

By Senator Lee

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1 A bill to be entitled
2 An act relating to the Florida Hurricane Catastrophe
3 Fund; amending s. 215.555, F.S.; revising the term
4 "retention"; adding specified coverage level options
5 required in reimbursement contracts between the State
6 Board of Administration and insurers writing policies
7 in this state; revising, beginning with a specified
8 timeframe, the obligation limits of the board with
9 respect to all contracts covering a particular
10 contract year; revising, beginning with a specified
11 timeframe, the calculation of the cash build-up factor
12 used in the formula for determining reimbursement
13 premiums paid to the fund; revising provisions
14 relating to optional coverage offered by the board;
15 defining terms; requiring the board to offer such
16 optional coverage beginning with a specified
17 timeframe; specifying Flexible Layered Options (FLO)
18 coverage multiples; specifying requirements for FLO
19 reimbursement premiums and FLO options addendums;
20 providing construction relating to the optional
21 coverage's effect on the fund's claims-paying
22 capacity; amending s. 627.062, F.S.; deleting the
23 actual costs paid due to applying the cash build-up
24 factor as a basis for certain separate rate filings
25 under certain circumstances by residential property
26 insurers; amending s. 627.0629, F.S.; conforming a
27 provision to changes made by the act; amending s.
28 627.351, F.S.; deleting a provision authorizing
29 Citizens Property Insurance Corporation to implement

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30 rate increases to reflect the effect of the cash
31 build-up factor; providing an effective date.

32
33 Be It Enacted by the Legislature of the State of Florida:

34
35 Section 1. Paragraph (e) of subsection (2), paragraphs (b)
36 and (c) of subsection (4), paragraph (b) of subsection (5), and
37 subsection (16) of section 215.555, Florida Statutes, are
38 amended, and paragraph (a) of subsection (4) is republished, to
39 read:

40 215.555 Florida Hurricane Catastrophe Fund.—

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

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

45 1. The board shall calculate and report to each insurer the
46 retention multiples for that year. For the contract year
47 beginning June 1, 2005, the retention multiple shall be equal to
48 \$4.5 billion divided by the total estimated reimbursement
49 premium for the contract year; for subsequent years, the
50 retention multiple shall be equal to \$4.5 billion, adjusted
51 based upon the reported exposure for the contract year occurring
52 2 years before the particular contract year to reflect the
53 percentage growth in exposure to the fund for covered policies
54 since 2004, divided by the total estimated reimbursement premium
55 for the contract year. Total reimbursement premium for purposes
56 of the calculation under this subparagraph shall be estimated
57 using the assumption that all insurers have selected the 90-
58 percent coverage level.

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59 2. The retention multiple as determined under subparagraph
60 1. shall be adjusted to reflect the coverage level elected by
61 the insurer.

62 a. For insurers electing the 90-percent coverage level, the
63 adjusted retention multiple is 100 percent of the amount
64 determined under subparagraph 1.

65 b. For insurers electing the 75-percent coverage level, the
66 retention multiple is 120 percent of the amount determined under
67 subparagraph 1.

68 c. For insurers electing the 60-percent coverage level, the
69 adjusted retention multiple is 150 percent of the amount
70 determined under subparagraph 1.

71 d. For insurers electing the 45-percent coverage level, the
72 adjusted retention multiple is 200 percent of the amount
73 determined under subparagraph 1.

74 e. For insurers electing the 25-percent coverage level, the
75 adjusted retention multiple is 360 percent of the amount
76 determined under subparagraph 1.

77 3. An insurer shall determine its provisional retention by
78 multiplying its provisional reimbursement premium by the
79 applicable adjusted retention multiple and shall determine its
80 actual retention by multiplying its actual reimbursement premium
81 by the applicable adjusted retention multiple.

82 4. For insurers who experience multiple covered events
83 causing loss during the contract year, ~~beginning June 1, 2005,~~
84 each insurer's full retention shall be applied to each of the
85 covered events causing the two largest losses for that insurer.
86 For each other covered event resulting in losses, the insurer's
87 retention shall be reduced to one-third of the full retention.

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88 The reimbursement contract shall provide for the reimbursement
89 of losses for each covered event based on the full retention
90 with adjustments made to reflect the reduced retentions on or
91 after January 1 of the contract year provided the insurer
92 reports its losses as specified in the reimbursement contract.

93 (4) REIMBURSEMENT CONTRACTS.—

94 (a) The board shall enter into a contract with each insurer
95 writing covered policies in this state to provide to the insurer
96 the reimbursement described in paragraphs (b) and (d), in
97 exchange for the reimbursement premium paid into the fund under
98 subsection (5). As a condition of doing business in this state,
99 each such insurer shall enter into such a contract.

100 (b)1. The contract must ~~shall~~ contain a promise by the
101 board to reimburse the insurer for 25 percent, 45 percent, 60
102 percent, 75 percent, or 90 percent of its losses from each
103 covered event in excess of the insurer's retention, plus 5
104 percent of the reimbursed losses to cover loss adjustment
105 expenses.

106 2. The insurer must elect one of the percentage coverage
107 levels specified in this paragraph and may, upon renewal of a
108 reimbursement contract, elect a lower percentage coverage level
109 if no revenue bonds issued under subsection (6) after a covered
110 event are outstanding, or elect a higher percentage coverage
111 level, regardless of whether or not revenue bonds are
112 outstanding. All members of an insurer group must elect the same
113 percentage coverage level. Any joint underwriting association,
114 risk apportionment plan, or other entity created under s.
115 627.351 must elect the 90-percent coverage level.

116 3. The contract shall provide that reimbursement amounts

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117 shall not be reduced by reinsurance paid or payable to the
118 insurer from other sources.

119 (c)1. Beginning in the 2018-2019 contract year, the
120 contract must ~~shall~~ also provide that the obligation of the
121 board with respect to all contracts covering a particular
122 contract year may ~~shall~~ not exceed the actual claims-paying
123 capacity of the fund up to a limit of \$14 ~~\$17~~ billion for that
124 contract year, unless the board determines that there is
125 sufficient estimated claims-paying capacity to provide \$14 ~~\$17~~
126 billion of capacity for the current contract year and an
127 additional \$14 ~~\$17~~ billion of capacity for subsequent contract
128 years. If the board makes such a determination, the estimated
129 claims-paying capacity for the particular contract year must
130 ~~shall~~ be determined by adding to the \$14 ~~\$17~~ billion limit one-
131 half of the fund's estimated claims-paying capacity in excess of
132 \$28 ~~\$34~~ billion. However, the dollar growth in the limit may not
133 increase in any year by an amount greater than the dollar growth
134 of the balance of the fund as of December 31, less any premiums
135 or interest attributable to optional coverage, as defined by
136 rule which occurred over the prior calendar year.

137 2. In May and October of the contract year, the board shall
138 publish in the Florida Administrative Register a statement of
139 the fund's estimated borrowing capacity, the fund's estimated
140 claims-paying capacity, and the projected balance of the fund as
141 of December 31. After the end of each calendar year, the board
142 shall notify insurers of the estimated borrowing capacity, the
143 estimated claims-paying capacity, and the balance of the fund as
144 of December 31 to provide insurers with data necessary to assist
145 them in determining their retention and projected payout from

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146 the fund for loss reimbursement purposes. In conjunction with
147 the development of the premium formula, as provided for in
148 subsection (5), the board shall publish factors or multiples
149 that assist insurers in determining their retention and
150 projected payout for the next contract year. For all regulatory
151 and reinsurance purposes, an insurer may calculate its projected
152 payout from the fund as its share of the total fund premium for
153 the current contract year multiplied by the sum of the projected
154 balance of the fund as of December 31 and the estimated
155 borrowing capacity for that contract year as reported under this
156 subparagraph.

157 (5) REIMBURSEMENT PREMIUMS.—

158 (b) The State Board of Administration shall select an
159 independent consultant to develop a formula for determining the
160 actuarially indicated premium to be paid to the fund. The
161 formula shall specify, for each zip code or other limited
162 geographical area, the amount of premium to be paid by an
163 insurer for each \$1,000 of insured value under covered policies
164 in that zip code or other area. In establishing premiums, the
165 board shall consider the coverage elected under paragraph (4) (b)
166 and any factors that tend to enhance the actuarial
167 sophistication of ratemaking for the fund, including
168 deductibles, type of construction, type of coverage provided,
169 relative concentration of risks, and other such factors deemed
170 by the board to be appropriate. The formula must provide for a
171 cash build-up factor. Beginning in the 2018-2019 ~~For the 2009-~~
172 ~~2010 contract year, the factor is 5 percent. For the 2010-2011~~
173 ~~contract year, the factor is 10 percent. For the 2011-2012~~
174 ~~contract year, the factor is 15 percent. For the 2012-2013~~

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175 ~~contract year, the factor is 20 percent. For the 2013-2014~~
 176 ~~contract year and thereafter, the factor is 10 25 percent until~~
 177 ~~the fund balance before the start of a contract year is \$14~~
 178 ~~billion or greater, at which point the cash build-up factor may~~
 179 ~~not be collected. If the fund balance is less than \$14 billion~~
 180 ~~after the end of a contract year, the cash build-up factor must~~
 181 ~~be reinstated at 5 percent for the next contract year and~~
 182 ~~increase by 5 percent each subsequent contract year until it~~
 183 ~~reaches 25 percent, and must thereafter continue at 25 percent~~
 184 ~~per contract year until the fund balance reaches \$14 billion.~~
 185 The formula may provide for a procedure to determine the
 186 premiums to be paid by new insurers that begin writing covered
 187 policies after the beginning of a contract year, taking into
 188 consideration when the insurer starts writing covered policies,
 189 the potential exposure of the insurer, the potential exposure of
 190 the fund, the administrative costs to the insurer and to the
 191 fund, and any other factors deemed appropriate by the board. The
 192 formula must be approved by unanimous vote of the board. The
 193 board may, at any time, revise the formula pursuant to the
 194 procedure provided in this paragraph.

195 (16) OPTIONAL COVERAGE.—

196 (a) Additional definitions.—As used in this subsection, the
 197 term:

198 1. "FHCF" means the Florida Hurricane Catastrophe Fund.

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

203 3. "FLO" means Flexible Layered Options.

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204 4. "FLO coverage" means the coverage for an insurer's
205 losses above the insurer's statutorily determined claims-paying
206 capacity based on the claims-paying limit in subparagraph
207 (4) (c)1., which an insurer selects as its increase in coverage
208 from the fund under the FLO options selected.

209 5. "FLO coverage multiple" means the coverage multiple that
210 when multiplied by an insurer's reimbursement premium defines
211 the temporary increase in coverage limit.

212 6. "FLO insurer" means an insurer that has opted to obtain
213 coverage under the FLO options addendum in addition to the
214 coverage provided to the insurer under its FHCF reimbursement
215 contract.

216 7. "FLO options" means the coverage options created under
217 this subsection.

218 8. "FLO options addendum" means an addendum to the
219 reimbursement contract reflecting the obligations of the fund
220 and insurers selecting an option to increase an insurer's FHCF
221 coverage limit.

222 9. "FLO reimbursement premium" means the premium charged by
223 the fund for coverage provided under the FLO option.

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

229 (b) *Effective date.*—For the 2018-2019 contract year and
230 thereafter, the board shall offer the optional coverage as
231 provided in this subsection.

232 (c) *FLO coverage multiples.*—The board shall calculate and

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233 report to each FLO insurer the FLO coverage multiples based on 3
234 options for increasing the insurer's FHCF coverage limit. Each
235 FLO coverage multiple must be calculated by dividing \$1 billion,
236 \$2 billion, or \$3 billion by the total estimated aggregate FHCF
237 reimbursement premium for the upcoming contract year.

238 (d) FLO reimbursement premiums.—Each FLO insurer shall pay
239 to the fund, in the manner and at the time provided in the
240 reimbursement contract for payment of reimbursement premiums, a
241 FLO reimbursement premium determined according to subsection
242 (5), except that a cash build-up factor does not apply to the
243 FLO reimbursement premiums.

244 (e) FLO options addendum.—

245 1. The FLO options addendum must provide for reimbursement
246 of FLO insurers for covered events occurring during a contract
247 year in exchange for the FLO reimbursement premium paid into the
248 fund under paragraph (d), based on the FLO coverage selected for
249 each respective contract year. An insurer writing covered
250 policies has the option of selecting an increased limit of
251 coverage under the FLO options addendum and must select such
252 coverage at the time that it executes the FHCF reimbursement
253 contract.

254 2. The FLO addendum must contain a promise by the board to
255 reimburse the FLO insurer for 25 percent, 45 percent, 60
256 percent, 75 percent, or 90 percent of its losses from each
257 covered event in excess of the insurer's retention, plus 5
258 percent of the reimbursed losses to cover loss adjustment
259 expenses. The percentage must be the same as the coverage level
260 selected by the insurer under paragraph (4) (b).

261 3. The FLO addendum must provide that reimbursement amounts

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262 may not be reduced by reinsurance paid or payable to the insurer
263 from other sources.

264 4. The priorities, schedule, and method of reimbursements
265 under the FLO addendum must be the same as provided under
266 subsection (4).

267 (f) Effect on claims-paying capacity of the fund.—The
268 program created by this subsection must increase the claims-
269 paying capacity of the fund as provided in subparagraph (4)(c)1.
270 by an amount not to exceed \$3 billion and must depend on the FLO
271 coverage options selected for the specified contract year and
272 the number of insurers that select a FLO optional coverage. The
273 additional capacity may apply only to the additional coverage
274 provided under the FLO options and may not otherwise affect any
275 insurer's reimbursement from the fund if the insurer chooses not
276 to select the FLO option to increase its limit of coverage under
277 the FHCF TEMPORARY INCREASE IN COVERAGE LIMIT OPTIONS.—

278 (a) Findings and intent.—

279 1. The Legislature finds that:

280 a. Because of temporary disruptions in the market for
281 catastrophic reinsurance, many property insurers were unable to
282 procure sufficient amounts of reinsurance for the 2006 hurricane
283 season or were able to procure such reinsurance only by
284 incurring substantially higher costs than in prior years.

285 b. The reinsurance market problems were responsible, at
286 least in part, for substantial premium increases to many
287 consumers and increases in the number of policies issued by
288 Citizens Property Insurance Corporation.

289 e. It is likely that the reinsurance market disruptions
290 will not significantly abate prior to the 2007 hurricane season.

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

298 ~~(b) Applicability of other provisions of this section. All~~
299 ~~provisions of this section and the rules adopted under this~~
300 ~~section apply to the coverage created by this subsection unless~~
301 ~~specifically superseded by provisions in this subsection.~~

302 ~~(c) Optional coverage. For the 2009-2010, 2010-2011, 2011-~~
303 ~~2012, 2012-2013, and 2013-2014 contract years, the board shall~~
304 ~~offer, for each of such years, the optional coverage as provided~~
305 ~~in this subsection.~~

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

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

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

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

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

319 ~~5. "TICL options" means the temporary increase in coverage~~

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320 ~~options created under this subsection.~~

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

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

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

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

337 ~~a. The board shall calculate and report to each TICL~~
338 ~~insurer the TICL coverage multiples based on 12 options for~~
339 ~~increasing the insurer's FHCF coverage limit. Each TICL coverage~~
340 ~~multiple shall be calculated by dividing \$1 billion, \$2 billion,~~
341 ~~\$3 billion, \$4 billion, \$5 billion, \$6 billion, \$7 billion, \$8~~
342 ~~billion, \$9 billion, \$10 billion, \$11 billion, or \$12 billion by~~
343 ~~the total estimated aggregate FHCF reimbursement premiums for~~
344 ~~the 2007-2008 contract year, and the 2008-2009 contract year.~~

345 ~~b. For the 2009-2010 contract year, the board shall~~
346 ~~calculate and report to each TICL insurer the TICL coverage~~
347 ~~multiples based on 10 options for increasing the insurer's FHCF~~
348 ~~coverage limit. Each TICL coverage multiple shall be calculated~~

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349 by dividing ~~\$1 billion, \$2 billion, \$3 billion, \$4 billion, \$5~~
350 ~~billion, \$6 billion, \$7 billion, \$8 billion, \$9 billion, and \$10~~
351 ~~billion by the total estimated aggregate FHCF reimbursement~~
352 ~~premiums for the 2009-2010 contract year.~~

353 ~~e. For the 2010-2011 contract year, the board shall~~
354 ~~calculate and report to each TICL insurer the TICL coverage~~
355 ~~multiples based on eight options for increasing the insurer's~~
356 ~~FHCF coverage limit. Each TICL coverage multiple shall be~~
357 ~~calculated by dividing \$1 billion, \$2 billion, \$3 billion, \$4~~
358 ~~billion, \$5 billion, \$6 billion, \$7 billion, and \$8 billion by~~
359 ~~the total estimated aggregate FHCF reimbursement premiums for~~
360 ~~the contract year.~~

361 ~~d. For the 2011-2012 contract year, the board shall~~
362 ~~calculate and report to each TICL insurer the TICL coverage~~
363 ~~multiples based on six options for increasing the insurer's FHCF~~
364 ~~coverage limit. Each TICL coverage multiple shall be calculated~~
365 ~~by dividing \$1 billion, \$2 billion, \$3 billion, \$4 billion, \$5~~
366 ~~billion, and \$6 billion by the total estimated aggregate FHCF~~
367 ~~reimbursement premiums for the 2011-2012 contract year.~~

368 ~~e. For the 2012-2013 contract year, the board shall~~
369 ~~calculate and report to each TICL insurer the TICL coverage~~
370 ~~multiples based on four options for increasing the insurer's~~
371 ~~FHCF coverage limit. Each TICL coverage multiple shall be~~
372 ~~calculated by dividing \$1 billion, \$2 billion, \$3 billion, and~~
373 ~~\$4 billion by the total estimated aggregate FHCF reimbursement~~
374 ~~premiums for the 2012-2013 contract year.~~

375 ~~f. For the 2013-2014 contract year, the board shall~~
376 ~~calculate and report to each TICL insurer the TICL coverage~~
377 ~~multiples based on two options for increasing the insurer's FHCF~~

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378 coverage limit. Each TICL coverage multiple shall be calculated
379 by dividing \$1 billion and \$2 billion by the total estimated
380 aggregate FHCF reimbursement premiums for the 2013-2014 contract
381 year.

382 g. The TICL insurer's increased coverage shall be the FHCF
383 reimbursement premium multiplied by the TICL coverage multiple.
384 In order to determine an insurer's total limit of coverage, an
385 insurer shall add its TICL coverage multiple to its payout
386 multiple. The total shall represent a number that, when
387 multiplied by an insurer's FHCF reimbursement premium for a
388 given reimbursement contract year, defines an insurer's total
389 limit of FHCF reimbursement coverage for that reimbursement
390 contract year.

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

395 (e) ~~TICL options addendum.~~

396 1. The TICL options addendum shall provide for
397 reimbursement of TICL insurers for covered events occurring
398 during the 2009-2010, 2010-2011, 2011-2012, 2012-2013, and 2013-
399 2014 contract years in exchange for the TICL reimbursement
400 premium paid into the fund under paragraph (f) based on the TICL
401 coverage available and selected for each respective contract
402 year. Any insurer writing covered policies has the option of
403 selecting an increased limit of coverage under the TICL options
404 addendum and shall select such coverage at the time that it
405 executes the FHCF reimbursement contract.

406 2. The TICL addendum shall contain a promise by the board

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407 ~~to reimburse the TICL insurer for 45 percent, 75 percent, or 90~~
408 ~~percent of its losses from each covered event in excess of the~~
409 ~~insurer's retention, plus 5 percent of the reimbursed losses to~~
410 ~~cover loss adjustment expenses. The percentage shall be the same~~
411 ~~as the coverage level selected by the insurer under paragraph~~
412 ~~(4)(b).~~

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

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

419 ~~(f) TICL reimbursement premiums. Each TICL insurer shall~~
420 ~~pay to the fund, in the manner and at the time provided in the~~
421 ~~reimbursement contract for payment of reimbursement premiums, a~~
422 ~~TICL reimbursement premium determined as specified in subsection~~
423 ~~(5), except that a cash build-up factor does not apply to the~~
424 ~~TICL reimbursement premiums. However, the TICL reimbursement~~
425 ~~premium shall be increased in the 2009-2010 contract year by a~~
426 ~~factor of two, in the 2010-2011 contract year by a factor of~~
427 ~~three, in the 2011-2012 contract year by a factor of four, in~~
428 ~~the 2012-2013 contract year by a factor of five, and in the~~
429 ~~2013-2014 contract year by a factor of six.~~

430 ~~(g) Effect on claims paying capacity of the fund. For the~~
431 ~~2009-2010, 2010-2011, 2011-2012, 2012-2013, and 2013-2014~~
432 ~~contract years, the program created by this subsection shall~~
433 ~~increase the claims paying capacity of the fund as provided in~~
434 ~~subparagraph (4)(c)1. by an amount not to exceed \$12 billion and~~
435 ~~shall depend on the TICL coverage options available and selected~~

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436 ~~for the specified contract year and the number of insurers that~~
437 ~~select the TICL optional coverage. The additional capacity shall~~
438 ~~apply only to the additional coverage provided under the TICL~~
439 ~~options and shall not otherwise affect any insurer's~~
440 ~~reimbursement from the fund if the insurer chooses not to select~~
441 ~~the temporary option to increase its limit of coverage under the~~
442 ~~FHCF.~~

443 Section 2. Paragraph (k) of subsection (2) of section
444 627.062, Florida Statutes, is amended to read:

445 627.062 Rate standards.—

446 (2) As to all such classes of insurance:

447 (k)1. A residential property insurer may make a separate
448 filing limited solely to an adjustment of its rates for
449 reinsurance, the cost of financing products used as a
450 replacement for reinsurance, and financing costs incurred in the
451 purchase of reinsurance, ~~and the actual cost paid due to the~~
452 ~~application of the cash build up factor pursuant to s.~~
453 ~~215.555(5)(b)~~ if the insurer:

454 a. Elects to purchase financing products such as a
455 liquidity instrument or line of credit, in which case the cost
456 included in filing for the liquidity instrument or line of
457 credit may not result in a premium increase exceeding 3 percent
458 for any individual policyholder. All costs contained in the
459 filing may not result in an overall premium increase of more
460 than 15 percent for any individual policyholder.

461 b. Includes in the filing a copy of all of its reinsurance,
462 liquidity instrument, or line of credit contracts; proof of the
463 billing or payment for the contracts; and the calculation upon
464 which the proposed rate change is based demonstrating that the

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465 costs meet the criteria of this section.

466 2. An insurer that purchases reinsurance or financing
467 products from an affiliated company may make a separate filing
468 only if the costs for such reinsurance or financing products are
469 charged at or below charges made for comparable coverage by
470 nonaffiliated reinsurers or financial entities making such
471 coverage or financing products available in this state.

472 3. An insurer may make only one filing per 12-month period
473 under this paragraph.

474 4. An insurer that elects to implement a rate change under
475 this paragraph must file its rate filing with the office at
476 least 45 days before the effective date of the rate change.
477 After an insurer submits a complete filing that meets all of the
478 requirements of this paragraph, the office has 45 days after the
479 date of the filing to review the rate filing and determine if
480 the rate is excessive, inadequate, or unfairly discriminatory.

481
482 The provisions of this subsection do not apply to workers'
483 compensation, employer's liability insurance, and motor vehicle
484 insurance.

485 Section 3. Subsection (5) of section 627.0629, Florida
486 Statutes, is amended to read:

487 627.0629 Residential property insurance; rate filings.—

488 (5) In order to provide an appropriate transition period,
489 an insurer may implement an approved rate filing for residential
490 property insurance over a period of years. Such insurer must
491 provide an informational notice to the office setting out its
492 schedule for implementation of the phased-in rate filing. The
493 insurer may include in its rate the actual cost of private

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494 market reinsurance that corresponds to available coverage of the
495 Flexible Layered Options Temporary Increase in Coverage Limits,
496 ~~TICL,~~ from the Florida Hurricane Catastrophe Fund. ~~The insurer~~
497 ~~may also include the cost of reinsurance to replace the TICL~~
498 ~~reduction implemented pursuant to s. 215.555(16)(d)9.~~ However,
499 this cost for reinsurance may not include any expense or profit
500 load or result in a total annual base rate increase in excess of
501 10 percent.

502 Section 4. Paragraph (n) of subsection (6) of section
503 627.351, Florida Statutes, is amended to read:

504 627.351 Insurance risk apportionment plans.—

505 (6) CITIZENS PROPERTY INSURANCE CORPORATION.—

506 (n)1. Rates for coverage provided by the corporation must
507 be actuarially sound and subject to s. 627.062, except as
508 otherwise provided in this paragraph. The corporation shall file
509 its recommended rates with the office at least annually. The
510 corporation shall provide any additional information regarding
511 the rates which the office requires. The office shall consider
512 the recommendations of the board and issue a final order
513 establishing the rates for the corporation within 45 days after
514 the recommended rates are filed. The corporation may not pursue
515 an administrative challenge or judicial review of the final
516 order of the office.

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

521 3. After the public hurricane loss-projection model under
522 s. 627.06281 has been found to be accurate and reliable by the

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523 Florida Commission on Hurricane Loss Projection Methodology, the
524 model shall be considered when establishing the windstorm
525 portion of the corporation's rates. The corporation may use the
526 public model results in combination with the results of private
527 models to calculate rates for the windstorm portion of the
528 corporation's rates. This subparagraph does not require or allow
529 the corporation to adopt rates lower than the rates otherwise
530 required or allowed by this paragraph.

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

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

547 6. Beginning on or after January 1, 2010, and
548 notwithstanding the board's recommended rates and the office's
549 final order regarding the corporation's filed rates under
550 subparagraph 1., the corporation shall annually implement a rate
551 increase which, except for sinkhole coverage, does not exceed 10

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552 percent for any single policy issued by the corporation,
553 excluding coverage changes and surcharges.

554 ~~7. The corporation may also implement an increase to~~
555 ~~reflect the effect on the corporation of the cash buildup factor~~
556 ~~pursuant to s. 215.555(5)(b).~~

557 7.8. The corporation's implementation of rates as
558 prescribed in subparagraph 6. shall cease for any line of
559 business written by the corporation upon the corporation's
560 implementation of actuarially sound rates. Thereafter, the
561 corporation shall annually make a recommended actuarially sound
562 rate filing for each commercial and personal line of business
563 the corporation writes.

564 Section 5. This act shall take effect January 1, 2018.