

By Senator Lee

24-00564-14

2014610__

1 A bill to be entitled
2 An act relating to the Florida Hurricane Catastrophe
3 Fund; amending s. 215.555, F.S.; revising definitions;
4 establishing an aggregate limit on insurer retention
5 levels; revising coverage levels available under
6 reimbursement contracts; revising the schedule and
7 circumstances under which the State Board of
8 Administration is required to publish certain
9 statements and notices relating to the fund; revising
10 requirements for reimbursement contracts; requiring
11 the board to obtain a line of credit to reimburse
12 insurers under certain circumstances; deleting a
13 requirement that the formula for determining premiums
14 to be paid to the fund include a cash build-up factor;
15 requiring peer review of the formula; deleting
16 provisions relating to temporary emergency options for
17 additional coverage; deleting obsolete provisions;
18 making technical corrections; amending s. 624.424,
19 F.S.; conforming a cross-reference; amending s.
20 627.062, F.S.; deleting a provision prohibiting an
21 insurer from recouping reinsurance costs under certain
22 conditions; amending s. 627.0629, F.S.; conforming
23 provisions to changes made by the act; amending s.
24 627.351, F.S.; conforming a cross-reference; providing
25 an effective date.

26
27 Be It Enacted by the Legislature of the State of Florida:

28
29 Section 1. Subsection (2) of section 215.555, Florida

24-00564-14

2014610__

30 Statutes, is reordered and amended, and paragraphs (b) through
 31 (d) of subsection (4), paragraph (b) of subsection (5),
 32 paragraph (d) of subsection (6), and subsection (16) of that
 33 section are amended, to read:

34 215.555 Florida Hurricane Catastrophe Fund.—

35 (2) DEFINITIONS.—As used in this section, the term:

36 (a) "Actuarially indicated" means, with respect to premiums
 37 paid by insurers for reimbursement provided by the fund, an
 38 amount determined according to principles of actuarial science
 39 to be adequate, but not excessive, in the aggregate, to pay
 40 current and future obligations and expenses of the fund,
 41 including additional amounts, if needed, to pay debt service on
 42 revenue bonds issued under this section and to provide required
 43 debt service coverage in excess of the amounts required to pay
 44 actual debt service on revenue bonds issued under subsection
 45 (6), and determined according to principles of actuarial science
 46 to reflect each insurer's relative exposure to hurricane losses.

47 (e) ~~(b)~~ "Covered event" means a ~~any one~~ storm declared to be
 48 a hurricane by the National Hurricane Center, which ~~storm~~ causes
 49 insured losses in this state.

50 (f) ~~(e)~~ "Covered policy" means an ~~any~~ insurance policy
 51 covering residential property in this state, including a, ~~but~~
 52 ~~not limited to,~~ ~~any~~ homeowner's, mobile home owner's, farm
 53 owner's, condominium association, condominium unit owner's,
 54 tenant's, or apartment building policy, or any other policy
 55 covering a residential structure or its contents issued by an
 56 ~~any~~ authorized insurer, including a commercial self-insurance
 57 fund holding a certificate of authority issued by the Office of
 58 Insurance Regulation under s. 624.462, the Citizens Property

24-00564-14

2014610__

59 Insurance Corporation, and any joint underwriting association or
60 similar entity created under law. The term ~~"covered policy"~~
61 includes a any collateral protection insurance policy covering
62 personal residences which protects both the borrower's and the
63 lender's financial interests, in an amount at least equal to the
64 coverage for the dwelling in place under the lapsed homeowner's
65 policy, if such policy can be accurately reported as required
66 under in subsection (5). The term also includes ~~Additionally,~~
67 ~~covered policies include~~ policies covering the peril of wind
68 removed from the Florida Residential Property and Casualty Joint
69 Underwriting Association or from the Citizens Property Insurance
70 Corporation, created under s. 627.351(6), or from the Florida
71 Windstorm Underwriting Association, created under s. 627.351(2),
72 by an authorized insurer under the terms and conditions of an
73 executed assumption agreement between the authorized insurer and
74 such association or Citizens Property Insurance Corporation.
75 Each assumption agreement ~~between the association and such~~
76 ~~authorized insurer or Citizens Property Insurance Corporation~~
77 must be approved by the Office of Insurance Regulation before
78 the effective date of the assumption, and the Office of
79 Insurance Regulation must provide written notification to the
80 board within 15 working days after such approval. The term
81 ~~"Covered policy"~~ does not include a any policy that excludes
82 wind coverage or hurricane coverage or a any reinsurance
83 agreement or ~~and does not include any~~ policy otherwise meeting
84 this definition which is issued by a surplus lines insurer or a
85 reinsurer. All commercial residential excess policies and all
86 deductible buy-back policies that, based on sound actuarial
87 principles, require individual ratemaking shall be excluded by

24-00564-14

2014610__

88 rule if the actuarial soundness of the fund is not jeopardized.
 89 For this purpose, the term "excess policy" means a policy that
 90 provides insurance protection for large commercial property
 91 risks and ~~that provides~~ a layer of coverage above a primary
 92 layer insured by another insurer.

93 (k) ~~(d)~~ "Losses" means all incurred losses under covered
 94 policies, including additional living expenses of up to ~~not to~~
 95 ~~exceed~~ 40 percent of the insured value of a residential
 96 structure or its contents, loss adjustment expenses, and amounts
 97 paid as fees on behalf of or inuring to the benefit of a
 98 policyholder. The term does not include:

- 99 1. Losses for fair rental value, loss of rent or rental
 100 income, or business interruption losses;
- 101 2. Losses under liability coverages;
- 102 3. Property losses that are proximately caused by any peril
 103 other than a covered event, including, but not limited to, fire,
 104 theft, flood or rising water, or windstorm that does not
 105 constitute a covered event;
- 106 4. Amounts paid as the result of a voluntary expansion of
 107 coverage by the insurer, including, but not limited to, a waiver
 108 of an applicable deductible;
- 109 ~~5. Amounts paid to reimburse a policyholder for condominium~~
 110 ~~association or homeowners' association loss assessments or under~~
 111 ~~similar coverages for contractual liabilities;~~
- 112 ~~6. Amounts paid as bad faith awards, punitive damage~~
 113 ~~awards, or other court-imposed fines, sanctions, or penalties;~~
- 114 ~~7. Amounts in excess of the coverage limits under the~~
 115 ~~covered policy; or~~
- 116 5.8. ~~Allocated or~~ Unallocated loss adjustment expenses.

24-00564-14

2014610__

117

118 As used in this paragraph, the term "residential structure" does
119 not include a hotel, motel, apartment building, or commercial
120 building, but includes a single-family home, duplex, townhouse,
121 and residential condominium, regardless of whether owner-
122 occupied, rented, or vacant.

123 (m)-(e) "Retention" means the amount of losses below which
124 an insurer is not entitled to reimbursement from the fund. ~~An~~
125 ~~insurer's retention shall be calculated as follows:~~

126 ~~1. The board shall calculate and report to each insurer the~~
127 ~~retention multiples for that year. For the contract year~~
128 ~~beginning June 1, 2005, the retention multiple shall be equal to~~
129 ~~\$4.5 billion divided by the total estimated reimbursement~~
130 ~~premium for the contract year; for subsequent years, The~~
131 ~~retention multiple shall be equal to \$4.5 billion, adjusted~~
132 ~~based upon the reported exposure for the contract year occurring~~
133 ~~2 years before the particular contract year to reflect the~~
134 ~~percentage growth in exposure to the fund for covered policies~~
135 ~~since 2004, divided by the total estimated reimbursement premium~~
136 ~~for the contract year. total reimbursement premium for purposes~~
137 ~~of the calculation under this subparagraph shall be estimated~~
138 ~~using the assumption that all insurers have selected the 90-~~
139 ~~percent coverage level.~~

140 ~~2. The retention multiple as determined under subparagraph~~
141 ~~1. shall be adjusted to reflect the coverage level elected by~~
142 ~~the insurer. For insurers electing the 90-percent coverage~~
143 ~~level, the adjusted retention multiple is 100 percent of the~~
144 ~~amount determined under subparagraph 1. For insurers electing~~
145 ~~the 75-percent coverage level, the retention multiple is 120~~

24-00564-14

2014610__

146 ~~percent of the amount determined under subparagraph 1. For~~
147 ~~insurers electing the 45 percent coverage level, the adjusted~~
148 ~~retention multiple is 200 percent of the amount determined under~~
149 ~~subparagraph 1.~~

150 ~~3. An insurer shall determine its provisional retention by~~
151 ~~multiplying its provisional reimbursement premium by the~~
152 ~~applicable adjusted retention multiple and shall determine its~~
153 ~~actual retention by multiplying its actual reimbursement premium~~
154 ~~by the applicable adjusted retention multiple.~~

155 ~~4. For insurers who experience multiple covered events~~
156 ~~causing loss during the contract year, beginning June 1, 2005,~~
157 ~~each insurer's full retention shall be applied to each of the~~
158 ~~covered events causing the two largest losses for that insurer.~~
159 ~~For each other covered event resulting in losses, the insurer's~~
160 ~~retention shall be reduced to one-third of the full retention.~~
161 ~~The reimbursement contract shall provide for the reimbursement~~
162 ~~of losses for each covered event based on the full retention~~
163 ~~with adjustments made to reflect the reduced retentions on or~~
164 ~~after January 1 of the contract year provided the insurer~~
165 ~~reports its losses as specified in the reimbursement contract.~~

166 ~~(n)(f)~~ "Workers' compensation" includes both workers'
167 compensation and excess workers' compensation insurance.

168 ~~(b)(g)~~ "Bond" means a ~~any~~ bond, debenture, note, or other
169 evidence of financial indebtedness issued under this section.

170 ~~(g)(h)~~ "Debt service" means the amount required in any
171 fiscal year to pay the principal of, redemption premium, if any,
172 and interest on revenue bonds and any amounts required by the
173 terms of documents authorizing, securing, or providing liquidity
174 for revenue bonds necessary to maintain in effect ~~any~~ such

24-00564-14

2014610__

175 liquidity or security arrangements.

176 (h)~~(i)~~ "Debt service coverage" means the amount, if any,
177 required by the documents under which revenue bonds are issued,
178 which must ~~amount is to~~ be received in any fiscal year in excess
179 of the amount required to pay debt service for such fiscal year.

180 (j) "Local government" means a unit of general purpose
181 local government as defined in s. 218.31 ~~s. 218.31(2)~~.

182 (l)~~(k)~~ "Pledged revenues" means all or any portion of
183 revenues to be derived from reimbursement premiums under
184 subsection (5) or from emergency assessments under paragraph
185 (6) (b), as determined by the board.

186 (i)~~(l)~~ "Estimated claims-paying capacity" means the sum of
187 the projected year-end balance of the fund as of December 31 of
188 a contract year, plus any reinsurance purchased by the fund,
189 plus the board's estimate of the board's borrowing capacity.

190 ~~(m) "Actual claims-paying capacity" means the sum of the~~
191 ~~balance of the fund as of December 31 of a contract year, plus~~
192 ~~any reinsurance purchased by the fund, plus the amount the board~~
193 ~~is able to raise through the issuance of revenue bonds under~~
194 ~~subsection (6).~~

195 (d)~~(n)~~ "Corporation" means the State Board of
196 Administration Finance Corporation created in paragraph (6) (d).

197 (c)~~(o)~~ "Contract year" means the period beginning on June 1
198 of a specified calendar year and ending on May 31 of the
199 following calendar year.

200 (4) REIMBURSEMENT CONTRACTS.—

201 (b) 1. An insurer's retention shall be calculated as
202 follows:

203 a. The board shall calculate and report to each insurer the

24-00564-14

2014610__

204 retention multiples for that year. The retention multiple for
205 the contract year shall be \$4.5 billion, adjusted based upon the
206 reported exposure for the contract year occurring 2 years before
207 the particular contract year to reflect the percentage growth in
208 exposure to the fund for covered policies since 2004, divided by
209 the total estimated reimbursement premium for the contract year.
210 For purposes of this calculation, total reimbursement premium
211 shall be estimated using the assumption that all insurers have
212 selected the 90-percent coverage level. Effective June 1, 2014,
213 the aggregate retention level may not exceed \$5.2 billion.

214 b. The retention multiple determined under sub-subparagraph
215 a. shall be adjusted to reflect the coverage level elected by
216 the insurer. For insurers electing:

217 (I) The 90-percent coverage level, the adjusted retention
218 multiple is 100 percent of the amount determined under sub-
219 subparagraph a.

220 (II) The 75-percent coverage level, the retention multiple
221 is 120 percent of the amount determined under sub-subparagraph
222 a.

223 (III) The 45-percent coverage level, the adjusted retention
224 multiple is 200 percent of the amount determined under sub-
225 subparagraph a.

226 c. An insurer shall determine its provisional retention by
227 multiplying its provisional reimbursement premium by the
228 applicable adjusted retention multiple and determine its actual
229 retention by multiplying its actual reimbursement premium by the
230 applicable adjusted retention multiple.

231 d. For insurers that experience multiple covered events
232 causing loss during the contract year, each insurer's full

24-00564-14

2014610__

233 retention shall be applied to each of the covered events causing
234 the two largest losses for that insurer. For each other covered
235 event resulting in losses, the insurer's retention shall be
236 reduced to one-third of the full retention. The reimbursement
237 contract must provide for the reimbursement of losses for each
238 covered event based on the full retention with adjustments that
239 reflect the reduced retentions on or after January 1 of the
240 contract year if the insurer reports its losses as specified in
241 the reimbursement contract.

242 2.1. The contract must ~~shall~~ contain a promise by the board
243 to reimburse the insurer for 45 percent, 75 percent, or 90
244 percent of its losses from each covered event in excess of the
245 insurer's retention, plus the insurer's ~~5 percent of the~~
246 ~~reimbursed losses to cover~~ loss adjustment expenses.

247 3.2. The insurer must elect one of the percentage coverage
248 levels specified in this paragraph and may, upon renewal of a
249 reimbursement contract, elect a lower percentage coverage level
250 if no revenue bonds issued under subsection (6) after a covered
251 event are outstanding, or elect a higher percentage coverage
252 level, regardless of whether ~~or not~~ revenue bonds are
253 outstanding. All members of an insurer group must elect the same
254 percentage coverage level. A ~~Any~~ joint underwriting association,
255 risk apportionment plan, or other entity created under s.
256 627.351 must elect the 90-percent coverage level.

257 4.3. The contract must ~~shall~~ provide that reimbursement
258 amounts are ~~shall~~ not be reduced by reinsurance paid or payable
259 to the insurer from other sources.

260 (c)1. Effective June 1, 2014, the contract must ~~shall~~ also
261 provide that the obligation of the board with respect to all

24-00564-14

2014610__

262 contracts covering a particular contract year is \$15 billion.
263 Effective June 1, 2015, the board may temporarily increase the
264 claims capacity of the fund from \$15 billion to \$17 billion if
265 it finds that an increase is necessary to stabilize the property
266 insurance market shall not exceed the actual claims-paying
267 capacity of the fund up to a limit of \$17 billion for that
268 contract year, unless the board determines that there is
269 sufficient estimated claims-paying capacity to provide \$17
270 billion of capacity for the current contract year and an
271 additional \$17 billion of capacity for subsequent contract
272 years. If the board makes such a determination, the estimated
273 claims-paying capacity for the particular contract year shall be
274 determined by adding to the \$17 billion limit one-half of the
275 fund's estimated claims-paying capacity in excess of \$34
276 billion. However, the dollar growth in the limit may not
277 increase in any year by an amount greater than the dollar growth
278 of the balance of the fund as of December 31, less any premiums
279 or interest attributable to optional coverage, as defined by
280 rule which occurred over the prior calendar year.

281 2. In January May and October of each the contract year,
282 the board shall publish in the Florida Administrative Register a
283 statement of the fund's estimated borrowing capacity and, the
284 fund's estimated claims-paying capacity. Upon completing the
285 estimate of the fund's claims-paying capacity, and the projected
286 balance of the fund as of December 31. After the end of each
287 calendar year, the board shall notify insurers of the estimated
288 borrowing capacity, estimated claims-paying capacity, and the
289 balance of the fund as of December 31 to provide insurers with
290 data necessary to assist them in determining their retention and

24-00564-14

2014610__

291 projected payout from the fund for loss reimbursement purposes.
292 In conjunction with the development of the premium formula, as
293 provided ~~for~~ in subsection (5), the board shall publish factors
294 or multiples that assist insurers in determining their retention
295 and projected payout for the next contract year. The statement
296 must include an estimate for a 1-year, 2-year, and 3-year
297 bonding capacity ~~For all regulatory and reinsurance purposes, an~~
298 ~~insurer may calculate its projected payout from the fund as its~~
299 ~~share of the total fund premium for the current contract year~~
300 ~~multiplied by the sum of the projected balance of the fund as of~~
301 ~~December 31 and the estimated borrowing capacity for that~~
302 ~~contract year as reported under this subparagraph.~~

303 (d)1. For purposes of determining potential liability and
304 to aid in the sound administration of the fund, the contract
305 must shall require each insurer to report its such insurer's
306 losses from each covered event on an interim basis, as directed
307 by the board. The contract must shall require the insurer to
308 report to the board by no later than December 31 of each year,
309 and quarterly thereafter, its reimbursable losses from covered
310 events for the year. The contract must shall require the board
311 to determine and pay, as soon as practicable after receiving
312 these reports of reimbursable losses, the initial amount of
313 reimbursement due and adjustments to this amount based on later
314 loss information. The adjustments to reimbursement amounts must
315 ~~shall~~ require the board to pay, or the insurer to return,
316 amounts reflecting the most recent calculation of losses.

317 2. In determining reimbursements pursuant to this
318 subsection, the contract must shall provide that the board ~~shall~~
319 pay to each insurer such insurer's projected payout, which is

24-00564-14

2014610__

320 the amount of reimbursement it is owed, up to an amount equal to
321 the insurer's share of the actual premium paid for that contract
322 year, multiplied by the insurer's share of the limit specified
323 in subparagraph (c)1 ~~actual claims-paying capacity available for~~
324 ~~that contract year.~~

325 3. The board may reimburse insurers for amounts up to the
326 published factors or multiples for determining each
327 participating insurer's retention and projected payout derived
328 as a result of the development of the premium formula in those
329 situations in which the total reimbursement of losses to such
330 insurers does ~~would~~ not exceed the estimated claims-paying
331 capacity of the fund. Otherwise, the projected payout factors or
332 multiples shall be reduced uniformly among all insurers to
333 reflect the estimated claims-paying capacity.

334 4. If payments exceed available assets and bonding
335 receipts, the board shall obtain a line of credit to reimburse
336 insurers. The line of credit must be sufficient to cover
337 projected receipts from a minimum of 3 years' bonding and for
338 second-event catastrophes. If needed for a contract year, the
339 line of credit must be obtained before the start of the contract
340 year and within 90 days after issuance of the bonding report.

341 (5) REIMBURSEMENT PREMIUMS.—

342 (b) The State Board of Administration shall select an
343 independent consultant to develop a formula for determining the
344 actuarially indicated premium to be paid to the fund. The
345 formula must ~~shall~~ specify, for each zip code or other limited
346 geographical area, the amount of premium to be paid by an
347 insurer for each \$1,000 of insured value under covered policies
348 in that zip code or other area. In establishing premiums, the

24-00564-14

2014610__

349 board shall consider the coverage elected under paragraph (4) (b)
350 and any factors that tend to enhance the actuarial
351 sophistication of ratemaking for the fund, including
352 deductibles, type of construction, type of coverage provided,
353 relative concentration of risks, and other ~~such~~ factors deemed
354 by the board to be appropriate. ~~The formula must provide for a~~
355 ~~cash build-up factor. For the 2009-2010 contract year, the~~
356 ~~factor is 5 percent. For the 2010-2011 contract year, the factor~~
357 ~~is 10 percent. For the 2011-2012 contract year, the factor is 15~~
358 ~~percent. For the 2012-2013 contract year, the factor is 20~~
359 ~~percent. For the 2013-2014 contract year and thereafter, the~~
360 ~~factor is 25 percent.~~ The formula may provide for a procedure to
361 determine the premiums to be paid by new insurers that begin
362 writing covered policies after the beginning of a contract year,
363 taking into consideration when the insurer starts writing
364 covered policies, the potential exposure of the insurer, the
365 potential exposure of the fund, the administrative costs to the
366 insurer and to the fund, and any other factors deemed
367 appropriate by the board. Before the formula is approved by the
368 board, it must be submitted to an outside actuary for peer
369 review. The formula must be approved by unanimous vote of the
370 board. The board may, ~~at any time,~~ revise the formula pursuant
371 to the procedure provided in this paragraph.

372 (6) REVENUE BONDS.—

373 (d) *State Board of Administration Finance Corporation.*—

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

376 a. The public benefits corporation created under this
377 paragraph will provide a mechanism ~~necessary~~ for the cost-

24-00564-14

2014610__

378 effective and efficient issuance of bonds. This mechanism will
379 eliminate unnecessary costs in the bond issuance process,
380 thereby increasing the amounts available for ~~to pay~~
381 reimbursement for losses to property sustained as a result of
382 hurricane damage.

383 b. The purpose of such bonds is to fund reimbursements
384 through the Florida Hurricane Catastrophe Fund ~~to pay~~ for the
385 costs of construction, reconstruction, repair, restoration, and
386 other costs associated with damage to properties of
387 policyholders of covered policies due to the occurrence of a
388 hurricane.

389 c. The efficacy of the financing mechanism will be enhanced
390 by the corporation's ownership of the assessments, by the
391 insulation of the assessments from possible bankruptcy
392 proceedings, and by covenants of the state with the
393 corporation's bondholders.

394 ~~2.a.~~ The State Board of Administration Finance Corporation,
395 ~~There is created~~ a public benefits corporation, which is an
396 instrumentality of the state, is created ~~to be known as the~~
397 ~~State Board of Administration Finance Corporation.~~

398 ~~a.b.~~ The corporation shall operate under a five-member
399 board of directors consisting of the Governor or a designee, the
400 Chief Financial Officer or a designee, the Attorney General or a
401 designee, the director of the Division of Bond Finance of the
402 State Board of Administration, and the Chief Operating Officer
403 of the Florida Hurricane Catastrophe Fund.

404 ~~b.e.~~ The corporation has all of the powers of corporations
405 under chapter 607 and under chapter 617, subject only to ~~the~~
406 ~~provisions of~~ this subsection.

24-00564-14

2014610__

407 ~~c.d.~~ The corporation may issue bonds and engage in such
 408 other financial transactions as are necessary to provide
 409 sufficient funds to achieve the purposes of this section.

410 ~~d.e.~~ The corporation may invest as ~~in any of the~~
 411 ~~investments~~ authorized under s. 215.47.

412 ~~e.f.~~ There is ~~shall be~~ no liability on the part of, and no
 413 cause of action shall arise against, any board members or
 414 employees of the corporation for any actions taken by them in
 415 the performance of their duties under this paragraph.

416 3.a. In actions under chapter 75 to validate any bonds
 417 issued by the corporation, the notice required by s. 75.06 must
 418 ~~shall~~ be published in two newspapers of general circulation in
 419 the state, and the complaint and order of the court ~~shall be~~
 420 served only on the State Attorney of the Second Judicial
 421 Circuit.

422 b. The state hereby covenants with holders of bonds of the
 423 corporation that the state will not repeal or abrogate the power
 424 of the board to direct the Office of Insurance Regulation to
 425 levy the assessments and to collect the proceeds of the revenues
 426 pledged to the payment of such bonds as long as ~~any~~ such bonds
 427 remain outstanding unless adequate provision has been made for
 428 the payment of such bonds pursuant to the documents authorizing
 429 the issuance of the ~~such~~ bonds.

430 ~~c.4.~~ The bonds of the corporation are not a debt of the
 431 state or ~~of~~ any political subdivision, and neither the state nor
 432 any political subdivision is liable for ~~on~~ such bonds. The
 433 corporation may not ~~does not have the power to~~ pledge the
 434 credit, ~~the~~ revenues, or ~~the~~ taxing power of the state or of any
 435 political subdivision and such. ~~The~~ credit, revenues, or taxing

24-00564-14

2014610__

436 power ~~of the state or of any political subdivision~~ may shall not
437 be deemed to be pledged to the payment of any bonds of the
438 corporation.

439 ~~d.5.a.~~ The property, revenues, and other assets of the
440 corporation; the transactions and operations of the corporation
441 and the income from such transactions and operations; and all
442 bonds issued under this paragraph and interest on such bonds are
443 exempt from taxation by the state and any political subdivision,
444 including the intangibles tax under chapter 199 and the income
445 tax under chapter 220. This exemption does not apply to any tax
446 imposed by chapter 220 on interest, income, or profits on debt
447 obligations owned by corporations other than the State Board of
448 Administration Finance Corporation.

449 ~~e.b.~~ All bonds of the corporation are ~~shall be and~~
450 ~~constitute~~ legal investments without limitation for all public
451 bodies of this state; for all banks, trust companies, savings
452 banks, savings associations, savings and loan associations, and
453 investment companies; for all administrators, executors,
454 trustees, and other fiduciaries; for all insurance companies and
455 associations and other persons carrying on an insurance
456 business; and for all other persons who are now or may hereafter
457 be authorized to invest in bonds or other obligations of the
458 state and are ~~shall be and constitute~~ eligible securities to be
459 deposited as collateral for the security of any state, county,
460 municipal, or other public funds. This sub-subparagraph is ~~shall~~
461 ~~be~~ considered as additional and supplemental authority and may
462 ~~shall~~ not be limited without specific reference to this sub-
463 subparagraph.

464 ~~4.6.~~ The corporation and its corporate existence shall

24-00564-14

2014610__

465 continue until terminated by law; however, no such law shall
466 take effect as long as the corporation has bonds outstanding
467 unless adequate provision has been made for the payment of such
468 bonds pursuant to the documents authorizing the issuance of such
469 bonds. Upon termination of the existence of the corporation, all
470 of its rights and properties in excess of its obligations shall
471 pass to and be vested in the state.

472 5.7. The State Board of Administration Finance Corporation
473 is for all purposes the successor to the Florida Hurricane
474 Catastrophe Fund Finance Corporation.

475 ~~(16) TEMPORARY INCREASE IN COVERAGE LIMIT OPTIONS.~~

476 ~~(a) Findings and intent.~~

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

478 ~~a. Because of temporary disruptions in the market for~~
479 ~~eatastrophic reinsurance, many property insurers were unable to~~
480 ~~procure sufficient amounts of reinsurance for the 2006 hurricane~~
481 ~~season or were able to procure such reinsurance only by~~
482 ~~incurring substantially higher costs than in prior years.~~

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

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

489 ~~2. It is the intent of the Legislature to create options~~
490 ~~for insurers to purchase a temporary increased coverage limit~~
491 ~~above the statutorily determined limit in subparagraph (4)(c)1.,~~
492 ~~applicable for the 2007, 2008, 2009, 2010, 2011, 2012, and 2013~~
493 ~~hurricane seasons, to address market disruptions and enable~~

24-00564-14

2014610__

494 ~~insurers, at their option, to procure additional coverage from~~
495 ~~the Florida Hurricane Catastrophe Fund.~~

496 ~~(b) Applicability of other provisions of this section. All~~
497 ~~provisions of this section and the rules adopted under this~~
498 ~~section apply to the coverage created by this subsection unless~~
499 ~~specifically superseded by provisions in this subsection.~~

500 ~~(c) Optional coverage. For the 2009-2010, 2010-2011, 2011-~~
501 ~~2012, 2012-2013, and 2013-2014 contract years, the board shall~~
502 ~~offer, for each of such years, the optional coverage as provided~~
503 ~~in this subsection.~~

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

506 1. ~~"FHCF" means Florida Hurricane Catastrophe Fund.~~

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

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

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

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

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

24-00564-14

2014610__

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

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

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

535 ~~a. The board shall calculate and report to each TICL~~
536 ~~insurer the TICL coverage multiples based on 12 options for~~
537 ~~increasing the insurer's FHCF coverage limit. Each TICL coverage~~
538 ~~multiple shall be calculated by dividing \$1 billion, \$2 billion,~~
539 ~~\$3 billion, \$4 billion, \$5 billion, \$6 billion, \$7 billion, \$8~~
540 ~~billion, \$9 billion, \$10 billion, \$11 billion, or \$12 billion by~~
541 ~~the total estimated aggregate FHCF reimbursement premiums for~~
542 ~~the 2007-2008 contract year, and the 2008-2009 contract year.~~

543 ~~b. For the 2009-2010 contract year, the board shall~~
544 ~~calculate and report to each TICL insurer the TICL coverage~~
545 ~~multiples based on 10 options for increasing the insurer's FHCF~~
546 ~~coverage limit. Each TICL coverage multiple shall be calculated~~
547 ~~by dividing \$1 billion, \$2 billion, \$3 billion, \$4 billion, \$5~~
548 ~~billion, \$6 billion, \$7 billion, \$8 billion, \$9 billion, and \$10~~
549 ~~billion by the total estimated aggregate FHCF reimbursement~~
550 ~~premiums for the 2009-2010 contract year.~~

551 ~~c. For the 2010-2011 contract year, the board shall~~

24-00564-14

2014610__

552 ~~calculate and report to each TICL insurer the TICL coverage~~
553 ~~multiples based on eight options for increasing the insurer's~~
554 ~~FHCF coverage limit. Each TICL coverage multiple shall be~~
555 ~~calculated by dividing \$1 billion, \$2 billion, \$3 billion, \$4~~
556 ~~billion, \$5 billion, \$6 billion, \$7 billion, and \$8 billion by~~
557 ~~the total estimated aggregate FHCF reimbursement premiums for~~
558 ~~the contract year.~~

559 ~~d. For the 2011-2012 contract year, the board shall~~
560 ~~calculate and report to each TICL insurer the TICL coverage~~
561 ~~multiples based on six options for increasing the insurer's FHCF~~
562 ~~coverage limit. Each TICL coverage multiple shall be calculated~~
563 ~~by dividing \$1 billion, \$2 billion, \$3 billion, \$4 billion, \$5~~
564 ~~billion, and \$6 billion by the total estimated aggregate FHCF~~
565 ~~reimbursement premiums for the 2011-2012 contract year.~~

566 ~~e. For the 2012-2013 contract year, the board shall~~
567 ~~calculate and report to each TICL insurer the TICL coverage~~
568 ~~multiples based on four options for increasing the insurer's~~
569 ~~FHCF coverage limit. Each TICL coverage multiple shall be~~
570 ~~calculated by dividing \$1 billion, \$2 billion, \$3 billion, and~~
571 ~~\$4 billion by the total estimated aggregate FHCF reimbursement~~
572 ~~premiums for the 2012-2013 contract year.~~

573 ~~f. For the 2013-2014 contract year, the board shall~~
574 ~~calculate and report to each TICL insurer the TICL coverage~~
575 ~~multiples based on two options for increasing the insurer's FHCF~~
576 ~~coverage limit. Each TICL coverage multiple shall be calculated~~
577 ~~by dividing \$1 billion and \$2 billion by the total estimated~~
578 ~~aggregate FHCF reimbursement premiums for the 2013-2014 contract~~
579 ~~year.~~

580 ~~g. The TICL insurer's increased coverage shall be the FHCF~~

24-00564-14

2014610__

581 ~~reimbursement premium multiplied by the TICL coverage multiple.~~
582 ~~In order to determine an insurer's total limit of coverage, an~~
583 ~~insurer shall add its TICL coverage multiple to its payout~~
584 ~~multiple. The total shall represent a number that, when~~
585 ~~multiplied by an insurer's FHCF reimbursement premium for a~~
586 ~~given reimbursement contract year, defines an insurer's total~~
587 ~~limit of FHCF reimbursement coverage for that reimbursement~~
588 ~~contract year.~~

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

593 ~~(c) TICL options addendum.—~~

594 ~~1. The TICL options addendum shall provide for~~
595 ~~reimbursement of TICL insurers for covered events occurring~~
596 ~~during the 2009-2010, 2010-2011, 2011-2012, 2012-2013, and 2013-~~
597 ~~2014 contract years in exchange for the TICL reimbursement~~
598 ~~premium paid into the fund under paragraph (f) based on the TICL~~
599 ~~coverage available and selected for each respective contract~~
600 ~~year. Any insurer writing covered policies has the option of~~
601 ~~selecting an increased limit of coverage under the TICL options~~
602 ~~addendum and shall select such coverage at the time that it~~
603 ~~executes the FHCF reimbursement contract.~~

604 ~~2. The TICL addendum shall contain a promise by the board~~
605 ~~to reimburse the TICL insurer for 45 percent, 75 percent, or 90~~
606 ~~percent of its losses from each covered event in excess of the~~
607 ~~insurer's retention, plus 5 percent of the reimbursed losses to~~
608 ~~cover loss adjustment expenses. The percentage shall be the same~~
609 ~~as the coverage level selected by the insurer under paragraph~~

24-00564-14

2014610__

610 ~~(4)(b).~~

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

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

617 ~~(f) TICL reimbursement premiums. Each TICL insurer shall~~
618 ~~pay to the fund, in the manner and at the time provided in the~~
619 ~~reimbursement contract for payment of reimbursement premiums, a~~
620 ~~TICL reimbursement premium determined as specified in subsection~~
621 ~~(5), except that a cash build up factor does not apply to the~~
622 ~~TICL reimbursement premiums. However, the TICL reimbursement~~
623 ~~premium shall be increased in the 2009-2010 contract year by a~~
624 ~~factor of two, in the 2010-2011 contract year by a factor of~~
625 ~~three, in the 2011-2012 contract year by a factor of four, in~~
626 ~~the 2012-2013 contract year by a factor of five, and in the~~
627 ~~2013-2014 contract year by a factor of six.~~

628 ~~(g) Effect on claims paying capacity of the fund. For the~~
629 ~~2009-2010, 2010-2011, 2011-2012, 2012-2013, and 2013-2014~~
630 ~~contract years, the program created by this subsection shall~~
631 ~~increase the claims paying capacity of the fund as provided in~~
632 ~~subparagraph (4)(c)1. by an amount not to exceed \$12 billion and~~
633 ~~shall depend on the TICL coverage options available and selected~~
634 ~~for the specified contract year and the number of insurers that~~
635 ~~select the TICL optional coverage. The additional capacity shall~~
636 ~~apply only to the additional coverage provided under the TICL~~
637 ~~options and shall not otherwise affect any insurer's~~
638 ~~reimbursement from the fund if the insurer chooses not to select~~

24-00564-14

2014610__

639 ~~the temporary option to increase its limit of coverage under the~~
640 ~~FHCF.~~

641 Section 2. Subsection (10) of section 624.424, Florida
642 Statutes, is amended to read:

643 624.424 Annual statement and other information.—

644 (10) Each insurer or insurer group doing business in this
645 state shall file, on a quarterly basis, in conjunction with
646 financial reports required by paragraph (1)(a), a supplemental
647 report on an individual and group basis on a form prescribed by
648 the commission with information on personal lines and commercial
649 lines residential property insurance policies in this state. The
650 supplemental report must ~~shall~~ include separate information for
651 personal lines property policies and for commercial lines
652 property policies and totals for each item specified, including
653 premiums written for each of the property lines of business as
654 described in ss. 215.555 ~~ss. 215.555(2)(c)~~ and 627.351(6)(a).
655 The report must ~~shall~~ include the following information for each
656 county on a monthly basis:

657 (a) Total number of policies in force at the end of each
658 month.

659 (b) Total number of policies canceled.

660 (c) Total number of policies nonrenewed.

661 (d) Number of policies canceled due to hurricane risk.

662 (e) Number of policies nonrenewed due to hurricane risk.

663 (f) Number of new policies written.

664 (g) Total dollar value of structure exposure under policies
665 that include wind coverage.

666 (h) Number of policies that exclude wind coverage.

667 Section 3. Subsection (5) of section 627.062, Florida

24-00564-14

2014610__

668 Statutes, is amended to read:

669 627.062 Rate standards.—

670 (5) With respect to a rate filing involving coverage of the
671 type for which the insurer is required to pay a reimbursement
672 premium to the Florida Hurricane Catastrophe Fund, the insurer
673 may fully recoup in its property insurance premiums any
674 reimbursement premiums paid to the fund, together with
675 reasonable costs of other reinsurance; ~~however, except as~~
676 ~~otherwise provided in this section, the insurer may not recoup~~
677 ~~reinsurance costs that duplicate coverage provided by the fund.~~
678 An insurer may not recoup more than 1 year of reimbursement
679 premium at a time. Any under-recoupment from the prior year may
680 be added to the following year's reimbursement premium, and any
681 over-recoupment must be subtracted from the following year's
682 reimbursement premium.

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

685 627.0629 Residential property insurance; rate filings.—

686 (5) In order to provide an appropriate transition period,
687 an insurer may implement an approved rate filing for residential
688 property insurance over a period of years. Such insurer must
689 provide an informational notice to the office setting out its
690 schedule for implementing ~~implementation~~ of the phased-in rate
691 filing. The insurer may include in its rate the actual cost of
692 private market reinsurance that corresponds to available
693 coverage of the ~~Temporary Increase in Coverage Limits, TICL,~~
694 ~~from the Florida Hurricane Catastrophe Fund. The insurer may~~
695 ~~also include the cost of reinsurance to replace the TICL~~
696 ~~reduction implemented pursuant to s. 215.555(16)(d)9. However,~~

24-00564-14

2014610__

697 this cost for reinsurance may not include any expense or profit
698 load or result in a total annual base rate increase in excess of
699 10 percent.

700 Section 5. Paragraph (v) of subsection (6) of section
701 627.351, Florida Statutes, is amended to read:

702 627.351 Insurance risk apportionment plans.—

703 (6) CITIZENS PROPERTY INSURANCE CORPORATION.—

704 (v)1. Effective July 1, 2002, policies of the Residential
705 Property and Casualty Joint Underwriting Association become
706 policies of the corporation. All obligations, rights, assets and
707 liabilities of the association, including bonds, note and debt
708 obligations, and the financing documents pertaining to them
709 become those of the corporation as of July 1, 2002. The
710 corporation is not required to issue endorsements or
711 certificates of assumption to insureds during the remaining term
712 of in-force transferred policies.

713 2. Effective July 1, 2002, policies of the Florida
714 Windstorm Underwriting Association are transferred to the
715 corporation and become policies of the corporation. All
716 obligations, rights, assets, and liabilities of the association,
717 including bonds, note and debt obligations, and the financing
718 documents pertaining to them are transferred to and assumed by
719 the corporation on July 1, 2002. The corporation is not required
720 to issue endorsements or certificates of assumption to insureds
721 during the remaining term of in-force transferred policies.

722 3. The Florida Windstorm Underwriting Association and the
723 Residential Property and Casualty Joint Underwriting Association
724 shall take all actions necessary to further evidence the
725 transfers and provide the documents and instruments of further

24-00564-14

2014610__

726 assurance as may reasonably be requested by the corporation for
727 that purpose. The corporation shall execute assumptions and
728 instruments as the trustees or other parties to the financing
729 documents of the associations ~~Florida Windstorm Underwriting~~
730 ~~Association or the Residential Property and Casualty Joint~~
731 ~~Underwriting Association~~ may reasonably request to further
732 evidence the transfers and assumptions, which transfers and
733 assumptions, however, are effective on the date provided under
734 this paragraph ~~whether or not, and~~ regardless of the date ~~on~~
735 ~~which,~~ the assumptions or instruments are executed by the
736 corporation. Subject to the relevant financing documents
737 pertaining to their outstanding bonds, notes, indebtedness, or
738 other financing obligations, the moneys, investments,
739 receivables, choses in action, and other intangibles of the
740 Florida Windstorm Underwriting Association shall be credited to
741 the coastal account of the corporation, and those of the
742 personal lines residential coverage account and the commercial
743 lines residential coverage account of the Residential Property
744 and Casualty Joint Underwriting Association shall be credited to
745 the personal lines account and the commercial lines account,
746 respectively, of the corporation.

747 4. Effective July 1, 2002, a new applicant for property
748 insurance coverage who would otherwise have been eligible for
749 coverage in the Florida Windstorm Underwriting Association is
750 eligible for coverage from the corporation as provided in this
751 subsection.

752 5. The transfer of all policies, obligations, rights,
753 assets, and liabilities from the Florida Windstorm Underwriting
754 Association to the corporation and the renaming of the

24-00564-14

2014610__

755 Residential Property and Casualty Joint Underwriting Association
756 as the corporation does not affect ~~the~~ coverage with respect to
757 a covered policy policies as defined in s. 215.555(2) ~~s.~~
758 ~~215.555(2)(c)~~ provided to these entities by the Florida
759 Hurricane Catastrophe Fund. The coverage provided by the fund to
760 the Florida Windstorm Underwriting Association based on its
761 exposures as of June 30, 2002, and each June 30 thereafter shall
762 be redesignated as coverage for the coastal account of the
763 corporation. Notwithstanding any other provision of law, the
764 coverage provided by the fund to the Residential Property and
765 Casualty Joint Underwriting Association based on its exposures
766 as of June 30, 2002, and each June 30 thereafter shall be
767 transferred to the personal lines account and the commercial
768 lines account of the corporation. Notwithstanding any other
769 provision of law, the coastal account shall be treated, for all
770 Florida Hurricane Catastrophe Fund purposes, as if it were a
771 separate participating insurer with its own exposures,
772 reimbursement premium, and loss reimbursement. Likewise, the
773 personal lines and commercial lines accounts shall ~~be viewed~~
774 ~~together~~, for all fund purposes, be viewed together as if the
775 two accounts were one and represent a single, separate
776 participating insurer with its own exposures, reimbursement
777 premium, and loss reimbursement. The coverage provided by the
778 fund to the corporation shall constitute and operate as a full
779 transfer of coverage from the Florida Windstorm Underwriting
780 Association and Residential Property and Casualty Joint
781 Underwriting Association to the corporation.

782 Section 6. This act shall take effect upon becoming a law.