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LEGISLATIVE ACTION

Senate	.	House
Comm: WD	.	
02/12/2020	.	
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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



527424

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31 unless specifically superseded by this subsection.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:



527424

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



527424

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



527424

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



527424

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



527424

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



527424

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