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LEGISLATIVE ACTION

Senate

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House

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Floor: WD/2R

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03/08/2018 03:51 PM

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Senator Steube moved the following:

Senate Amendment (with title amendment)

Before line 78

insert:

Section 1. Paragraph (e) of subsection (2), paragraphs (b) and (c) of subsection (4), and paragraph (b) of subsection (5) of section 215.555, Florida Statutes, are amended to read:

215.555 Florida Hurricane Catastrophe Fund.—

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

(e) "Retention" means the amount of losses below which an insurer is not entitled to reimbursement from the fund. An



12 insurer's retention shall be calculated as follows:

13 1. The board shall calculate and report to each insurer the
14 retention multiples for that year. For the contract year
15 beginning June 1, 2005, the retention multiple shall be equal to
16 \$4.5 billion divided by the total estimated reimbursement
17 premium for the contract year; for subsequent years, the
18 retention multiple shall be equal to \$4.5 billion, adjusted
19 based upon the reported exposure for the contract year occurring
20 2 years before the particular contract year to reflect the
21 percentage growth in exposure to the fund for covered policies
22 since 2004, divided by the total estimated reimbursement premium
23 for the contract year. Total reimbursement premium for purposes
24 of the calculation under this subparagraph shall be estimated
25 using the assumption that all insurers have selected the 90-
26 percent coverage level.

27 2. The retention multiple as determined under subparagraph
28 1. must ~~shall~~ be adjusted to reflect the coverage level elected
29 by the insurer.

30 a. For insurers electing the 90-percent coverage level, the
31 ~~adjusted~~ retention multiple is 100 percent of the amount
32 determined under subparagraph 1.

33 b. For insurers electing the 75-percent coverage level, the
34 retention multiple is 120 percent of the amount determined under
35 subparagraph 1.

36 c. For insurers electing the 60-percent coverage level, the
37 retention multiple is 150 percent of the amount determined under
38 subparagraph 1.

39 d. For insurers electing the 45-percent coverage level, the
40 ~~adjusted~~ retention multiple is 200 percent of the amount



41 determined under subparagraph 1.

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

45 3. An insurer shall determine its provisional retention by
46 multiplying its provisional reimbursement premium by the
47 applicable adjusted retention multiple and shall determine its
48 actual retention by multiplying its actual reimbursement premium
49 by the applicable adjusted retention multiple.

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

61 (4) REIMBURSEMENT CONTRACTS.—

62 (b)1. The contract shall contain a promise by the board to
63 reimburse the insurer for 25 percent, 45 percent, 60 percent, 75
64 percent, or 90 percent of its losses from each covered event in
65 excess of the insurer's retention, plus up to 12 ~~5~~ percent of
66 the reimbursed losses to cover loss adjustment expenses.

67 2. The insurer must elect one of the percentage coverage
68 levels specified in this paragraph and may, upon renewal of a
69 reimbursement contract, elect a lower percentage coverage level



70 if no revenue bonds issued under subsection (6) after a covered
71 event are outstanding, or elect a higher percentage coverage
72 level, regardless of whether or not revenue bonds are
73 outstanding. All members of an insurer group must elect the same
74 percentage coverage level. Any joint underwriting association,
75 risk apportionment plan, or other entity created under s.
76 627.351 must elect the 90-percent coverage level.

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

80 (c)1. Effective July 1, 2018, the contract must ~~shall~~ also
81 provide that the obligation of the board with respect to all
82 contracts covering a particular contract year shall be up to \$17
83 billion, as determined by the aggregate reimbursement coverage
84 purchased by all participating insurers ~~shall not exceed the~~
85 ~~actual claims-paying capacity of the fund up to a limit of \$17~~
86 ~~billion for that contract year, unless the board determines that~~
87 ~~there is sufficient estimated claims-paying capacity to provide~~
88 ~~\$17 billion of capacity for the current contract year and an~~
89 ~~additional \$17 billion of capacity for subsequent contract~~
90 ~~years. If the board makes such a determination, the estimated~~
91 ~~claims-paying capacity for the particular contract year shall be~~
92 ~~determined by adding to the \$17 billion limit one-half of the~~
93 ~~fund's estimated claims-paying capacity in excess of \$34~~
94 ~~billion. However, the dollar growth in the limit may not~~
95 ~~increase in any year by an amount greater than the dollar growth~~
96 ~~of the balance of the fund as of December 31, less any premiums~~
97 ~~or interest attributable to optional coverage, as defined by~~
98 ~~rule which occurred over the prior calendar year.~~



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

119 (5) REIMBURSEMENT PREMIUMS.—

120 (b) The State Board of Administration shall select an
121 independent consultant to develop a formula for determining the
122 actuarially indicated premium to be paid to the fund. The rate
123 formula must ~~shall~~ specify, for each zip code or other limited
124 geographical area, the amount of premium to be paid by an
125 insurer for each \$1,000 of insured value under covered policies
126 in that zip code or other area. In establishing premiums, the
127 board shall consider the coverage elected under paragraph (4) (b)



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128 and any factors that tend to enhance the actuarial
129 sophistication of ratemaking for the fund, including
130 deductibles, type of construction, type of coverage provided,
131 relative concentration of risks, and other such factors deemed
132 by the board to be appropriate. Beginning in the 2018-2019
133 contract year, the fund's formula may provide for a rapid cash
134 build-up factor of up to 25 percent only when the available cash
135 balance as of December 31 of the previous year is less than 80
136 percent of the statutory capacity. For the purpose of
137 calculating the rapid cash build-up factor trigger, the
138 available cash balance may not be reduced by reserves for
139 projected participating insurer's reimbursements ~~The formula~~
140 ~~must provide for a cash build-up factor. For the 2009-2010~~
141 ~~contract year, the factor is 5 percent. For the 2010-2011~~
142 ~~contract year, the factor is 10 percent. For the 2011-2012~~
143 ~~contract year, the factor is 15 percent. For the 2012-2013~~
144 ~~contract year, the factor is 20 percent. For the 2013-2014~~
145 ~~contract year and thereafter, the factor is 25 percent.~~ The rate
146 formula may provide for a procedure to determine the premiums to
147 be paid by new insurers that begin writing covered policies
148 after the beginning of a contract year, taking into
149 consideration when the insurer starts writing covered policies,
150 the potential exposure of the insurer, the potential exposure of
151 the fund, the administrative costs to the insurer and to the
152 fund, and any other factors deemed appropriate by the board. The
153 formula must be approved by unanimous vote of the board. The
154 board may, at any time, revise the formula pursuant to the
155 procedure provided in this paragraph.

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157 ===== T I T L E A M E N D M E N T =====

158 And the title is amended as follows:

159 Delete line 2

160 and insert:

161 An act relating to insurance; amending s. 215.555,
162 F.S.; revising the definition of the term "retention";
163 adding specified coverage levels to a list of coverage
164 level options that insurers may select from in
165 reimbursement contracts under the Florida Hurricane
166 Catastrophe Fund; revising a requirement for loss
167 adjustment expense reimbursements in such contracts;
168 revising, as of a specified date, the determination of
169 the State Board of Administration's obligation with
170 respect to all contracts covering a particular
171 contract year; providing that the rapid cash build-up
172 factor used in the rate formula for determining
173 premiums to be paid to the fund may be applied only
174 under certain circumstances; amending s. 625.151,