A bill to be entitled

An act relating to the Florida Hurricane Catastrophe Fund; amending s. 215.555, F.S.; reordering, revising, and providing definitions; revising the retention multiples based on coverage levels chosen by insurers; revising coverage levels available under reimbursement contracts; revising the obligation of the board with respect to reimbursement contracts; revising the information that the State Board of Administration must publish regarding the Hurricane Catastrophe Fund's claims-paying capacity; revising the formula for determining reimbursements to certain insurers; revising the rate formula used for determining the actuarially indicated premium to be paid to the fund; requiring the reimbursement premium to include an additional charge to fund specified programs; deleting a formula for determining actuarially indicated premiums to be paid to the fund; providing a formula for Citizen's Property Insurance Corporation for a cash build-up factor to increase the fund's cash surplus; expanding membership of the advisory council; requiring the board to offer optional market stabilization layers; authorizing insurers to buy an optional capacity stabilization layer or an optional retention stabilization layer; specifying the calculation methodology for determining the optional capacity stabilization layer and the optional retention stabilization layer; specifying methods for the board to use when calculating and reporting the optional coverage multiples to certain insurers; specifying the calculation methodology for determining optional capacity stabilization layer retention; requiring the board to promise to reimburse certain insurers; requiring certain insurers to pay an optional reimbursement stabilization premium to the fund; providing exemptions; deleting provisions relating to temporary emergency options for additional coverage; amending s. 626.9892, F.S.; specifying requirements for using certain funds from insurance reimbursement premiums within the Department of Financial Services; requiring the Division of Investigative and Forensic Services to establish and maintain an office with specified staff; specifying the salaries of specified employee classifications; requiring the department to pay certain persons specified sums for providing information leading to the arrest of certain persons for insurance fraud; amending s. 627.062, F.S.; deleting a provision prohibiting an insurer from recouping reinsurance costs under certain conditions; amending s. 627.0629, F.S.; conforming provisions to changes made by the act; amending s. 627.351, F.S.; removing obsolete provisions that transferred policies of the Residential Property and Casualty Joint Underwriting Association to Citizens Property Insurance Corporation; amending ss. 624.424 and 627.715, F.S.; conforming cross-references; providing an effective date.

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

Section 1. Subsection (2) of section 215.555, Florida Statutes, is reordered and amended, and paragraphs (b), (c), and (d) of subsection (4), paragraph (b) of subsection (5), paragraph (d) of subsection (6), subsections (8) and (16), and paragraph (c) of subsection (17) of that section are amended to read:

215.555 Florida Hurricane Catastrophe Fund.—

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

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

(b) "Board" means the State Board of Administration created by and referred to in s. 4, Art. IV of the State Constitution.

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

(d) ~~(e)~~ "Contract year" means the period beginning on June 1 of a specified calendar year and ending on May 31 of the following calendar year.

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

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

(g) ~~(c)~~ "Covered policy" means any insurance policy covering residential property in this state, including, but not limited to, any homeowner, mobile home owner, farm owner, condominium association, condominium unit owner, tenant, or apartment building policy, or any other policy covering a residential structure or its contents issued by any authorized insurer, including a commercial self-insurance fund holding a certificate of authority issued by the Office of Insurance Regulation under s. 624.462, the Citizens Property Insurance Corporation, and any joint underwriting association or similar entity created under law. The term "covered policy" includes any collateral protection insurance policy covering personal residences which protects both the borrower's and the lender's financial interests, in an amount at least equal to the coverage for the dwelling in place under the lapsed homeowner's policy, if such policy can be accurately reported as required in subsection (5). Additionally, covered policies include policies covering the peril of wind removed ~~from the Florida Residential Property and Casualty Joint Underwriting Association or~~ from the Citizens Property Insurance Corporation, created under s. 627.351(6), ~~or from the Florida Windstorm Underwriting Association, created under s. 627.351(2),~~ by an authorized insurer under the terms and conditions of an executed assumption agreement between the authorized insurer and ~~such association or~~ Citizens Property Insurance Corporation. Each assumption agreement between ~~the association and~~ such authorized insurer <u>and</u> ~~or~~ Citizens Property Insurance Corporation must be approved by the Office of Insurance Regulation before the effective date of the assumption, and the Office of Insurance Regulation must provide written notification to the board within 15 working days after such approval. "Covered policy" does not include any policy that excludes wind coverage or hurricane coverage or any reinsurance agreement and does not include any policy otherwise meeting this definition which is issued by a surplus lines insurer or a reinsurer. All commercial residential excess policies and all deductible buy-back policies that, based on sound actuarial principles, require individual ratemaking shall be excluded by rule if the actuarial soundness of the fund is not jeopardized. For this purpose, the term "excess policy" means a policy that provides insurance protection for large commercial property risks and that provides a layer of coverage above a primary layer insured by another insurer.

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

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

(j) ~~(i)~~ "Estimated claims-paying capacity" means the sum of the projected year-end balance of the fund as of December 31 of a contract year, plus any pre-event bonding or reinsurance purchased by the fund, plus the board's estimate of the board's borrowing capacity.

(k) "Fund" or "HCTF" means the Hurricane Catastrophe Trust Fund.

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

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

1. Losses for fair rental value, loss of rent or rental income, or business interruption losses;

2. Losses under liability coverages;

3. Property losses that are proximately caused by any peril other than a covered event, including, but not limited to, fire, theft, flood or rising water, or windstorm that does not constitute a covered event;

4. Amounts paid as the result of a voluntary expansion of coverage by the insurer, including, but not limited to, a waiver of an applicable deductible;

~~5. Amounts paid to reimburse a policyholder for condominium association or homeowners' association loss assessments or under similar coverages for contractual liabilities;~~

5.~~6.~~ Amounts paid as bad faith awards, punitive damage awards, or other court-imposed fines, sanctions, or penalties; or

~~7. Amounts in excess of the coverage limits under the covered policy; or~~

6.~~8.~~ ~~Allocated or~~ Unallocated loss adjustment expenses.

(n) "Optional capacity stabilization layer" or "OCSL" means the optional coverage layer above the limit established in subparagraph (4)(c)1.

(o) "Optional retention stabilization layer" or "ORSL" means the optional coverage layer below the aggregate retention multiple amount determined in subparagraph (r)1.

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

(q) "Residential structure" means a single-family home, duplex, townhome, or residential condominium unit, regardless of whether such structure is owner-occupied, rented, or vacant. The term does not include a hotel, motel, apartment building, or commercial building.

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

1. The board shall calculate and report to each insurer the retention multiples for that year. For each ~~the~~ contract

year ~~beginning June 1, 2005, the retention multiple shall be equal to $4.5 billion divided by the total estimated reimbursement premium for the contract year; for subsequent years~~, the retention multiple shall be equal to $4.5 billion, adjusted based upon the reported exposure for the contract year occurring 2 years before the particular contract year to reflect the percentage growth in exposure to the fund for covered policies since 2004, divided by the total estimated reimbursement premium for the contract year. Total reimbursement premium for purposes of the calculation under this subparagraph shall be estimated using the assumption that all insurers have selected the 90-percent coverage level.

2. The retention multiple as determined under subparagraph 1. shall be adjusted to reflect the coverage level elected by the insurer. For insurers electing the 90-percent coverage level, the adjusted retention multiple is 100 percent of the amount determined under subparagraph 1. For insurers electing the 75-percent coverage level, the retention multiple is 120 percent of the amount determined under subparagraph 1. For insurers electing the 65-percent coverage level, the adjusted retention multiple is 138.5 percent of the amount determined under subparagraph 1. For insurers electing the 55-percent coverage level, the adjusted retention multiple is 163.3 percent of the amount determined under subparagraph 1. For insurers electing the 45-percent coverage level, the ~~adjusted~~ retention

multiple is 200 percent of the amount determined under subparagraph 1. For insurers electing the 25-percent coverage level, the retention multiple is 360 percent of the amount determined under subparagraph 1.

3. An insurer shall determine its provisional retention by multiplying its provisional reimbursement premium by the applicable adjusted retention multiple and shall determine its actual retention by multiplying its actual reimbursement premium by the applicable adjusted retention multiple.

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

(s) "Statutory capacity" means the total obligation of the board with respect to all contracts covering a particular contract year as set forth in subparagraph (4)c.1.

(t) ~~(f)~~ "Workers' compensation" includes both workers' compensation and excess workers' compensation insurance.

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

(4) REIMBURSEMENT CONTRACTS.—

(b)1. The contract shall contain a promise by the board to reimburse the insurer for 25 percent, 45 percent, 55 percent, 65 percent, 75 percent, or 90 percent of its losses from each covered event in excess of the insurer's retention~~, plus 5 percent of the reimbursed losses to cover loss adjustment expenses~~.

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

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

(c)1. Effective June 1, 2017, the contract shall also provide that the obligation of the board with respect to all contracts covering a particular contract year shall be $14 billion ~~not exceed the actual claims-paying capacity of the fund up to a limit of $17 billion for that contract year, unless the board determines that there is sufficient estimated claims-paying capacity to provide $17 billion of capacity for the current contract year and an additional $17 billion of capacity for subsequent contract years. If the board makes such a determination, the estimated claims-paying capacity for the particular contract year shall be determined by adding to the $17 billion limit one-half of the fund's estimated claims-paying capacity in excess of $34 billion. However, the dollar growth in the limit may not increase in any year by an amount greater than the dollar growth of the balance of the fund as of December 31, less any premiums or interest attributable to optional coverage, as defined by rule which occurred over the prior calendar year~~.

2. In January ~~May and October~~ of each ~~the contract~~ year, the board shall publish in the Florida Administrative Register a statement of the fund's estimated borrowing capacity and~~,~~ the fund's estimated claims-paying capacity. Upon completing the estimate of the fund's claims-paying capacity, ~~and the projected balance of the fund as of December 31. After the end of each calendar year,~~ the board shall notify insurers of the estimated borrowing capacity, the estimated claims-paying capacity, and

the balance of the fund as of December 31 to provide insurers with data necessary to assist them in determining their retention and projected payout from the fund for loss reimbursement purposes. In conjunction with the development of the premium formula, as provided for in subsection (5), the board shall publish factors or multiples that assist insurers in determining their retention and projected payout for the next contract year. The statement shall include an estimate of the fund's bonding capacity for 1 year, 2 years, and 3 years ~~For all regulatory and reinsurance purposes, an insurer may calculate its projected payout from the fund as its share of the total fund premium for the current contract year multiplied by the sum of the projected balance of the fund as of December 31 and the estimated borrowing capacity for that contract year as reported under this subparagraph~~.

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

2. In determining reimbursements pursuant to this subsection, the contract shall provide that the board shall pay to each insurer such insurer's projected payout, which is the amount of reimbursement it is owed, up to an amount equal to the insurer's share of the actual premium paid for that contract year, multiplied by the insurer's share of the statutory capacity ~~actual claims-paying capacity available for that contract year~~.

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

(5) REIMBURSEMENT PREMIUMS.—

(b) The State Board of Administration shall select an independent consultant to develop a rate formula for determining the actuarially indicated premium to be paid to the fund. The rates must be higher than the mandatory layer rate for ORSL and lower than the mandatory layer rate for OCSL and reflect the different risk levels. The rate formula shall specify, for each zip code or other limited geographical area, the amount of premium to be paid by an insurer for each $1,000 of insured value under covered policies in that zip code or other area. In establishing premiums, the board shall consider the coverage elected under paragraph (4)(b) and any factors that tend to enhance the actuarial sophistication of ratemaking for the fund, including deductibles, type of construction, type of coverage provided, relative concentration of risks, and other such factors deemed by the board to be appropriate. Beginning in the 2017-2018 contract year, the reimbursement premium must include an additional 10-percent charge. The first $10 million collected from the additional charge shall be transferred annually into the Insurance Regulatory Trust Fund and used to fund the Anti-Fraud Reward Program established in s. 626.9892. The remainder of the money shall be used by the Division of Emergency Management to fund and administer a mitigation program for wind and water resistance improvements to residential structures. Beginning in the 2017-2018 contract year, the formula for Citizens Property Insurance Corporation shall include a 15-percent cash build-up factor. If the fund's cash surplus falls below $2 billon, participating insurers must provide a 15-percent cash build-up factor for the subsequent contract year until the fund's projected year-end cash surplus exceeds $10 billon. ~~The formula must provide for a cash build-up factor. For the 2009-2010 contract year, the factor is 5 percent. For the 2010-2011 contract year, the factor is 10 percent. For the 2011-2012 contract year, the factor is 15 percent. For the 2012-2013 contract year, the factor is 20 percent. For the 2013-2014 contract year and thereafter, the factor is 25 percent.~~ The rate formula may provide ~~for~~ a procedure to determine the premiums to be paid by new insurers that begin writing covered policies after the beginning of a contract year, taking into consideration when the insurer starts writing covered policies, the potential exposure of the insurer, the potential exposure of the fund, the administrative costs to the insurer and to the fund, and any other factors deemed appropriate by the board. The formula must be approved by unanimous vote of the board. The board may, at any time, revise the formula pursuant to the procedure provided in this paragraph.

(6) REVENUE BONDS.—

(d) State Board of Administration Finance Corporation.—

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

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

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

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

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

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

c. The corporation has all of the powers of corporations under part I of chapter 607 and under chapter 617, subject only to this subsection.

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

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

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

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

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

<u>c.</u>~~4.~~ The bonds of the corporation are not a debt of the

state or ~~of~~ any political subdivision, and neither the state nor any political subdivision is liable on such bonds. The corporation may not ~~does not have the power to~~ pledge the credit, the revenues, or the taxing power of the state or ~~of~~ any political subdivision. The credit, revenues, or taxing power of the state or ~~of~~ any political subdivision may ~~shall~~ not be deemed to be pledged to the payment of any bonds of the corporation.

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

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

4.~~6.~~ The corporation and its corporate existence continue until terminated by law; however, such law may not take effect as long as the corporation has bonds outstanding unless adequate provision has been made for the payment of such bonds pursuant to the documents authorizing the issuance of such bonds. Upon termination of the existence of the corporation, all of its rights and properties in excess of its obligations shall pass to and be vested in the state.

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

(8) ADVISORY COUNCIL.—The State Board of Administration shall appoint nine members of an eleven-member ~~a nine-member~~ advisory council, including ~~that consists of~~ an actuary, a meteorologist, an engineer, a representative of insurers, a representative of insurance agents, a representative of reinsurers, and three consumers who represent ~~shall also be representatives of~~ other affected professions and industries, to

provide the board with information and advice in connection with its duties under this section. One of the members must represent a statewide industry trade group and one member must represent the Florida Association for Insurance Reform, each who shall be appointed by his or her respective board of directors. Members of the advisory council shall serve at the pleasure of the board and are eligible for per diem and travel expenses under s. 112.061.

(16) OPTIONAL MARKET STABILIZATION LAYERS ~~TEMPORARY INCREASE IN COVERAGE LIMIT OPTIONS~~.—

(a) Findings and intent.—

1. The Legislature finds that:

a. Because of past ~~temporary~~ disruptions in the market for catastrophic reinsurance, many property insurers were unable to procure sufficient amounts of reinsurance during certain years ~~for the 2006 hurricane season~~ or were able to procure such reinsurance only by incurring substantial cost increases ~~substantially higher costs than in prior years~~.

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

c. There is significant risk that future market disruptions could cause a reoccurrence of the problems described in this subparagraph ~~It is likely that the reinsurance market~~

~~disruptions will not significantly abate prior to the 2007 hurricane season~~.

2. It is the intent of the Legislature to authorize ~~create options for~~ insurers to purchase optional ~~a temporary~~ increased coverage layers. An insurer may purchase an optional capacity stabilization layer or an optional retention stabilization layer, as those terms are defined in subsection (2) ~~limit above the statutorily determined limit in subparagraph (4)(c)1., applicable for the 2007, 2008, 2009, 2010, 2011, 2012, and 2013 hurricane seasons, to address market disruptions and enable insurers, at their option~~, to procure additional coverage from the Florida Hurricane Catastrophe Fund.

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

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

(d) Additional definitions.—As used in this subsection, the term:

1. "FHCF" means Florida Hurricane Catastrophe Fund.

2. "FHCF reimbursement premium" means the premium paid by an insurer for its coverage as a mandatory participant in the

FHCF, but does not include additional premiums for optional coverages.

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

4. "OCSL retention" means the insurer's reimbursement premium multiplied by the OCSL retention multiple for the option selected by the insurer ~~"TICL" means the temporary increase in coverage limit~~.

5. "OCSL ~~TICL~~ options" means the optional ~~temporary~~ increase in coverage options above the statutory capacity ~~created under this subsection~~.

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

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

8. "OCSL ~~TICL~~ coverage multiple" means the coverage multiple when multiplied by an insurer's reimbursement premium that defines the optional ~~temporary~~ increase in coverage limit above the statutory capacity.

CODING: Words ~~stricken~~ are deletions; words underlined are additions.

9. "OCSL ~~TICL~~ coverage" means the coverage for an insurer's losses above the insurer's statutorily determined claims-paying capacity based on the claims-paying limit established in subparagraph (4)(c)1., which an insurer may select ~~selects~~ as its optional ~~temporary~~ increase in coverage from the fund under the OCSL ~~TICL~~ options ~~selected~~. The insurer's OCSL coverage is the insurer's reimbursement premium multiplied by the OCSL coverage multiple for the option selected by the insurer. To calculate an OCSL ~~A TICL~~ insurer's increased coverage limit options, ~~shall be calculated as follows:~~

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

~~b. For the 2009-2010 contract year, the board shall calculate and report to each TICL insurer the TICL coverage multiples based on 10 options for increasing the insurer's FHCF coverage limit. Each TICL coverage multiple shall be calculated by dividing $1 billion, $2 billion, $3 billion, $4 billion, $5 billion, $6 billion, $7 billion, $8 billion, $9 billion, and $10~~

~~billion by the total estimated aggregate FHCF reimbursement premiums for the 2009-2010 contract year.~~

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

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

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

~~f. For the 2013-2014 contract year, the board shall~~

~~calculate and report to each TICL insurer the TICL coverage multiples based on two options for increasing the insurer's FHCF coverage limit. Each TICL coverage multiple shall be calculated by dividing $1 billion and $2 billion by the total estimated aggregate FHCF reimbursement premiums for the 2013-2014 contract year.~~

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

10. "OCSL ~~TICL~~ options addendum" means an addendum to the reimbursement contract reflecting the obligations of the fund and insurers selecting an option to increase an insurer's FHCF coverage limit above statutory capacity.

11. "OCSL retention multiple" means the sum of the aggregate retention multiple amount determined in subparagraph (2)(r)1. and the payout multiple defined in subparagraph 19.

12. "ORSL coverage" means the coverage for an insurer's losses below the insurer's retention, which an insurer may select as its optional increase in coverage from the fund under

the ORSL options. The insurer's ORSL coverage is the insurer's reimbursement premium multiplied by the ORSL coverage multiple for the option selected by the insurer. The board shall determine an ORSL insurer's increased coverage limit options by calculating and reporting to each ORSL insurer the ORSL coverage multiples and ORSL retention multiples based on two options for increasing the insurer's FHCF coverage level. Each ORSL coverage multiple shall be calculated by dividing $1 billion or $2 billion by the total estimated aggregate FHCF reimbursement premiums for the contract year. The respective ORSL retention multiples shall equal the aggregate retention multiple amount determined in subparagraph (2)(r)1. minus the ORSL coverage multiple as determined in subparagraph 12.

13. "ORSL coverage multiple" means the coverage multiple when multiplied by an insurer's reimbursement premium that defines the optional increase in coverage limit below ORSL retention.

14. "ORSL insurer" means an insurer that has opted to obtain coverage under the ORSL options addendum in addition to the coverage provided to the insurer under its FHCF reimbursement contract.

15. "ORSL option" means the optional increase in coverage options below retention.

16. "ORSL options addendum" means an addendum to the reimbursement contract reflecting the obligations of the fund

<u>and insurers selecting an option to increase an insurer's FHCF coverage limit below retention.</u>

<u>17. "ORSL reimbursement premium" means the premium charged by the fund for coverage provided under the ORSL option.</u>

<u>18. "ORSL retention" means the insurer's reimbursement premium multiplied by the ORSL retention multiple for the option selected by the insurer.</u>

<u>19. "ORSL retention multiple" means the multiple that when multiplied by an insurer's ORSL reimbursement premium equals the ORSL retention.</u>

(e) <u>OCSL</u> ~~TICL~~ options addendum.—

1. The <u>OCSL</u> ~~TICL~~ options addendum shall provide for reimbursement of <u>OCSL</u> ~~TICL~~ insurers for covered events occurring during the ~~2009-2010, 2010-2011, 2011-2012, 2012-2013, and 2013-2014~~ contract <u>year</u> ~~years~~ in exchange for the <u>OCSL</u> ~~TICL~~ reimbursement premium paid into the fund ~~under paragraph (f)~~ based on the <u>OCSL</u> ~~TICL~~ coverage ~~available and~~ selected for <u>that</u> ~~each respective~~ contract year. <u>An</u> ~~Any~~ insurer writing covered policies <u>may select</u> ~~has the option of selecting~~ an increased limit of coverage under the <u>OCSL</u> ~~TICL~~ options addendum and shall select such coverage at the time that it executes the FHCF reimbursement contract.

2. The <u>OCSL options</u> ~~TICL~~ addendum shall contain a promise by the board to reimburse the <u>OCSL</u> ~~TICL~~ insurer for <u>25 percent,</u> 45 percent, <u>55 percent, 65 percent,</u> 75 percent, or 90 percent of

its losses from each covered event in excess of the insurer's OCSL retention, plus ~~5 percent of the reimbursed losses to cover~~ loss adjustment expenses, up to the limit of the insurer's OCSL coverage. The percentage shall be the same as the coverage level selected by the insurer under paragraph (4)(b).

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

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

(f) OCSL ~~TICL~~ reimbursement premiums.—Each OCSL ~~TICL~~ insurer shall pay to the fund, in the manner and at the time provided in the reimbursement contract for payment of reimbursement premiums, an OCSL ~~a TICL~~ reimbursement premium determined as specified in subsection (5). However, ~~except that~~ a catastrophe mitigation ~~cash build-up~~ factor does not apply to the OCSL ~~TICL~~ reimbursement premiums. OCSL reimbursement premiums must be determined using the same formula that is used for reimbursement premiums, must recognize the OCSL retention and OCSL coverage multiples, and is subject to the conditions specified in paragraph (5)(b). ~~However, the TICL reimbursement premium shall be increased in the 2009-2010 contract year by a factor of two, in the 2010-2011 contract year by a factor of three, in the 2011-2012 contract year by a factor of four, in~~

CODING: Words ~~stricken~~ are deletions; words underlined are additions.

~~the 2012-2013 contract year by a factor of five, and in the 2013-2014 contract year by a factor of six.~~

(g) ORSL options addendum.—

1. The ORSL options addendum shall provide for reimbursement of ORSL insurers for covered events occurring during the contract year in exchange for the ORSL reimbursement premium paid into the fund based on the ORSL coverage selected for that contract year. An insurer writing covered policies may select an increased limit of coverage under the ORSL options addendum and shall select such coverage at the time that it executes the FHCF reimbursement contract.

2. The ORSL options addendum shall contain a promise by the board to reimburse the ORSL insurer for 25 percent, 45 percent, 55 percent, 65 percent, 75 percent, or 90 percent of its losses from each covered event in excess of the insurer's ORSL retention, plus loss adjustment expenses, up to the limit of the insurer's ORSL coverage. The percentage shall be the same as the coverage level selected by the insurer under paragraph (4)(b).

3. The ORSL options addendum shall provide that reimbursement amounts may not be reduced by reinsurance paid or payable to the insurer from other sources.

4. The priorities, schedule, and method of reimbursement under the ORSL options addendum shall be as set forth in subsection (4).

(h) ORSL reimbursement premiums.—Each ORSL insurer shall pay to the fund, in the manner and at the time provided in the reimbursement contract for payment of reimbursement premiums, an ORSL reimbursement premium. However, a catastrophe mitigation factor does not apply to the ORSL reimbursement premiums. ORSL reimbursement premiums shall be determined using the same formula as set forth in subsection (5), recognizing the ORSL retention and ORSL coverage multiples, and is subject to the conditions specified in paragraph (5)(b).

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

(17) FACILITATION OF INSURERS' PRIVATE CONTRACT NEGOTIATIONS BEFORE THE START OF THE HURRICANE SEASON.—

(c) Insurers writing covered policies shall execute the reimbursement contract by March 1 of the immediately preceding contract year, and the contract shall have an effective date as set forth ~~defined~~ in paragraph (2)(d) ~~(2)(c)~~.

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

624.424 Annual statement and other information.—

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

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

(b) Total number of policies canceled.

(c) Total number of policies nonrenewed.

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

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

(f) Number of new policies written.

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

(h) Number of policies that exclude wind coverage.

Section 3. Subsections (2), (3), (4), and (5) of section 626.9892, Florida Statutes, are renumbered as subsections (3), (4), (5), and (6), respectively, a new subsection (2) is added to that section, and present subsection (2) of that section is amended to read:

626.9892 Anti-Fraud Reward Program; reporting of insurance fraud.—

(2) Of the funds collected annually pursuant to paragraph 212.555(5)(b):

(a) Eight million dollars shall be used to establish and maintain a new unit within the Division of Investigative and Forensic Services composed of investigators and prosecutors devoted to the investigation and prosecution of homeowner insurance fraud. The unit shall consist of at least six but not more than seven teams. Each team shall be composed of at least four but not more than six investigators, at least one but not more than two prosecutors, two administrative support staff, and one paralegal. The division shall set the salaries of the investigators and prosecutors in this unit using the pay classifications and salaries used by the Department of Law Enforcement for investigators and prosecutors.

(b) Two million dollars shall be used exclusively to fund the Anti-Fraud Reward Program under this section.

(3) ~~(2)~~ The department may pay rewards of up to $25,000 to persons providing information leading to the arrest and conviction of persons for ~~committing~~ crimes investigated by the Division of Investigative and Forensic Services ~~department~~ arising from violations of s. 440.105, s. 624.15, s. 626.9541, s. 626.989, s. 790.164, s. 790.165, s. 790.166, s. 806.031, s. 806.10, s. 806.111, s. 817.233, or s. 817.234. The department shall pay a reward of $1,000 to persons providing information leading to the arrest and conviction of any person for crimes investigated by the division for violations of s. s. 440.105, s. 624.15, s. 626.9541, s. 626.989, s. 790.164, s. 790.165, s. 790.166, s. 806.031, s. 806.10, s. 806.111, s. 817.233, or s. 817.234.

Section 4. Subsection (5) of section 627.062, Florida Statutes, is amended to read:

627.062 Rate standards.—

(5) With respect to a rate filing involving coverage of the type for which the insurer is required to pay a reimbursement premium to the Florida Hurricane Catastrophe Fund, the insurer may fully recoup in its property insurance premiums any reimbursement premiums paid to the fund, together with reasonable costs of other reinsurance~~; however, except as otherwise provided in this section, the insurer may not recoup~~

~~reinsurance costs that duplicate coverage provided by the fund~~. An insurer may not recoup more than 1 year of reimbursement premium at a time. Any under-recoupment from the prior year may be added to the following year's reimbursement premium, and any over-recoupment must be subtracted from the following year's reimbursement premium.

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

627.0629 Residential property insurance; rate filings.—

(5) In order to provide an appropriate transition period, an insurer may implement an approved rate filing for residential property insurance over a period of years. Such insurer must provide an informational notice to the office setting out its schedule for implementation of the phased-in rate filing. The insurer may include in its rate the actual cost of private market reinsurance that corresponds to available coverage <u>from the optional capacity stabilization layer and the optional retention stabilization layer</u> of ~~the Temporary Increase in Coverage Limits, TICL, from~~ the Florida Hurricane Catastrophe Fund<u>, as set forth in s. 215.555</u>. ~~The insurer may also include the cost of reinsurance to replace the TICL reduction implemented pursuant to s. 215.555(16)(d)9. However, this cost for reinsurance may not include any expense or profit load or result in a total annual base rate increase in excess of 10 percent.~~

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

627.351 Insurance risk apportionment plans.—

(6) CITIZENS PROPERTY INSURANCE CORPORATION.—

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

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

~~3. The Florida Windstorm Underwriting Association and the Residential Property and Casualty Joint Underwriting Association shall take all actions necessary to further evidence the~~

~~transfers and provide the documents and instruments of further assurance as may reasonably be requested by the corporation for that purpose. The corporation shall execute assumptions and instruments as the trustees or other parties to the financing documents of the Florida Windstorm Underwriting Association or the Residential Property and Casualty Joint Underwriting Association may reasonably request to further evidence the transfers and assumptions, which transfers and assumptions, however, are effective on the date provided under this paragraph whether or not, and regardless of the date on which, the assumptions or instruments are executed by the corporation. Subject to the relevant financing documents pertaining to their outstanding bonds, notes, indebtedness, or other financing obligations, the moneys, investments, receivables, choses in action, and other intangibles of the Florida Windstorm Underwriting Association shall be credited to the coastal account of the corporation, and those of the personal lines residential coverage account and the commercial lines residential coverage account of the Residential Property and Casualty Joint Underwriting Association shall be credited to the personal lines account and the commercial lines account, respectively, of the corporation.~~

~~4. Effective July 1, 2002, a new applicant for property insurance coverage who would otherwise have been eligible for coverage in the Florida Windstorm Underwriting Association is~~

~~eligible for coverage from the corporation as provided in this subsection.~~

~~5. The transfer of all policies, obligations, rights, assets, and liabilities from the Florida Windstorm Underwriting Association to the corporation and the renaming of the Residential Property and Casualty Joint Underwriting Association as the corporation does not affect the coverage with respect to covered policies as defined in s. 215.555(2)(c) provided to these entities by the Florida Hurricane Catastrophe Fund. The coverage provided by the fund to the Florida Windstorm Underwriting Association based on its exposures as of June 30, 2002, and each June 30 thereafter shall be redesignated as coverage for the coastal account of the corporation. Notwithstanding any other provision of law, the coverage provided by the fund to the Residential Property and Casualty Joint Underwriting Association based on its exposures as of June 30, 2002, and each June 30 thereafter shall be transferred to the personal lines account and the commercial lines account of the corporation. Notwithstanding any other provision of law, the coastal account shall be treated, for all Florida Hurricane Catastrophe Fund purposes, as if it were a separate participating insurer with its own exposures, reimbursement premium, and loss reimbursement. Likewise, the personal lines and commercial lines accounts shall be viewed together, for all fund purposes, as if the two accounts were one and represent a~~

~~single, separate participating insurer with its own exposures, reimbursement premium, and loss reimbursement. The coverage provided by the fund to the corporation shall constitute and operate as a full transfer of coverage from the Florida Windstorm Underwriting Association and Residential Property and Casualty Joint Underwriting Association to the corporation.~~

Section 7. Subsection (7) of section 627.715, Florida Statutes, is amended to read:

627.715 Flood insurance.—An authorized insurer may issue an insurance policy, contract, or endorsement providing personal lines residential coverage for the peril of flood on any structure or the contents of personal property contained therein, subject to this section. This section does not apply to commercial lines residential or commercial lines nonresidential coverage for the peril of flood. This section also does not apply to coverage for the peril of flood that is excess coverage over any other insurance covering the peril of flood. An insurer may issue flood insurance policies, contracts, or endorsements on a standard, preferred, customized, or supplemental basis.

(7) The Florida Hurricane Catastrophe Fund may not provide reimbursement for losses proximately caused by the peril of flood, including losses that occur during a covered event as defined in s. 215.555 ~~215.555(2)(b)~~.

Section 8. This act shall take effect July 1, 2017.