

A bill to be entitled

An act relating to the Florida Hurricane Catastrophe Fund; amending s. 215.555, F.S.; providing and phasing in a reduction in the fund's coverage limits for reimbursement contracts; amending s. 627.062, F.S.; authorizing an insurer to recoup certain reinsurance payments paid to cover a potential gap in the fund's claims-paying capacity; deleting a provision prohibiting the recoupment of certain other reinsurance costs; providing an effective date.

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

Section 1. Paragraph (c) of subsection (4) of section 215.555, Florida Statutes, is amended to read:

215.555 Florida Hurricane Catastrophe Fund.—

(4) REIMBURSEMENT CONTRACTS.—

(c)1. The contract must ~~shall~~ also provide that the obligation of the board with respect to all contracts covering a particular contract year ~~shall~~ not exceed the actual claims-paying capacity of the fund up to the following fund limit:

a. For the 2014-2015 contract year, \$17 billion.

b. For the 2015-2016 contract year, \$16 billion.

c. For the 2016-2017 contract year, \$15 billion.

d. For the 2017-2018 contract year, \$14 billion.

e. For contract years after the 2017-2018 contract year,

27 \$14 billion. However, if a limit of ~~\$17 billion~~ for that
28 ~~contract year, unless~~ the board determines that there is
29 sufficient estimated claims-paying capacity to provide \$14 ~~\$17~~
30 billion of capacity for the current contract year and an
31 additional \$14 ~~\$17~~ billion of capacity for subsequent contract
32 years. ~~If the board makes such a determination,~~ the estimated
33 claims-paying capacity for the particular contract year shall be
34 determined by adding to the \$14 ~~\$17~~ billion limit one-half of
35 the fund's estimated claims-paying capacity in excess of \$28 ~~\$34~~
36 billion. However, the dollar growth in the limit may not
37 increase in any year by an amount greater than the dollar growth
38 of the balance of the fund as of December 31, ~~less any premiums~~
39 ~~or interest attributable to optional coverage,~~ as defined by
40 rule, which occurred over the prior calendar year.

41 2. In May and October of the contract year, the board
42 shall publish in the Florida Administrative Register a statement
43 of the fund's estimated borrowing capacity, the fund's estimated
44 claims-paying capacity, and the projected balance of the fund as
45 of December 31. After the end of each calendar year, the board
46 shall notify insurers of the estimated borrowing capacity,
47 estimated claims-paying capacity, and the balance of the fund as
48 of December 31 to provide insurers with data necessary to assist
49 them in determining their retention and projected payout from
50 the fund for loss reimbursement purposes. In conjunction with
51 the development of the premium formula, as provided ~~for~~ in
52 subsection (5), the board shall publish factors or multiples

53 that assist insurers in determining their retention and
54 projected payout for the next contract year. For all regulatory
55 and reinsurance purposes, an insurer may calculate its projected
56 payout from the fund as its share of the total fund premium for
57 the current contract year multiplied by the sum of the projected
58 balance of the fund as of December 31 and the estimated
59 borrowing capacity for that contract year as reported under this
60 subparagraph.

61 Section 2. Subsection (5) of section 627.062, Florida
62 Statutes, is amended to read:

63 627.062 Rate standards.—

64 (5) With respect to a rate filing involving coverage of
65 the type for which the insurer is required to pay a
66 reimbursement premium to the Florida Hurricane Catastrophe Fund,
67 the insurer may fully recoup in its property insurance premiums
68 any reimbursement premiums paid to the fund, together with
69 reasonable costs of other reinsurance, including reinsurance
70 purchased solely to cover a potential gap between the maximum
71 statutory obligation of the fund as specified in s.
72 215.555(4)(c) and the fund's claims-paying capacity estimate as
73 published in the Florida Administrative Register in May and
74 October of the prior contract year; ~~however, except as otherwise~~
75 provided in this section, the insurer may not recoup reinsurance
76 costs that duplicate coverage provided by the fund. An insurer
77 may not recoup more than 1 year of reimbursement premium at a
78 time. Any under-recoupment from the prior year may be added to

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79 | the following year's reimbursement premium, and any over-
80 | recoupment must be subtracted from the following year's
81 | reimbursement premium.

82 | Section 3. This act shall take effect July 1, 2014.