 billion.

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

84 e. For contract years after the 2016-2017 contract year,  
85 if a limit of \$17 billion for that contract year, unless the  
86 board determines that there is sufficient estimated claims-  
87 paying capacity to provide \$14 ~~\$17~~ billion of capacity for the  
88 current contract year and an additional \$14 ~~\$17~~ billion of  
89 capacity for subsequent contract years. ~~If the board makes such~~  
90 ~~a determination,~~ the estimated claims-paying capacity for the  
91 particular contract year shall be determined by adding to the  
92 \$14 ~~\$17~~ billion limit one-half of the fund's estimated claims-  
93 paying capacity in excess of \$28 ~~\$34~~ billion. However, the  
94 dollar growth in the limit may not increase in any year by an  
95 amount greater than the dollar growth of the balance of the fund  
96 as of December 31, ~~less any premiums or interest attributable to~~  
97 ~~optional coverage,~~ as defined by rule which occurred over the  
98 prior calendar year.

99 2. In May and October of the contract year, the board  
100 shall publish in the Florida Administrative Weekly a statement  
101 of the fund's estimated borrowing capacity, the fund's estimated  
102 claims-paying capacity, and the projected balance of the fund as  
103 of December 31. After the end of each calendar year, the board

Amendment No. 1

104 shall notify insurers of the estimated borrowing capacity,  
105 estimated claims-paying capacity, and the balance of the fund as  
106 of December 31 to provide insurers with data necessary to assist  
107 them in determining their retention and projected payout from  
108 the fund for loss reimbursement purposes. In conjunction with  
109 the development of the premium formula, as provided for in  
110 subsection (5), the board shall publish factors or multiples  
111 that assist insurers in determining their retention and  
112 projected payout for the next contract year. For all regulatory  
113 and reinsurance purposes, an insurer may calculate its projected  
114 payout from the fund as its share of the total fund premium for  
115 the current contract year multiplied by the sum of the projected  
116 balance of the fund as of December 31 and the estimated  
117 borrowing capacity for that contract year as reported under this  
118 subparagraph.

119 (h)1. In the event the actual claims paying capacity of the  
120 fund is less than the amount contracted for by all insurers  
121 paying reimbursement premiums, the board shall:

122 a. Calculate the difference between the claims paying  
123 capacity of the fund, and total amount the fund would pay if it  
124 met all obligations under every reimbursement contract issued to  
125 insurers, which is the unpaid obligation of the fund. The board  
126 shall then calculate the estimated amount of this unpaid  
127 obligation which is owed to each insurer based upon each  
128 insurers reported losses for each covered event for that  
129 contract year, taken as a percentage of the unpaid obligation of  
130 the fund.

Amendment No. 1

131 b. Issue to each affected insurer that is owed funds under  
132 this subparagraph, a promissory note for the amount of unpaid  
133 obligation projected to be owed to each such affected insurer.  
134 The promissory note shall be for an unspecified term, but must  
135 require that the board shall pay to the insurer the amount of  
136 unpaid obligation owed to that insurer in such time period as  
137 the board can reasonably utilize the provisions of this section  
138 to acquire such owed funds, whether through the issuance of  
139 additional bonds, receipt of reimbursement premiums, or  
140 otherwise. The promissory note shall pay interest calculated at  
141 the London Interbank Offered Rate plus three percentage points  
142 on the day the note is issued by the board.

143 c. The requirements of this paragraph may only be met, and  
144 such promissory notes retired, through methods and means which  
145 do not result in the default or impairment of any outstanding  
146 revenue bonds issued pursuant to this section. All amounts owed  
147 under this subparagraph shall be subordinated to any pre or post  
148 event revenue bonds issued prior to the issuance of the  
149 promissory notes.

150 2. Insurers may utilize a promissory note issued under  
151 this section as collateral for other loans necessary to meet  
152 their obligations to policyholders as a result of the unpaid  
153 obligation of the fund, or may assign such notes to lenders or  
154 other financial entities to acquire funds for the payment of  
155 claims.

156 (6) REVENUE BONDS.—

157 (b) Emergency assessments—

## Amendment No. 1

158 1. If the board determines that the amount of revenue  
159 produced under subsection (5) is insufficient to fund the  
160 obligations, costs, and expenses of the fund and the  
161 corporation, including repayment of revenue bonds and that  
162 portion of the debt service coverage not met by reimbursement  
163 premiums, the board shall direct the Office of Insurance  
164 Regulation to levy, by order, an emergency assessment on direct  
165 premiums for all property and casualty lines of business in this  
166 state, including property and casualty business of surplus lines  
167 insurers regulated under part VIII of chapter 626, but not  
168 including any workers' compensation premiums or medical  
169 malpractice premiums. As used in this subsection, the term  
170 "property and casualty business" includes all lines of business  
171 identified on Form 2, Exhibit of Premiums and Losses, in the  
172 annual statement required of authorized insurers by s. 624.424  
173 and any rule adopted under this section, except for those lines  
174 identified as accident and health insurance and except for  
175 policies written under the National Flood Insurance Program. The  
176 assessment shall be specified as a percentage of direct written  
177 premium and is subject to annual adjustments by the board in  
178 order to meet debt obligations. The same percentage shall apply  
179 to all policies in lines of business subject to the assessment  
180 issued or renewed during the 12-month period beginning on the  
181 effective date of the assessment.

182 2. A premium is not subject to an annual assessment under  
183 this paragraph in excess of 6 percent of premium with respect to  
184 obligations arising out of losses attributable to any one  
185 contract year, and a premium is not subject to an aggregate

Amendment No. 1

186 annual assessment under this paragraph in excess of 10 percent  
187 of premium. An annual assessment under this paragraph shall  
188 continue as long as the revenue bonds issued with respect to  
189 which the assessment was imposed are outstanding, including any  
190 bonds the proceeds of which were used to refund the revenue  
191 bonds, unless adequate provision has been made for the payment  
192 of the bonds under the documents authorizing issuance of the  
193 bonds.

194 3. Emergency assessments shall be collected from  
195 policyholders. Emergency assessments shall be remitted by  
196 insurers as a percentage of direct written premium for the  
197 preceding calendar quarter as specified in the order from the  
198 Office of Insurance Regulation. The office shall verify the  
199 accurate and timely collection and remittance of emergency  
200 assessments and shall report the information to the board in a  
201 form and at a time specified by the board. Each insurer  
202 collecting assessments shall provide the information with  
203 respect to premiums and collections as may be required by the  
204 office to enable the office to monitor and verify compliance  
205 with this paragraph.

206 4. With respect to assessments of surplus lines premiums,  
207 each surplus lines agent shall collect the assessment at the  
208 same time as the agent collects the surplus lines tax required  
209 by s. 626.932, and the surplus lines agent shall remit the  
210 assessment to the Florida Surplus Lines Service Office created  
211 by s. 626.921 at the same time as the agent remits the surplus  
212 lines tax to the Florida Surplus Lines Service Office. The  
213 emergency assessment on each insured procuring coverage and



Amendment No. 1

214 filing under s. 626.938 shall be remitted by the insured to the  
215 Florida Surplus Lines Service Office at the time the insured  
216 pays the surplus lines tax to the Florida Surplus Lines Service  
217 Office. The Florida Surplus Lines Service Office shall remit the  
218 collected assessments to the fund or corporation as provided in  
219 the order levied by the Office of Insurance Regulation. The  
220 Florida Surplus Lines Service Office shall verify the proper  
221 application of such emergency assessments and shall assist the  
222 board in ensuring the accurate and timely collection and  
223 remittance of assessments as required by the board. The Florida  
224 Surplus Lines Service Office shall annually calculate the  
225 aggregate written premium on property and casualty business,  
226 other than workers' compensation and medical malpractice,  
227 procured through surplus lines agents and insureds procuring  
228 coverage and filing under s. 626.938 and shall report the  
229 information to the board in a form and at a time specified by  
230 the board.

231 5. Any assessment authority not used for a particular  
232 contract year may be used for a subsequent contract year. If,  
233 for a subsequent contract year, the board determines that the  
234 amount of revenue produced under subsection (5) is insufficient  
235 to fund the obligations, costs, and expenses of the fund and the  
236 corporation, including repayment of revenue bonds and that  
237 portion of the debt service coverage not met by reimbursement  
238 premiums, the board shall direct the Office of Insurance  
239 Regulation to levy an emergency assessment up to an amount not  
240 exceeding the amount of unused assessment authority from a  
241 previous contract year or years, plus an additional 4 percent

Amendment No. 1

242 provided that the assessments in the aggregate do not exceed the  
243 limits specified in subparagraph 2.

244 6. The assessments otherwise payable to the corporation  
245 under this paragraph shall be paid to the fund unless and until  
246 the Office of Insurance Regulation and the Florida Surplus Lines  
247 Service Office have received from the corporation and the fund a  
248 notice, which shall be conclusive and upon which they may rely  
249 without further inquiry, that the corporation has issued bonds  
250 and the fund has no agreements in effect with local governments  
251 under paragraph (c). On or after the date of the notice and  
252 until the date the corporation has no bonds outstanding, the  
253 fund shall have no right, title, or interest in or to the  
254 assessments, except as provided in the fund's agreement with the  
255 corporation.

256 7. Emergency assessments are not premium and are not  
257 subject to the premium tax, to the surplus lines tax, to any  
258 fees, or to any commissions. An insurer is liable for all  
259 assessments that it collects and must treat the failure of an  
260 insured to pay an assessment as a failure to pay the premium. An  
261 insurer is not liable for uncollectible assessments.

262 8. When an insurer is required to return an unearned  
263 premium, it shall also return any collected assessment  
264 attributable to the unearned premium. A credit adjustment to the  
265 collected assessment may be made by the insurer with regard to  
266 future remittances that are payable to the fund or corporation,  
267 but the insurer is not entitled to a refund.

268 9. When a surplus lines insured or an insured who has  
269 procured coverage and filed under s. 626.938 is entitled to the

Amendment No. 1

270 return of an unearned premium, the Florida Surplus Lines Service  
271 Office shall provide a credit or refund to the agent or such  
272 insured for the collected assessment attributable to the  
273 unearned premium prior to remitting the emergency assessment  
274 collected to the fund or corporation.

275 10. The exemption of medical malpractice insurance  
276 premiums from emergency assessments under this paragraph is  
277 repealed May 31, 2016 ~~2013~~, and medical malpractice insurance  
278 premiums shall be subject to emergency assessments attributable  
279 to loss events occurring in the contract years commencing on  
280 June 1, 2016 ~~2013~~.

281 (d) State Board of Administration ~~Florida Hurricane~~  
282 ~~Catastrophe Fund~~ Finance Corporation.-

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

285 a. The public benefits corporation created under this  
286 paragraph will provide a mechanism necessary for the cost-  
287 effective and efficient issuance of bonds. This mechanism will  
288 eliminate unnecessary costs in the bond issuance process,  
289 thereby increasing the amounts available to pay reimbursement  
290 for losses to property sustained as a result of hurricane  
291 damage.

292 b. The purpose of such bonds is to fund reimbursements  
293 through the Florida Hurricane Catastrophe Fund to pay for the  
294 costs of construction, reconstruction, repair, restoration, and  
295 other costs associated with damage to properties of  
296 policyholders of covered policies due to the occurrence of a  
297 hurricane.

Amendment No. 1

298 c. The efficacy of the financing mechanism will be  
299 enhanced by the corporation's ownership of the assessments, by  
300 the insulation of the assessments from possible bankruptcy  
301 proceedings, and by covenants of the state with the  
302 corporation's bondholders.

303 2.a. There is created a public benefits corporation, which  
304 is an instrumentality of the state, to be known as the State  
305 Board of Administration ~~Florida Hurricane Catastrophe Fund~~  
306 Finance Corporation.

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

314 c. The corporation has all of the powers of corporations  
315 under chapter 607 and under chapter 617, subject only to the  
316 provisions of this subsection.

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

320 e. The corporation may invest in any of the investments  
321 authorized under s. 215.47.

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

Amendment No. 1

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

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

339 4. The bonds of the corporation are not a debt of the  
340 state or of any political subdivision, and neither the state nor  
341 any political subdivision is liable on such bonds. The  
342 corporation does not have the power to pledge the credit, the  
343 revenues, or the taxing power of the state or of any political  
344 subdivision. The credit, revenues, or taxing power of the state  
345 or of any political subdivision shall not be deemed to be  
346 pledged to the payment of any bonds of the corporation.

347 5.a. The property, revenues, and other assets of the  
348 corporation; the transactions and operations of the corporation  
349 and the income from such transactions and operations; and all  
350 bonds issued under this paragraph and interest on such bonds are  
351 exempt from taxation by the state and any political subdivision,  
352 including the intangibles tax under chapter 199 and the income  
353 tax under chapter 220. This exemption does not apply to any tax

Amendment No. 1

354 imposed by chapter 220 on interest, income, or profits on debt  
355 obligations owned by corporations other than the State Board of  
356 Administration ~~Florida Hurricane Catastrophe Fund~~ Finance  
357 Corporation.

358       b. All bonds of the corporation shall be and constitute  
359 legal investments without limitation for all public bodies of  
360 this state; for all banks, trust companies, savings banks,  
361 savings associations, savings and loan associations, and  
362 investment companies; for all administrators, executors,  
363 trustees, and other fiduciaries; for all insurance companies and  
364 associations and other persons carrying on an insurance  
365 business; and for all other persons who are now or may hereafter  
366 be authorized to invest in bonds or other obligations of the  
367 state and shall be and constitute eligible securities to be  
368 deposited as collateral for the security of any state, county,  
369 municipal, or other public funds. This sub-subparagraph shall be  
370 considered as additional and supplemental authority and shall  
371 not be limited without specific reference to this sub-  
372 subparagraph.

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

Amendment No. 1

381 7. The State Board of Administration Finance Corporation  
382 is for all purposes the successor to the Florida Hurricane  
383 Catastrophe Fund Finance Corporation.

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

388 215.555 Florida Hurricane Catastrophe Fund.—

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

390 ~~(a) Findings and intent.—~~

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

392 ~~a. Because of temporary disruptions in the market for~~  
393 ~~eatastrophic reinsurance, many property insurers were unable to~~  
394 ~~procure reinsurance for the 2006 hurricane season with an~~  
395 ~~attachment point below the insurers' respective Florida~~  
396 ~~Hurricane Catastrophe Fund attachment points, were unable to~~  
397 ~~procure sufficient amounts of such reinsurance, or were able to~~  
398 ~~procure such reinsurance only by incurring substantially higher~~  
399 ~~costs than in prior years.~~

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

404 ~~c. It is likely that the reinsurance market disruptions~~  
405 ~~will not significantly abate prior to the 2007 hurricane season.~~

406 ~~2. It is the intent of the Legislature to create a~~  
407 ~~temporary emergency program, applicable to the 2007, 2008, and~~  
408 ~~2009 hurricane seasons, to address these market disruptions and~~

Amendment No. 1

409 ~~enable insurers, at their option, to procure additional coverage~~  
410 ~~from the Florida Hurricane Catastrophe Fund.~~

411 ~~(b) Applicability of other provisions of this section. All~~  
412 ~~provisions of this section and the rules adopted under this~~  
413 ~~section apply to the program created by this subsection unless~~  
414 ~~specifically superseded by this subsection.~~

415 ~~(c) Optional coverage. For the contract year commencing~~  
416 ~~June 1, 2007, and ending May 31, 2008, the contract year~~  
417 ~~commencing June 1, 2008, and ending May 31, 2009, and the~~  
418 ~~contract year commencing June 1, 2009, and ending May 31, 2010,~~  
419 ~~the board shall offer for each of such years the optional~~  
420 ~~coverage as provided in this subsection.~~

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

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

425 ~~2. "TEACO insurer" means an insurer that has opted to~~  
426 ~~obtain coverage under the TEACO options in addition to the~~  
427 ~~coverage provided to the insurer under its reimbursement~~  
428 ~~contract.~~

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

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

435 ~~a. The board shall calculate and report to each TEACO~~  
436 ~~insurer the TEACO retention multiples. There shall be three~~



Amendment No. 1

437 ~~TEACO retention multiples for defining coverage. Each multiple~~  
438 ~~shall be calculated by dividing \$3 billion, \$4 billion, or \$5~~  
439 ~~billion by the total estimated mandatory FHCF reimbursement~~  
440 ~~premium assuming all insurers selected the 90 percent coverage~~  
441 ~~level.~~

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

452 ~~e. An insurer shall determine its provisional TEACO~~  
453 ~~retention by multiplying its estimated mandatory FHCF~~  
454 ~~reimbursement premium by the applicable adjusted TEACO retention~~  
455 ~~multiple and shall determine its actual TEACO retention by~~  
456 ~~multiplying its actual mandatory FHCF reimbursement premium by~~  
457 ~~the applicable adjusted TEACO retention multiple.~~

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

## Amendment No. 1

465 ~~5. "TEACO addendum" means an addendum to the reimbursement~~  
466 ~~contract reflecting the obligations of the fund and TEACO~~  
467 ~~insurers under the program created by this subsection.~~

468 ~~6. "FHCF" means the Florida Hurricane Catastrophe Fund.~~

469 ~~(c) TEACO addendum.~~

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

476 ~~2. The TEACO addendum shall contain a promise by the board~~  
477 ~~to reimburse the TEACO insurer for 45 percent, 75 percent, or 90~~  
478 ~~percent of its losses from each covered event in excess of the~~  
479 ~~insurer's TEACO retention, plus 5 percent of the reimbursed~~  
480 ~~losses to cover loss adjustment expenses. The percentage shall~~  
481 ~~be the same as the coverage level selected by the insurer under~~  
482 ~~paragraph (4) (b).~~

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

486 ~~4. The TEACO addendum shall also provide that the~~  
487 ~~obligation of the board with respect to all TEACO addenda shall~~  
488 ~~not exceed an amount equal to two times the difference between~~  
489 ~~the industry retention level calculated under paragraph (2) (e)~~  
490 ~~and the \$3 billion, \$4 billion, or \$5 billion industry TEACO~~  
491 ~~retention level options actually selected, but in no event may~~  
492 ~~the board's obligation exceed the actual claims-paying capacity~~

Amendment No. 1

493 ~~of the fund plus the additional capacity created in paragraph~~  
494 ~~(g). If the actual claims paying capacity and the additional~~  
495 ~~capacity created under paragraph (g) fall short of the board's~~  
496 ~~obligations under the reimbursement contract, each insurer's~~  
497 ~~share of the fund's capacity shall be prorated based on the~~  
498 ~~premium an insurer pays for its mandatory reimbursement coverage~~  
499 ~~and the premium paid for its optional TEACO coverage as each~~  
500 ~~such premium bears to the total premiums paid to the fund times~~  
501 ~~the available capacity.~~

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

505 ~~6. A TEACO insurer's maximum reimbursement for a single~~  
506 ~~event shall be equal to the product of multiplying its mandatory~~  
507 ~~FHCF premium by the difference between its FHCF retention~~  
508 ~~multiple and its TEACO retention multiple under the TEACO option~~  
509 ~~selected and by the coverage selected under paragraph (4) (b),~~  
510 ~~plus an additional 5 percent for loss adjustment expenses. A~~  
511 ~~TEACO insurer's maximum reimbursement under the TEACO option~~  
512 ~~selected for a TEACO insurer's two largest events shall be twice~~  
513 ~~its maximum reimbursement for a single event.~~

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

515 ~~1. Each TEACO insurer shall pay to the fund, in the manner~~  
516 ~~and at the time provided in the reimbursement contract for~~  
517 ~~payment of reimbursement premiums, a TEACO reimbursement premium~~  
518 ~~calculated as specified in this paragraph.~~

519 ~~2. The insurer's TEACO reimbursement premium associated~~  
520 ~~with the \$3 billion retention option shall be equal to 85~~

Amendment No. 1

521 ~~percent of a TEACO insurer's maximum reimbursement for a single~~  
522 ~~event as calculated under subparagraph (c)6. The TEACO~~  
523 ~~reimbursement premium associated with the \$4 billion retention~~  
524 ~~option shall be equal to 80 percent of a TEACO insurer's maximum~~  
525 ~~reimbursement for a single event as calculated under~~  
526 ~~subparagraph (c)6. The TEACO premium associated with the \$5~~  
527 ~~billion retention option shall be equal to 75 percent of a TEACO~~  
528 ~~insurer's maximum reimbursement for a single event as calculated~~  
529 ~~under subparagraph (c)6.~~

530 ~~(g) Effect on claims paying capacity of the fund. For the~~  
531 ~~contract term commencing June 1, 2007, the contract year~~  
532 ~~commencing June 1, 2008, and the contract term beginning June 1,~~  
533 ~~2009, the program created by this subsection shall increase the~~  
534 ~~claims paying capacity of the fund as provided in subparagraph~~  
535 ~~(4)(c)1. by an amount equal to two times the difference between~~  
536 ~~the industry retention level calculated under paragraph (2)(c)~~  
537 ~~and the \$3 billion industry TEACO retention level specified in~~  
538 ~~sub-subparagraph (d)4.a. The additional capacity shall apply~~  
539 ~~only to the additional coverage provided by the TEACO option and~~  
540 ~~shall not otherwise affect any insurer's reimbursement from the~~  
541 ~~fund.~~

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

544 627.062 Rate standards.—

545 (5) With respect to a rate filing involving coverage of  
546 the type for which the insurer is required to pay a  
547 reimbursement premium to the Florida Hurricane Catastrophe Fund,  
548 the insurer may fully recoup in its property insurance premiums

Amendment No. 1

549 any reimbursement premiums paid to the fund, together with  
550 reasonable costs of other reinsurance, including reinsurance  
551 purchased solely to insure against potential deficits within the  
552 fund which the most recent estimate made pursuant to s.  
553 215.555(4)(c)2. predicts would be funded through revenue bonds  
554 issued under s. 215.555(6) ; however, except as otherwise  
555 provided in this section, the insurer may not recoup reinsurance  
556 costs that duplicate coverage provided by the fund. An insurer  
557 may not recoup more than 1 year of reimbursement premium at a  
558 time. Any under-recoupment from the prior year may be added to  
559 the following year's reimbursement premium, and any over-  
560 recoupment must be subtracted from the following year's  
561 reimbursement premium.

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

564 627.0629 Residential property insurance; rate filings.—

565 (5) In order to provide an appropriate transition period,  
566 an insurer may implement an approved rate filing for residential  
567 property insurance over a period of years. Such insurer must  
568 provide an informational notice to the office setting out its  
569 schedule for implementation of the phased-in rate filing. The  
570 insurer may include in its rate the actual cost of private  
571 market reinsurance that corresponds to available coverage of the  
572 Temporary Increase in Coverage Limits, TICL, from the Florida  
573 Hurricane Catastrophe Fund. The insurer may also include the  
574 cost of reinsurance to replace the TICL reduction implemented  
575 pursuant to s. 215.555(16)(d)9. ~~215.555(17)(d)9.~~ However, this  
576 cost for reinsurance may not include any expense or profit load

Amendment No. 1

577 or result in a total annual base rate increase in excess of 10  
578 percent.

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

581

582

583

584

-----  
**T I T L E A M E N D M E N T**

585  
586 Remove everything before the enacting clause and insert:

587 A bill to be entitled

588 An act relating to the Florida Hurricane Catastrophe Fund;  
589 amending s. 215.555, F.S.; revising the definitions of the  
590 term "corporation"; deleting an outdated coverage level;  
591 revising coverage levels available under the reimbursement  
592 contract; revising aggregate coverage limits; providing for  
593 the phase-in of changes to coverage levels and limits;  
594 requiring the board to perform certain calculations in  
595 certain circumstances; requiring the board to issue  
596 promissory notes in specified amounts for certain insurers;  
597 providing requirements for the promissory notes; providing  
598 conditions for the promissory notes; allowing certain uses  
599 of the promissory notes by insurers; revising the exemption  
600 of medical malpractice insurance premiums from emergency  
601 assessments if certain revenues are determined to be  
602 insufficient to fund the obligations, costs, and expenses  
603 of the Florida Hurricane Catastrophe Fund and the Florida  
604 Hurricane Catastrophe Fund Finance Corporation; changing

COMMITTEE/SUBCOMMITTEE AMENDMENT

Bill No. HB 1107 (2013)

Amendment No. 1

605 the name of the Florida Hurricane Catastrophe Fund Finance  
606 Corporation; amending s. 215.555, F.S.; deleting provisions  
607 relating to temporary emergency options for additional  
608 coverage; amending s. 627.062, F.S.; providing for  
609 recoupment of certain costs of reinsurance; amending s.  
610 627.0629, F.S.; conforming a cross-reference; providing  
611 effective dates.

612