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LEGISLATIVE ACTION

Senate

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House

The Committee on Banking and Insurance (Rouson) recommended the following:

1 **Senate Amendment to Amendment (632742) (with directory and**
2 **title amendments)**

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4 Between lines 53 and 54
5 insert:

6 (17) TEMPORARY EMERGENCY OPTIONS FOR ADDITIONAL COVERAGE.-

7 (a) Findings and intent.-

8 1. The Legislature finds that:

9 a. Because of temporary disruptions in the market for
10 catastrophic reinsurance, many property insurers were unable to



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11 procure affordable reinsurance for the 2019 hurricane season
12 with an attachment point below the insurers' respective Florida
13 Hurricane Catastrophe Fund attachment points, were unable to
14 procure sufficient amounts of such reinsurance, or were able to
15 procure such reinsurance only by incurring substantially higher
16 costs than in prior years.

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

21 c. It is likely that the reinsurance market disruptions
22 will not significantly abate before the 2020 hurricane season.

23 2. It is the intent of the Legislature to create a
24 temporary emergency program, applicable to the 2020, 2021, and
25 2022 hurricane seasons, to address these market disruptions and
26 enable insurers, at their option, to procure additional coverage
27 from the Florida Hurricane Catastrophe Fund.

28 (b) Applicability of other provisions of this section.—All
29 other provisions of this section and the rules adopted under
30 this section apply to the program created by this subsection
31 unless specifically superseded by this subsection.

32 (c) Optional coverage.—For the contract year commencing
33 June 1, 2020, and ending May 31, 2021, the contract year
34 commencing June 1, 2021, and ending May 31, 2022, and the
35 contract year commencing June 1, 2022, and ending May 31, 2023,
36 the board shall offer for each of such years the optional
37 coverage as provided in this subsection.

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



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40 1. "TEACO addendum" means an addendum to the reimbursement
41 contract reflecting the obligations of the fund and TEACO
42 insurers under the program created by this subsection.

43 2. "TEACO insurer" means an insurer that has opted to
44 obtain coverage under the TEACO options in addition to the
45 coverage provided to the insurer under its reimbursement
46 contract.

47 3. "TEACO options" means the temporary emergency additional
48 coverage options created under this subsection.

49 4. "TEACO reimbursement premium" means the premium charged
50 by the fund for coverage provided under the TEACO options.

51 5. "TEACO retention" means the amount of losses below which
52 a TEACO insurer is not entitled to reimbursement from the fund
53 under the TEACO option selected. A TEACO insurer's retention
54 options shall be calculated as follows:

55 a. The board shall calculate and report to each TEACO
56 insurer the TEACO retention multiples. There shall be three
57 TEACO retention multiples for defining coverage. Each multiple
58 shall be calculated by dividing \$3 billion, \$4 billion, or \$5
59 billion by the total estimated TEACO reimbursement premium,
60 assuming all insurers selected that option. The total estimated
61 TEACO reimbursement premium, for purposes of the calculation
62 under this sub-subparagraph, shall be calculated using the
63 assumption that all insurers have selected a specific TEACO
64 retention multiple option and have selected the 90-percent
65 coverage level.

66 b. The TEACO retention multiples as determined under sub-
67 subparagraph a. shall be adjusted to reflect the coverage level
68 electd by the insurer. For insurers electing the 90-percent



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69 coverage level, the adjusted retention multiple is 100 percent
70 of the amount determined under sub-subparagraph a. For insurers
71 electing the 75-percent coverage level, the retention multiple
72 is 120 percent of the amount determined under sub-subparagraph
73 a. For insurers electing the 45-percent coverage level, the
74 adjusted retention multiple is 200 percent of the amount
75 determined under sub-subparagraph a.

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

82 d. For a TEACO insurer that experiences multiple covered
83 events causing loss during the contract year, the insurer's full
84 TEACO retention shall be applied to each of the covered events
85 causing the two largest losses for that insurer. For other
86 covered events resulting in losses, the TEACO option does not
87 apply and the insurer's retention shall be one-third of the full
88 retention as calculated under paragraph (2) (e).

89 (e) TEACO addendum.—

90 1. The TEACO addendum shall provide for reimbursement of
91 TEACO insurers for covered events occurring during the contract
92 year in exchange for the TEACO reimbursement premium paid into
93 the fund under paragraph (f). Any insurer writing covered
94 policies has the option of choosing to accept the TEACO addendum
95 for any of the three contract years that the coverage is
96 offered.

97 2. The TEACO addendum shall contain a promise by the board



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98 to reimburse the TEACO insurer for 45 percent, 75 percent, or 90
99 percent of its losses from each covered event in excess of the
100 insurer's TEACO retention, plus 10 percent of the reimbursed
101 losses to cover loss adjustment expenses. The percentage shall
102 be the same as the coverage level selected by the insurer under
103 paragraph (4) (b).

104 3. The TEACO addendum shall provide that reimbursement
105 amounts shall not be reduced by reinsurance paid or payable to
106 the insurer from other sources.

107 4. The TEACO addendum shall also provide that the
108 obligation of the board with respect to all TEACO addenda shall
109 not exceed an amount equal to two times the difference between
110 the industry retention level calculated under paragraph (2) (e)
111 and the \$3 billion, \$4 billion, or \$5 billion industry TEACO
112 retention level options actually selected, but in no event may
113 the board's obligation exceed the actual claims-paying capacity
114 of the fund plus the additional capacity created in paragraph
115 (g). If the actual claims-paying capacity and the additional
116 capacity created under paragraph (g) fall short of the board's
117 obligations under the reimbursement contract, each insurer's
118 share of the fund's capacity shall be prorated based on the
119 premium an insurer pays for its normal reimbursement coverage
120 and the premium paid for its optional TEACO coverage as each
121 such premium bears to the total premiums paid to the fund times
122 the available capacity.

123 5. The priorities, schedule, and method of reimbursements
124 under the TEACO addendum shall be the same as provided under
125 subsection (4).

126 6. A TEACO insurer's maximum reimbursement under the TEACO



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127 addendum shall be calculated by multiplying the insurer's share
128 of the estimated total TEACO reimbursement premium as calculated
129 under sub-subparagraph (d)5.a. by an amount equal to two times
130 the difference between the industry retention level calculated
131 under paragraph (2) (e) and the \$3 billion, \$4 billion, or \$5
132 billion industry TEACO retention level specified in sub-
133 subparagraph (d)5.a. as selected by the TEACO insurer.

134 (f) TEACO reimbursement premiums.—

135 1. Each TEACO insurer shall pay to the fund, in the manner
136 and at the time provided in the reimbursement contract for
137 payment of reimbursement premiums, a TEACO reimbursement premium
138 calculated as specified in this paragraph.

139 2. The TEACO reimbursement premiums shall be calculated
140 based on the assumption that if all insurers entering into
141 reimbursement contracts under subsection (4) also accepted the
142 TEACO option:

143 a. The industry TEACO reimbursement premium associated with
144 the \$3 billion retention option would be equal to 85 percent of
145 the difference between the industry retention level calculated
146 under paragraph (2) (e) and the \$3 billion industry TEACO
147 retention level.

148 b. The TEACO reimbursement premium associated with the \$4
149 billion retention option would be equal to 80 percent of the
150 difference between the industry retention level calculated under
151 paragraph (2) (e) and the \$4 billion industry TEACO retention
152 level.

153 c. The TEACO reimbursement premium associated with the \$5
154 billion retention option would be equal to 75 percent of the
155 difference between the industry retention level calculated under



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156 paragraph (2) (e) and the \$5 billion industry TEACO retention
157 level.

158 3. Each insurer's TEACO reimbursement premium shall be
159 calculated based on its share of the total TEACO reimbursement
160 premiums based on its coverage selection under the TEACO
161 addendum.

162 (g) Effect on claims-paying capacity of the fund.—For the
163 contract term commencing June 1, 2020, the contract year
164 commencing June 1, 2021, and the contract term beginning June 1,
165 2022, the program created by this subsection shall increase the
166 claims-paying capacity of the fund as provided in subparagraph
167 (4) (c)1. by an amount equal to two times the difference between
168 the industry retention level calculated under paragraph (2) (e)
169 and the \$3 billion industry TEACO retention level specified in
170 sub-subparagraph (d)5.a. The additional capacity shall apply
171 only to the additional coverage provided by the TEACO option and
172 shall not otherwise affect any insurer's reimbursement from the
173 fund.

174
175 ===== D I R E C T O R Y C L A U S E A M E N D M E N T =====

176 And the directory clause is amended as follows:

177 Delete line 6

178 and insert:

179 215.555, Florida Statutes, is amended, and subsection (17) is
180 added to that section, to read:

181
182 ===== T I T L E A M E N D M E N T =====

183 And the title is amended as follows:

184 Delete line 1268



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185 and insert:
186 policies; requiring the State Board of Administration
187 to offer temporary emergency additional coverage
188 options (TEACO) to insurers during specified contract
189 years; defining terms; specifying requirements for the
190 TEACO addendum to the reimbursement contract;
191 specifying requirements for, and calculations of,
192 TEACO reimbursement premiums; specifying the effect of
193 the TEACO program on the fund's claims-paying
194 capacity; amending s. 319.30, F.S.; revising a certain