

1 A bill to be entitled
2 An act relating to the Florida Hurricane Catastrophe
3 Fund and reinsurance assistance; amending s. 215.555,
4 F.S.; specifying the retention multiple for specified
5 contracts; deleting obsolete language; providing the
6 adjusted retention multiple for insurers electing the
7 100-percent coverage level; requiring that the
8 reimbursement contract contain a promise by the State
9 Board of Administration to reimburse the insurer a
10 specified percentage of its losses and applicable loss
11 adjustment expenses; specifying the loss adjustment
12 expense for specified contracts and rates; modifying
13 the contract obligation of the board for a contract
14 year; conforming provisions to changes made by the
15 act; deleting provisions regarding reimbursements;
16 requiring that the hurricane loss portion of a
17 specified formula be determined by averaging the
18 results of certain catastrophe models; authorizing,
19 rather than requiring, a certain formula to provide
20 for a cash build-up factor; requiring the cash build-
21 up factor to be frozen beginning in a specified
22 contract year and to freeze for a specified period
23 ending by a specified date; requiring that the savings
24 realized as a result of the freeze of the cash build-
25 up factor be passed to the consumers; requiring the

26 board to file certain premiums with the Office of
27 Insurance Regulation; requiring the office to review
28 such premiums; prohibiting certain costs from being
29 added to the cost of the reimbursement contracts;
30 making technical changes; amending s. 215.5551, F.S.;
31 revising definitions applicable to the Reinsurance to
32 Assist Policyholders (RAP) program; defining the term
33 "eligible RAP insurer"; deleting the definition of the
34 term "RAP qualification ratio"; authorizing, rather
35 than requiring, eligible RAP insurers to purchase RAP
36 coverage under a certain program; revising
37 reimbursement under the RAP program; revising the
38 requirements of reimbursement contracts; deleting
39 calculations for specified amounts of losses to
40 determine reimbursement under the program; deleting
41 insurer eligibility requirements; deleting provisions
42 regarding deferral of coverage under the program;
43 requiring that reimbursement contracts require that
44 insurers annually pay actuarially indicated premiums;
45 deleting a provision prohibiting premiums from being
46 charged for participation in the program; revising
47 obsolete dates; prohibiting transfers from exceeding a
48 specified amount each contract year; revising
49 reporting requirements; revising the expiration date
50 of provisions governing the program; making technical

51 changes; amending s. 215.5552, F.S.; revising
 52 definitions; revising the coverage layers of the
 53 Florida Optional Reinsurance Assistance (FORA)
 54 program; revising the coverage limits for certain
 55 coverage layers; increasing the maximum aggregate
 56 coverage limit for all coverage layers; revising
 57 obsolete dates; revising requirements of the
 58 reimbursement contract; deleting the calculation of
 59 payout multiples; revising the FORA layer retention
 60 calculations; revising the calculation of premiums
 61 under the program; increasing the amount that certain
 62 transfers cannot exceed in a contract year; requiring
 63 a transfer of a specified amount from the FORA Fund
 64 into the Florida Hurricane Catastrophe Fund; revising
 65 the expiration date of provisions governing the
 66 program; making technical changes; providing an
 67 effective date.

68
 69 Be It Enacted by the Legislature of the State of Florida:

70
 71 Section 1. Paragraph (e) of subsection (2), paragraphs
 72 (b), (c), and (d) of subsection (4), paragraph (b) of subsection
 73 (5), and paragraph (a) of subsection (7) of section 215.555,
 74 Florida Statutes, are amended to read:

75 215.555 Florida Hurricane Catastrophe Fund.—

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

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

80 1. The board shall calculate and report to each insurer
 81 the retention multiples for that year. For the contract year
 82 beginning June 1, 2024 ~~2005~~, the retention multiple must ~~shall~~
 83 be equal to \$8.5 ~~\$4.5~~ billion ~~divided by the total estimated~~
 84 ~~reimbursement premium for the contract year; for subsequent~~
 85 ~~years, the retention multiple shall be equal to \$4.5 billion,~~
 86 ~~adjusted based upon the reported exposure for the contract year~~
 87 ~~occurring 2 years before the particular contract year to reflect~~
 88 ~~the percentage growth in exposure to the fund for covered~~
 89 ~~policies since 2004, divided by the total estimated~~
 90 ~~reimbursement premium for the contract year. Total reimbursement~~
 91 ~~premium for purposes of the calculation under this subparagraph~~
 92 ~~shall be estimated using the assumption that all insurers have~~
 93 ~~selected the 90-percent coverage level.~~

94 2. The retention multiple as determined under subparagraph
 95 1. shall be adjusted to reflect the coverage level elected by
 96 the insurer. For insurers electing the 100-percent coverage
 97 level, the adjusted retention multiple is 90 percent of the
 98 amount determined under subparagraph 1. For insurers electing
 99 the 90-percent coverage level, the adjusted retention multiple
 100 is 100 percent of the amount determined under subparagraph 1.

101 For insurers electing the 75-percent coverage level, the
 102 retention multiple is 120 percent of the amount determined under
 103 subparagraph 1. For insurers electing the 45-percent coverage
 104 level, the adjusted retention multiple is 200 percent of the
 105 amount determined under subparagraph 1.

106 3. An insurer shall determine its provisional retention by
 107 multiplying its provisional reimbursement premium by the
 108 applicable adjusted retention multiple and shall determine its
 109 actual retention by multiplying its actual reimbursement premium
 110 by the applicable adjusted retention multiple.

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

123 (4) REIMBURSEMENT CONTRACTS.—

124 (b)1. The contract must ~~shall~~ contain a promise by the
 125 board to reimburse the insurer for 45 percent, 75 percent, ~~or~~ 90

126 | percent, or 100 percent of its losses and applicable loss
 127 | adjustment expenses from each covered event in excess of the
 128 | insurer's retention, ~~plus 5 percent of the reimbursed losses to~~
 129 | ~~cover loss adjustment expenses.~~ For contracts and rates
 130 | effective on or after June 1, 2024 ~~2019~~, the loss adjustment
 131 | expense included reimbursement must be the lesser of 25 10
 132 | percent of the total subject losses before reimbursement or the
 133 | total subject actual loss adjustment expenses reimbursed losses.

134 | 2. The insurer must elect one of the percentage coverage
 135 | levels specified in this paragraph and may, upon renewal of a
 136 | reimbursement contract, elect a lower percentage coverage level
 137 | if no revenue bonds issued under subsection (6) after a covered
 138 | event are outstanding, or elect a higher percentage coverage
 139 | level, regardless of whether ~~or not~~ revenue bonds are
 140 | outstanding. All members of an insurer group must elect the same
 141 | percentage coverage level. Any joint underwriting association,
 142 | risk apportionment plan, or other entity created under s.
 143 | 627.351 must elect the 90-percent coverage level.

144 | 3. The contract must ~~shall~~ provide that reimbursement
 145 | amounts may ~~shall~~ not be reduced by reinsurance paid or payable
 146 | to the insurer from other sources.

147 | (c)1. The contract must ~~shall~~ also provide that the
 148 | obligation of the board with respect to all contracts covering a
 149 | particular contract year is ~~shall not exceed the actual claims-~~
 150 | ~~paying capacity of the fund up to a limit of \$17 billion for~~

151 ~~that contract year, unless the board determines that there is~~
152 ~~sufficient estimated claims-paying capacity to provide \$17~~
153 ~~billion of capacity for the current contract year and an~~
154 ~~additional \$17 billion of capacity for subsequent contract~~
155 ~~years. If the board makes such a determination, the estimated~~
156 ~~claims-paying capacity for the particular contract year shall be~~
157 ~~determined by adding to the \$17 billion limit one-half of the~~
158 ~~fund's estimated claims-paying capacity in excess of \$34~~
159 ~~billion. However, the dollar growth in the limit may not~~
160 ~~increase in any year by an amount greater than the dollar growth~~
161 ~~of the balance of the fund as of December 31, less any premiums~~
162 ~~or interest attributable to optional coverage, as defined by~~
163 ~~rule which occurred over the prior calendar year.~~

164 2. In May and October of the contract year, the board
165 shall publish in the Florida Administrative Register a statement
166 of the fund's estimated borrowing capacity, the fund's estimated
167 claims-paying capacity, and the projected balance of the fund as
168 of December 31. After the end of each calendar year, the board
169 shall notify insurers of the estimated borrowing capacity,
170 estimated claims-paying capacity, and the balance of the fund as
171 of December 31 to provide insurers with data necessary to assist
172 them in determining their retention and projected payout from
173 the fund for loss reimbursement purposes. In conjunction with
174 the development of the premium formula, as provided for in
175 subsection (5), the board shall publish factors or multiples

176 that assist insurers in determining their retention and
177 projected payout for the next contract year. For all regulatory
178 and reinsurance purposes, an insurer may calculate its projected
179 payout from the fund as its share of the total fund premium for
180 the current contract year multiplied by the sum of the projected
181 balance of the fund as of December 31 and the estimated
182 borrowing capacity for that contract year as reported under this
183 subparagraph.

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

198 ~~2. In determining reimbursements pursuant to this~~
199 ~~subsection, the contract shall provide that the board shall pay~~
200 ~~to each insurer such insurer's projected payout, which is the~~

201 ~~amount of reimbursement it is owed, up to an amount equal to the~~
 202 ~~insurer's share of the actual premium paid for that contract~~
 203 ~~year, multiplied by the actual claims-paying capacity available~~
 204 ~~for that contract year.~~

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

214 (5) REIMBURSEMENT PREMIUMS.—

215 (b) The State Board of Administration shall select an
 216 independent consultant to develop a formula for determining the
 217 actuarially indicated premium to be paid to the fund. The
 218 hurricane loss portion of the formula must be determined by
 219 averaging the results of all the catastrophe models approved by
 220 the Florida Commission on Hurricane Loss Projection Methodology.
 221 The formula must ~~shall~~ specify, for each zip code or other
 222 limited geographical area, the amount of premium to be paid by
 223 an insurer for each \$1,000 of insured value under covered
 224 policies in that zip code or other area. In establishing
 225 premiums, the board shall consider the coverage elected under

226 paragraph (4) (b) and any factors that tend to enhance the
227 actuarial sophistication of ratemaking for the fund, including
228 deductibles, type of construction, type of coverage provided,
229 relative concentration of risks, and other such factors deemed
230 by the board to be appropriate. The formula may ~~must~~ provide for
231 a cash build-up factor. ~~For the 2009-2010 contract year, the~~
232 ~~factor is 5 percent. For the 2010-2011 contract year, the factor~~
233 ~~is 10 percent. For the 2011-2012 contract year, the factor is 15~~
234 ~~percent. For the 2012-2013 contract year, the factor is 20~~
235 ~~percent.~~ For the 2013-2014 contract year and thereafter, the
236 factor is 25 percent; however, the cash build-up factor must be
237 frozen beginning in the 2024-2025 contract year and must freeze
238 for a 12-month period ending no later than July 1, 2025. Any
239 savings realized as a result of the freeze of the cash build-up
240 factor must be passed directly to the consumer. The formula may
241 provide for a procedure to determine the premiums to be paid by
242 new insurers that begin writing covered policies after the
243 beginning of a contract year, taking into consideration when the
244 insurer starts writing covered policies, the potential exposure
245 of the insurer, the potential exposure of the fund, the
246 administrative costs to the insurer and to the fund, and any
247 other factors deemed appropriate by the board. The formula must
248 be approved by unanimous vote of the board. The board may, at
249 any time, revise the formula pursuant to the procedure provided
250 in this paragraph. The board shall file the premiums to be paid

251 with the Office of Insurance Regulation, and the office shall
 252 review such premiums.

253 (7) ADDITIONAL POWERS AND DUTIES.—

254 (a) The board may procure reinsurance from reinsurers
 255 acceptable to the Office of Insurance Regulation for the purpose
 256 of maximizing the capacity of the fund and may enter into
 257 capital market transactions, including, but not limited to,
 258 industry loss warranties, catastrophe bonds, side-car
 259 arrangements, or financial contracts permissible for the board's
 260 usage under s. 215.47(11) and (12), consistent with prudent
 261 management of the fund. The cost of any reinsurance or other
 262 capital market transaction other than issuing bonds secured by
 263 assessments purchased by the board to maximize the claims-paying
 264 capacity of the fund may not be added to the actuarially
 265 determined cost of the reimbursement contracts.

266 Section 2. Present paragraphs (e) through (i) of
 267 subsection (2) of section 215.5551, Florida Statutes, are
 268 redesignated as paragraphs (f) through (j), respectively, a new
 269 paragraph (e) is added to that subsection, and paragraph (c) and
 270 present paragraphs (f), (h), (i), and (j) of that subsection,
 271 subsection (3), paragraphs (a), (b), (d), and (e) of subsection
 272 (4), and subsections (5), (6), (7), (12), (13), and (14) of that
 273 section are amended, to read:

274 215.5551 Reinsurance to Assist Policyholders program.—

275 (2) DEFINITIONS.—As used in this section, the term:

276 (c) "Covered event" means any hurricane, tropical storm,
277 hail storm, tornado, wind event, or wildfire that ~~one storm~~
278 ~~declared to be a hurricane by the National Hurricane Center,~~
279 ~~which storm~~ causes insured losses in this state.

280 (e) "Eligible RAP insurer" means an insurer participating
281 in FHCF as of June 1 of a contract year. However, any joint
282 underwriting association, risk apportionment plan, or other
283 entity created under s. 627.351 is not considered a RAP insurer
284 and is prohibited from obtaining coverage under the RAP program.

285 (g)~~(f)~~ "Losses and loss adjustment expenses" means the
286 amounts paid by an insurer to adjust and pay covered claims ~~has~~
287 ~~the same meaning as in s. 215.555(2)(d).~~

288 (i)~~(h)~~ "RAP insurer" means an eligible RAP insurer that
289 elects to purchase ~~is a participating insurer in the FHCF on~~
290 ~~June 1, 2022, which must obtain coverage under the RAP program~~
291 ~~and qualifies under subsection (5).~~ However, any joint
292 underwriting association, risk apportionment plan, or other
293 entity created under s. 627.351 is not considered a RAP insurer
294 and is prohibited from obtaining coverage under the RAP program.

295 (j)~~(i)~~ "RAP limit" means, ~~for the 2022-2023 contract year,~~
296 the RAP insurer's maximum payout, which is its share of the \$2
297 billion per event and \$4 billion in the aggregate RAP layer
298 ~~aggregate limit.~~ The ratio of a RAP insurer's RAP limit to the
299 \$4 billion RAP layer aggregate limit may not exceed the ratio of
300 the RAP insurer's actual FHCF premium paid during that contract

301 year to the actual FHCF premium paid by all eligible RAP
 302 insurers participating in the FHCF during that contract year For
 303 ~~the 2023-2024 contract year, for RAP insurers that are subject~~
 304 ~~to participation deferral under subsection (6) and participate~~
 305 ~~during the 2023-2024 contract year, the RAP limit means the RAP~~
 306 ~~insurer's maximum payout, which is its share of the total amount~~
 307 ~~of the RAP program layer aggregate limit deferred from 2022-~~
 308 ~~2023.~~

309 ~~(j) "RAP qualification ratio" means:~~

310 ~~1. For the 2022-2023 contract year, the ratio of FHCF~~
 311 ~~mandatory premium adjusted to 90 percent for RAP insurers~~
 312 ~~divided by the FHCF mandatory premium adjusted to 90 percent for~~
 313 ~~all insurers. The preliminary RAP qualification ratio shall be~~
 314 ~~based on the 2021-2022 contract year's company premiums, as of~~
 315 ~~December 31, 2021, adjusted to 90 percent based on the 2022-2023~~
 316 ~~contract year coverage selections. The RAP qualification ratio~~
 317 ~~shall be based on the reported 2022-2023 contract year company~~
 318 ~~premiums, as of December 31, 2022, adjusted to 90 percent.~~

319 ~~2. For the 2023-2024 contract year, the ratio of FHCF~~
 320 ~~mandatory premium adjusted to 90 percent for the qualified RAP~~
 321 ~~insurers that have deferred RAP coverage to 2023-2024 divided by~~
 322 ~~the FHCF mandatory premium adjusted to 90 percent for all~~
 323 ~~insurers. The preliminary RAP qualification ratio shall be based~~
 324 ~~on the 2022-2023 contract year's company premiums as of December~~
 325 ~~31, 2022, adjusted to 90 percent based on the 2023-2024 contract~~

326 ~~year coverage selections. The RAP qualification ratio shall be~~
 327 ~~based on the reported 2023-2024 contract year company premiums~~
 328 ~~as of December 31, 2023, adjusted to 90 percent.~~

329 (3) COVERAGE.—

330 (a) An eligible RAP insurer may purchase RAP coverage ~~As a~~
 331 ~~condition of doing business in this state, each RAP insurer~~
 332 ~~shall obtain coverage under the RAP program.~~

333 (b) The board shall provide a reimbursement layer of \$2
 334 billion per event below the FHCF retention for losses and loss
 335 adjustment expenses paid to covered policies for covered events
 336 ~~prior to the third event dropdown of the FHCF retention set~~
 337 ~~forth in s. 215.555(2)(e). Subject to the mandatory notice~~
 338 ~~provisions in subsection (5),~~ The board shall enter into a RAP
 339 reimbursement contract with each eligible RAP insurer writing
 340 covered policies in this state which requests RAP coverage to
 341 provide to the insurer the reimbursement described in this
 342 section.

343 (4) RAP REIMBURSEMENT CONTRACTS.—

344 (a) ~~1.~~ The board shall issue an initial ~~a~~ RAP reimbursement
 345 contract to each eligible RAP insurer that requests RAP coverage
 346 which is effective June 1, 2024. RAP contracts must be made
 347 available annually thereafter until the fiscal year beginning
 348 July 1, 2029÷

349 ~~a. June 1, 2022, for RAP insurers that participate in the~~
 350 ~~RAP program during the 2022-2023 contract year; or~~

351 ~~b. June 1, 2023, for RAP insurers that are subject to~~
 352 ~~participation deferral under subsection (6) and participate in~~
 353 ~~the RAP program during the 2023-2024 contract year.~~

354 ~~2. The reimbursement contract shall be executed no later~~
 355 ~~than:~~

356 ~~a. July 15, 2022, for RAP insurers that participate in the~~
 357 ~~RAP program during the 2022-2023 contract year; or~~

358 ~~b. March 1, 2023, for RAP insurers that are subject to~~
 359 ~~participation deferral under subsection (6) and participate in~~
 360 ~~the RAP program during the 2023-2024 contract year.~~

361 ~~3. If a RAP insurer fails to execute the RAP reimbursement~~
 362 ~~contract by the dates required in this paragraph, the RAP~~
 363 ~~insurance contract is deemed to have been executed by the RAP~~
 364 ~~insurer.~~

365 (b) ~~For the two covered events with the largest losses,~~
 366 The RAP reimbursement contract must contain a promise by the
 367 board to reimburse the RAP insurer for 100 ~~90~~ percent of its
 368 losses and loss adjustment expenses from each covered event in
 369 excess of the insurer's RAP retention up to the RAP insurer's,
 370 ~~plus 10 percent of the reimbursed losses to cover loss~~
 371 ~~adjustment expenses. The sum of the losses and 10 percent loss~~
 372 ~~adjustment expense allocation from the RAP layer may not exceed~~
 373 ~~the RAP limit. Recoveries on losses in the FHCF mandatory layer~~
 374 must ~~shall~~ inure to the benefit of the RAP contract layer.

375 ~~(d) The board shall calculate and report to each RAP~~

376 ~~insurer the RAP payout multiples as the ratio of the RAP~~
377 ~~industry limit of \$2 billion for the 2022-2023 contract year, or~~
378 ~~the deferred limit for the 2022-2023 contract year, to the~~
379 ~~mandatory FHCF retention multiplied by the mandatory FHCF~~
380 ~~retention multiples divided by the RAP qualification ratio. The~~
381 ~~RAP payout multiple for an insurer is multiplied by the RAP~~
382 ~~insurer's FHCF premium to calculate its RAP maximum payout. RAP~~
383 ~~payout multiples are calculated for 45 percent, 75 percent, and~~
384 ~~90 percent FHCF mandatory coverage selections.~~

385 ~~(c) A RAP insurer's RAP retention is calculated as~~
386 ~~follows:~~

387 ~~1. The board shall calculate and report to each RAP~~
388 ~~insurer the RAP retention multiples for each FHCF coverage~~
389 ~~selection as the FHCF retention multiple minus the RAP payout~~
390 ~~multiple. The RAP retention multiple for an insurer is~~
391 ~~multiplied by the RAP insurer's FHCF premium to calculate its~~
392 ~~RAP retention. RAP retention multiples are calculated for 45~~
393 ~~percent, 75 percent, and 90 percent FHCF mandatory coverage~~
394 ~~selections.~~

395 ~~2. The RAP industry retention for the 2022-2023 contract~~
396 ~~year is the FHCF's industry retention minus \$2 billion, prior to~~
397 ~~allocation to qualifying RAP insurers. The RAP industry~~
398 ~~retention for the 2023-2024 contract year is the FHCF's industry~~
399 ~~retention for the 2023-2024 contract year minus the total~~
400 ~~deferred RAP limit, prior to allocation to qualifying RAP~~

401 ~~insurers.~~

402 ~~3. A RAP insurer determines its actual RAP retention by~~
 403 ~~multiplying its actual mandatory reimbursement FHCF premium by~~
 404 ~~the RAP retention multiple.~~

405 ~~(5) INSURER QUALIFICATION.—~~

406 ~~(a) An insurer is not eligible to participate in the RAP~~
 407 ~~program if the board receives a notice from the Commissioner of~~
 408 ~~Insurance Regulation which certifies that the insurer is in an~~
 409 ~~unsound financial condition no later than:~~

410 ~~1. June 15, 2022, for RAP insurers that participate during~~
 411 ~~the 2022-2023 contract year; or~~

412 ~~2. February 1, 2023, for RAP insurers subject to~~
 413 ~~participation deferral under subsection (6) that participate~~
 414 ~~during the 2023-2024 contract year.~~

415 ~~(b) The office must make this determination based on the~~
 416 ~~following factors:~~

417 ~~1. The insurer's compliance with the requirements to~~
 418 ~~qualify for and hold a certificate of authority under s.~~
 419 ~~624.404;~~

420 ~~2. The insurer's compliance with the applicable surplus~~
 421 ~~requirements of s. 624.408;~~

422 ~~3. The insurer's compliance with the applicable risk-based~~
 423 ~~capital requirements under s. 624.4085;~~

424 ~~4. The insurer's compliance with the applicable premium to~~
 425 ~~surplus requirements under s. 624.4095; and~~

426 ~~5. An analysis of quarterly and annual statements,~~
427 ~~including an actuarial opinion summary, and other information~~
428 ~~submitted to the office pursuant to s. 624.424.~~

429 ~~(c) If the board receives timely notice pursuant to~~
430 ~~paragraph (a) regarding an insurer, such insurer is disqualified~~
431 ~~from participating in the RAP program.~~

432 ~~(6) PARTICIPATION DEFERRAL.—~~

433 ~~(a) A RAP insurer that has any private reinsurance that~~
434 ~~duplicates RAP coverage that such insurer would receive for the~~
435 ~~2022-2023 contract year shall notify the board in writing of~~
436 ~~such duplicative coverage no later than June 30, 2022.~~

437 ~~Participation in the RAP program for such RAP insurers shall be~~
438 ~~deferred until the 2023-2024 contract year.~~

439 ~~(b) A new participating insurer that begins writing~~
440 ~~covered policies in this state after June 1, 2022, is deemed to~~
441 ~~defer its RAP coverage to the 2023-2024 contract year.~~

442 ~~(7) RAP PREMIUMS.—~~Each RAP reimbursement contract must
443 require that the insurer annually pay to the fund an actuarially
444 indicated premium for the full annual aggregate reimbursement
445 limit ~~Premiums may not be charged for participation in the RAP~~
446 ~~program.~~

447 ~~(10)-(12) RULEMAKING.—~~The board may adopt rules to
448 implement this section. In addition, the board may adopt
449 emergency rules, pursuant to s. 120.54, at any time, as are
450 necessary to implement this section for the 2024-2025 ~~2022-2023~~

451 fiscal year. The Legislature finds that such emergency
 452 rulemaking power is necessary in order to address a critical
 453 need in this ~~the~~ state's problematic property insurance market.
 454 The Legislature further finds that the uniquely short timeframe
 455 needed to effectively implement this section for the 2024-2025
 456 ~~2022-2023~~ fiscal year requires that the board adopt rules as
 457 quickly as practicable. Therefore, in adopting such emergency
 458 rules, the board need not make the findings required by s.
 459 120.54(4) (a). Emergency rules adopted under this section are
 460 exempt from s. 120.54(4) (c) and shall remain in effect until
 461 replaced by rules adopted under the nonemergency rulemaking
 462 procedures of chapter 120, ~~which must occur no later than July~~
 463 ~~1, 2023~~.

464 (11) ~~(13)~~ APPROPRIATION.—

465 (a) Within 60 days after a covered event, the board must
 466 ~~shall~~ submit written notice to the Executive Office of the
 467 Governor if the board determines that funds from the RAP program
 468 coverage established by this section will be necessary to
 469 reimburse RAP insurers for losses associated with the covered
 470 event. The initial notice, and any subsequent requests, must
 471 specify the amount necessary to provide RAP reimbursements. Upon
 472 receiving such notice, the Executive Office of the Governor
 473 shall instruct the Chief Financial Officer to draw a warrant
 474 from the General Revenue Fund for a transfer to the board for
 475 the RAP program in the amount requested. The Executive Office of

476 the Governor shall provide written notification to the chair and
 477 vice chair of the Legislative Budget Commission at least 3 days
 478 before the effective date of the warrant. ~~Cumulative~~ Transfers
 479 authorized under this paragraph may not exceed \$4 ~~\$2~~ billion,
 480 less reimbursement premium paid, for each contract year.

481 (b) If general revenue funds are transferred to the board
 482 for the RAP program under paragraph (a), the board must ~~shall~~
 483 submit written notice to the Executive Office of the Governor
 484 that funds will be necessary for the administration of the RAP
 485 program and post-event examinations for covered events that
 486 require RAP coverage. The initial notice, and any subsequent
 487 requests, must specify the amount necessary for administration
 488 of the RAP program and post-event examinations. Upon receiving
 489 such notice, the Executive Office of the Governor shall instruct
 490 the Chief Financial Officer to draw a warrant from the General
 491 Revenue Fund for a transfer to the board for the RAP program in
 492 the amount requested. The Executive Office of the Governor shall
 493 provide written notification to the chair and vice chair of the
 494 Legislative Budget Commission at least 3 days before the
 495 effective date of the warrant. ~~Cumulative~~ transfers authorized
 496 under this paragraph may not exceed \$5 million.

497 (c) No later than January 31, 2025 ~~2023~~, and quarterly
 498 thereafter, the board shall submit a report to the Executive
 499 Office of the Governor, the President of the Senate, and the
 500 Speaker of the House of Representatives detailing any

501 reimbursements of the RAP program, all loss development
 502 projections, ~~the amount of RAP reimbursement coverage deferred~~
 503 ~~until the 2023-2024 contract year,~~ and detailed information
 504 about administrative and post-event examination expenditures.

505 (12) ~~(14)~~ EXPIRATION DATE.—If no general revenue funds have
 506 been transferred to the board for the RAP program under
 507 subsection (11) ~~(13)~~ by June 30, 2029 ~~2025~~, this section expires
 508 on July 1, 2029 ~~2025~~. If general revenue funds have been
 509 transferred to the board for the RAP program under subsection
 510 (11) ~~(13)~~ by June 30, 2029 ~~2025~~, this section expires on July 1,
 511 2034 ~~2029~~, and all unencumbered RAP program funds shall be
 512 transferred by the board back to the General Revenue Fund
 513 unallocated.

514 Section 3. Paragraphs (c), (f), (h), (o), and (q) of
 515 subsection (2), subsections (3), (4), (5), and (10), paragraphs
 516 (a) and (c) of subsection (11), and subsection (12) of section
 517 215.5552, Florida Statutes, are amended, and paragraph (d) is
 518 added to subsection (11) of that section, to read:

519 215.5552 Florida Optional Reinsurance Assistance program.—

520 (2) DEFINITIONS.—As used in this section, the term:

521 (c) "Covered event" means any event in which a catastrophe
 522 serial number is assigned by Insurance Services Office's
 523 Property Claim Services ~~has the same meaning as in s.~~

524 ~~215.555(2)(b).~~

525 (f) "Final FORA premium" means the premium due no later

526 than March 1, ~~2024, paid by a FORA insurer~~ after the actual 2023
527 FHCF premiums for that contract year are calculated.

528 (h) "FORA eligible insurer" means a FHCF participating
529 insurer ~~as of November 30, 2022. New FHCF participants after~~
530 ~~that date are ineligible for FORA coverage.~~ In addition, any
531 joint underwriting association, risk apportionment plan, or
532 other entity created under s. 627.351 is not considered a FORA
533 insurer and may not obtain coverage under FORA.

534 (o) "Initial FORA premium" means the premium paid by a
535 FORA insurer in the same installment plan as the FHCF premium ~~by~~
536 ~~July 1, 2023,~~ for coverage under the FORA program.

537 (q) "RAP insurer" has the same meaning as in s.
538 215.5551(2)(i) ~~s. 215.5551(2)(h).~~

539 (3) COVERAGE.—

540 (a) Each FORA eligible insurer may purchase coverage under
541 FORA. The board shall provide three ~~four~~ optional layers above a
542 \$500 million FHCF industry retention ~~below the FHCF retention~~
543 ~~prior to the third event dropdown of the FHCF retention set~~
544 ~~forth in s. 215.555(2)(c)4. Only RAP insurers required to~~
545 ~~participate in the 2022-2023 contract year may select FORA~~
546 ~~layers 1 through 3. All FORA eligible insurers may purchase FORA~~
547 ~~layer 4. If a RAP insurer required to participate in the 2022-~~
548 ~~2023 contract year chooses to purchase layer 2, 3, or 4, such~~
549 ~~layers must be purchased inclusive of the prior layer and cannot~~
550 ~~be purchased separately.~~

551 (b) FORA industry limits before ~~prior to~~ FORA insurer
 552 selections are as follows:

- 553 1. FORA industry layer 1 limit is \$1 billion.
- 554 2. FORA industry layer 2 limit is \$1 billion.
- 555 3. ~~FORA industry layer 3 limit is \$2 billion divided by~~
 556 ~~the RAP Qualification ratio minus \$2 billion.~~
- 557 4. FORA industry layer 3 ~~4~~ limit is \$1 billion ~~minus the~~
 558 ~~total FORA industry limit selected for FORA layers 1, 2, and 3,~~
 559 ~~plus the total FORA premium collected for FORA layers 1, 2, and~~
 560 ~~3.~~

561 (c) The maximum aggregate coverage for all selected FORA
 562 layers is \$3 ~~\$1~~ billion as provided under paragraph (11)(a) ~~plus~~
 563 ~~premiums needed to fulfill the obligations of this section.~~

564 (4) FORA REIMBURSEMENT CONTRACTS.—

565 (a) FORA eligible insurers selecting coverage must execute
 566 a FORA reimbursement contract with the board.

567 (b) The board must enter into a FORA reimbursement
 568 contract effective June 1, 2024 ~~2023~~, with each FORA eligible
 569 insurer electing to purchase coverage. Such contract must
 570 provide coverage pursuant to this section in exchange for
 571 premium paid.

572 (c) The FORA reimbursement contract must be executed by
 573 the FORA insurer no later than May 30 of the contract year ~~April~~
 574 ~~15, 2023,~~ for layers 1 through 3, ~~and May 30, 2023,~~ for layer 4.

575 (d) For ~~the two~~ covered events with ~~the largest~~ losses for

576 the FORA insurer, the FORA reimbursement contract must contain a
577 promise by the board to reimburse the FORA insurer for 100
578 percent of its losses from each covered event in excess of the
579 lowest selected FORA layer's retention. The sum of the FORA
580 insurer's covered losses from ~~the two~~ covered events with ~~the~~
581 ~~largest~~ losses from each FORA layer may not exceed the FORA
582 insurer's combined selected FORA layer limit or limits.

583 (e) The FORA reimbursement contract must provide that
584 reimbursement amounts are not reduced by reinsurance paid or
585 payable to the insurer from ~~other~~ sources other than the
586 mandatory FHCF layer.

587 (f) ~~The board shall calculate and report to each FORA~~
588 ~~insurer the initial and final FORA payout multiples for each~~
589 ~~FORA layer using the source data described in paragraph (5)(a).~~

590 1. ~~For FORA layer 1, the FORA payout multiple is the~~
591 ~~quotient of \$1 billion divided by the FHCF industry aggregate~~
592 ~~retention multiplied by the FHCF retention multiple for the FHCF~~
593 ~~coverage selected.~~

594 2. ~~For FORA layer 2, the FORA payout multiple is the~~
595 ~~quotient of \$1 billion divided by the FHCF industry aggregate~~
596 ~~retention multiplied by the FHCF retention multiple for the FHCF~~
597 ~~coverage selected.~~

598 3. ~~For FORA layer 3, the FORA payout multiple is~~
599 ~~calculated as follows: the numerator is the quotient of \$2~~
600 ~~billion divided by the RAP qualification ratio as defined in s.~~

601 ~~215.5551(2)(j) minus \$2 billion. The denominator is the FHCF~~
 602 ~~industry aggregate retention. The FORA multiple is the FHCF~~
 603 ~~retention multiple multiplied by the numerator divided by the~~
 604 ~~denominator.~~

605 ~~4. The FORA layer 4 payout multiple is the total FORA~~
 606 ~~industry layer 4 limit divided by the FHCF industry aggregate~~
 607 ~~retention multiplied by the FHCF retention multiple for the FHCF~~
 608 ~~coverage selected. For FORA layer 4, the total FORA industry~~
 609 ~~layer limit is \$1 billion minus the total FORA industry limit~~
 610 ~~selected for FORA layers 1, 2, and 3, plus the total FORA~~
 611 ~~premium collected for FORA layers 1, 2, and 3.~~

612 ~~(g) For each FORA layer, the FORA payout multiple is~~
 613 ~~multiplied by the FORA insurer's FHCF premium to calculate its~~
 614 ~~FORA maximum payout. FORA payout multiples are calculated for 45~~
 615 ~~percent, 75 percent, and 90 percent FHCF mandatory coverage~~
 616 ~~selections.~~

617 ~~(h) For a FORA insurer that selects more than one layer,~~
 618 ~~the FORA layer limits must ~~shall~~ be combined to a single~~
 619 ~~aggregate limit for ~~the two~~ covered events with ~~the largest~~~~
 620 ~~losses for the FORA insurer.~~

621 ~~(g)-(i)~~ FORA layer retentions are calculated as follows:

622 1. For each FORA layer, the board shall calculate and
 623 report to each FORA insurer the initial and final FORA retention
 624 multiples for each FHCF coverage selection as the FORA layer
 625 retention divided by the total estimated reimbursement FHCF

626 premium for the contract year ~~FHCF retention multiple~~ ~~minus the~~
627 ~~FORA payout multiple~~ using the source data described in
628 paragraph (5)(a). Total reimbursement premium for purposes of
629 the calculation under this subparagraph must be estimated using
630 the assumption that all insurers have selected the 90 percent
631 coverage level. The FORA retention multiple is multiplied by the
632 FORA insurer's FHCF premium to calculate its FORA retention.
633 FORA retention multiples are calculated for 45 percent, 75
634 percent, and 90 percent FHCF mandatory coverage selections.

635 2. The retention multiple as determined under subparagraph
636 1. must be adjusted to reflect the coverage level elected by the
637 insurer. For insurers electing the 90 percent coverage level,
638 the adjusted retention multiple is 100 percent of the amount
639 determined under subparagraph 1. For insurers electing the 75
640 percent coverage level, the retention multiple is 120 percent of
641 the amount determined under subparagraph 1. For insurers
642 electing the 45 percent coverage level, the adjusted retention
643 multiple is 200 percent of the amount determined under
644 subparagraph 1 ~~The FORA industry retention for the 2023-2024~~
645 ~~contract year for FORA layer 1 is the FHCF's industry retention~~
646 ~~minus \$1 billion. The FORA layer 2 industry retention is the~~
647 ~~FHCF industry retention minus \$2 billion. The FORA layer 3~~
648 ~~industry retention is the FHCF's industry retention minus the~~
649 ~~quotient of \$2 billion divided by the RAP qualification ratio.~~
650 ~~The FORA layer 4 industry retention is the FORA layer 3~~

651 ~~retention minus the FORA layer 4 limit.~~

652 3. A FORA insurer's initial and final FORA retentions are
653 determined by multiplying its FHCF reimbursement premium by the
654 FORA retention multiple for each FHCF coverage selection using
655 the source data in paragraph (5) (a).

656 4. For a FORA insurer that selects more than one layer,
657 the FORA combined layer retention is ~~shall be~~ the lowest
658 selected layer retention for each of the ~~two covered~~ events with
659 ~~the largest~~ losses for the FORA insurer.

660 (h)-(j) To ensure that insurers have properly reported the
661 losses for which FORA reimbursements have been made, the board
662 may inspect, examine, and verify the records of each FORA
663 participating insurer's covered policies at such times as the
664 board deems appropriate for the specific purpose of validating
665 the accuracy of losses required to be reported under the terms
666 and conditions of the FORA reimbursement contract.

667 (5) FORA PREMIUMS.—

668 (a) Each FORA reimbursement contract must require that the
669 insurer annually pay to the fund an actuarially indicated
670 premium for the annual aggregate limit ~~Premiums shall be charged~~
671 ~~as follows:~~

672 1. ~~Fifty percent Rate on Line multiplied by the FORA~~
673 ~~insurer's FORA layer 1 limit.~~

674 2. ~~Fifty-five percent Rate on Line multiplied by the FORA~~
675 ~~insurer's FORA layer 2 limit.~~

676 ~~3. Sixty percent Rate on Line multiplied by the FORA~~
 677 ~~insurer's FORA layer 3 limit.~~

678 ~~4. Sixty-five percent Rate on Line multiplied by the FORA~~
 679 ~~insurer's FORA layer 4 limit.~~

680 (b) Initial FORA premiums must ~~shall~~ be based on the
 681 contract year 2023 FHCF projected industry retention, FHCF
 682 retention multiples, ~~2022 RAP qualification ratio,~~ and insurers'
 683 prior contract year 2022 FHCF premiums. Final FORA premiums will
 684 be adjusted after December 31 of the contract year, ~~2023,~~ based
 685 on FHCF premiums on December 31 of the contract year, ~~2023,~~ ~~FHCF~~
 686 ~~premiums,~~ FHCF industry retention, ~~the 2023 RAP qualification~~
 687 ~~ratio,~~ and insurers' 2023 FHCF premiums for the contract year.

688 (c) Failure to pay the initial FORA premium in full by
 689 December 1 of the contract year will ~~July 1, 2023,~~ ~~shall~~ result
 690 in disqualification as a FORA insurer. The final FORA premium
 691 will be due no later than March 1 following the contract year,
 692 ~~2024.~~

693 (10) RULEMAKING.—The board may adopt rules to implement
 694 this section. In addition, the board may adopt emergency rules
 695 pursuant to s. 120.54(4) at any time as are necessary to
 696 implement this section for the 2024-2025 ~~2023-2024~~ fiscal year.
 697 The Legislature finds that such emergency rulemaking power is
 698 necessary in order to address a critical need in the state's
 699 problematic property insurance market. The Legislature further
 700 finds that the uniquely short timeframe needed to effectively

701 implement this section for the 2024-2025 ~~2023-2024~~ fiscal year
 702 requires that the board adopt rules as quickly as practicable.
 703 Therefore, in adopting such emergency rules, the board need not
 704 make the findings required by s. 120.54(4) (a). Emergency rules
 705 adopted under this section are exempt from s. 120.54(4) (c) and
 706 shall remain in effect until replaced by rules adopted under the
 707 nonemergency rulemaking procedures of chapter 120, which must
 708 occur no later than December 31 of the contract year, ~~2023~~.

709 (11) APPROPRIATION.—

710 (a) Within 60 days after a covered event, the board must
 711 ~~shall~~ submit written notice to the Executive Office of the
 712 Governor if the board determines that funds from FORA coverage
 713 established by this section will be necessary to reimburse FORA
 714 insurers for losses associated with the covered event. The
 715 initial notice, and any subsequent requests, must specify the
 716 amount necessary to provide FORA reimbursements. Upon receiving
 717 such notice, the Executive Office of the Governor shall instruct
 718 the Chief Financial Officer to draw a warrant from the General
 719 Revenue Fund for a transfer to the board for FORA in the amount
 720 requested. The Executive Office of the Governor shall provide
 721 written notification to the chair and vice chair of the
 722 Legislative Budget Commission at least 3 days before the
 723 effective date of the warrant. ~~Cumulative~~ transfers authorized
 724 under this paragraph may not exceed \$3 ~~\$1~~ billion, less
 725 reimbursement premium paid, per contract year.

726 (c) If a covered event occurs that triggers reimbursements
 727 under FORA, no later than January 31 following the covered
 728 event, 2024, and quarterly thereafter, the board must ~~shall~~
 729 submit a report to the Executive Office of the Governor, the
 730 President of the Senate, and the Speaker of the House of
 731 Representatives detailing any reimbursements of FORA, all
 732 premiums collected, all loss development projections, and
 733 detailed information about administrative and post-event
 734 examination activities and expenditures.

735 (d) On July 1, 2024, or as soon as reasonably practicable
 736 thereafter, the Executive Office of the Governor shall instruct
 737 the Chief Financial Officer to draw a warrant from the FORA Fund
 738 and transfer \$580 million into FHCF to offset losses that occur
 739 as result of the freeze of the cash build-up as set forth in s.
 740 215.555(5)(b).

741 (12) EXPIRATION DATE.—If no general revenue funds have
 742 been transferred to the board for FORA under subsection (11) by
 743 June 30, 2029 ~~2026~~, this section expires on July 1, 2029 ~~2026~~.
 744 If general revenue funds have been transferred to the board for
 745 FORA under subsection (11) by June 30, 2029 ~~2026~~, this section
 746 expires on July 1, 2034 ~~2030~~, and all unencumbered funds
 747 collected under this section shall be transferred by the board
 748 back to the General Revenue Fund unallocated.

749 Section 4. This act shall take effect upon becoming a law.