

By Senator DiCeglie

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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;

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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

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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 (b),
72 (c), and (d) of subsection (4), paragraph (b) of subsection (5),
73 and paragraph (a) of subsection (7) of section 215.555, Florida
74 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 the
81 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~~

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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.

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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

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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 shall
165 publish in the Florida Administrative Register a statement of
166 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

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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~~

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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~~

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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

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

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291 and ~~qualifies under subsection (5)~~. A ~~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~~

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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)(c). 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.

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

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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 ~~(e) A RAP insurer's RAP retention is calculated as follows:~~

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

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

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

403 ~~(5) INSURER QUALIFICATION.—~~

404 ~~(a) An insurer is not eligible to participate in the RAP~~
405 ~~program if the board receives a notice from the Commissioner of~~
406 ~~Insurance Regulation which certifies that the insurer is in an~~

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407 ~~unsound financial condition no later than:~~

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

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

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

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

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

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

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

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

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

430 ~~(6) PARTICIPATION DEFERRAL.—~~

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

435 ~~Participation in the RAP program for such RAP insurers shall be~~

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436 ~~deferred until the 2023-2024 contract year.~~

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

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

445 ~~(10)(12) RULEMAKING.—~~The board may adopt rules to implement
446 this section. In addition, the board may adopt emergency rules,
447 pursuant to s. 120.54, at any time, as are necessary to
448 implement this section for the 2024-2025 ~~2022-2023~~ fiscal year.
449 The Legislature finds that such emergency rulemaking power is
450 necessary in order to address a critical need in this ~~the~~
451 state's problematic property insurance market. The Legislature
452 further finds that the uniquely short timeframe needed to
453 effectively implement this section for the 2024-2025 ~~2022-2023~~
454 fiscal year requires that the board adopt rules as quickly as
455 practicable. Therefore, in adopting such emergency rules, the
456 board need not make the findings required by s. 120.54(4)(a).
457 Emergency rules adopted under this section are exempt from s.
458 120.54(4)(c) and shall remain in effect until replaced by rules
459 adopted under the nonemergency rulemaking procedures of chapter
460 120, ~~which must occur no later than July 1, 2023.~~

461 ~~(11)(13) APPROPRIATION.—~~

462 (a) Within 60 days after a covered event, the board must
463 ~~shall~~ submit written notice to the Executive Office of the
464 Governor if the board determines that funds from the RAP program

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465 coverage established by this section will be necessary to
466 reimburse RAP insurers for losses associated with the covered
467 event. The initial notice, and any subsequent requests, must
468 specify the amount necessary to provide RAP reimbursements. Upon
469 receiving such notice, the Executive Office of the Governor
470 shall instruct the Chief Financial Officer to draw a warrant
471 from the General Revenue Fund for a transfer to the board for
472 the RAP program in the amount requested. The Executive Office of
473 the Governor shall provide written notification to the chair and
474 vice chair of the Legislative Budget Commission at least 3 days
475 before the effective date of the warrant. ~~Cumulative~~ Transfers
476 authorized under this paragraph may not exceed \$4 ~~\$2~~ billion,
477 less reimbursement premium paid, for each contract year.

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

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494 (c) No later than January 31, 2025 ~~2023~~, and quarterly
495 thereafter, the board shall submit a report to the Executive
496 Office of the Governor, the President of the Senate, and the
497 Speaker of the House of Representatives detailing any
498 reimbursements of the RAP program, all loss development
499 projections, ~~the amount of RAP reimbursement coverage deferred~~
500 ~~until the 2023-2024 contract year~~, and detailed information
501 about administrative and post-event examination expenditures.

502 (12) ~~(14)~~ EXPIRATION DATE.—If no general revenue funds have
503 been transferred to the board for the RAP program under
504 subsection (11) ~~(13)~~ by June 30, 2029 ~~2025~~, this section expires
505 on July 1, 2029 ~~2025~~. If general revenue funds have been
506 transferred to the board for the RAP program under subsection
507 (11) ~~(13)~~ by June 30, 2029 ~~2025~~, this section expires on July 1,
508 2034 ~~2029~~, and all unencumbered RAP program funds shall be
509 transferred by the board back to the General Revenue Fund
510 unallocated.

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

516 215.5552 Florida Optional Reinsurance Assistance program.—

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

518 (c) "Covered event" means any event in which a catastrophe
519 serial number is assigned by Insurance Services Office's
520 Property Claim Services ~~has the same meaning as in s.~~
521 ~~215.555(2)(b).~~

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

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

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

531 (o) "Initial FORA premium" means the premium paid by a FORA
532 insurer in the same installment plan as the FHCF premium ~~by July~~
533 ~~1, 2023~~, for coverage under the FORA program.

534 (q) "RAP insurer" has the same meaning as in s.
535 215.5551(2)(i) ~~s. 215.5551(2)(h)~~.

536 (3) COVERAGE.—

537 (a) Each FORA eligible insurer may purchase coverage under
538 FORA. The board shall provide three ~~four~~ optional layers above a
539 \$500 million FHCF industry retention ~~below the FHCF retention~~
540 ~~prior to the third event dropdown of the FHCF retention set~~
541 ~~forth in s. 215.555(2)(c)4. Only RAP insurers required to~~
542 ~~participate in the 2022-2023 contract year may select FORA~~
543 ~~layers 1 through 3. All FORA eligible insurers may purchase FORA~~
544 ~~layer 4. If a RAP insurer required to participate in the 2022-~~
545 ~~2023 contract year chooses to purchase layer 2, 3, or 4, such~~
546 ~~layers must be purchased inclusive of the prior layer and cannot~~
547 ~~be purchased separately.~~

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

- 550 1. FORA industry layer 1 limit is \$1 billion.
551 2. FORA industry layer 2 limit is \$1 billion.

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552 3. ~~FORA industry layer 3 limit is \$2 billion divided by the~~
553 ~~RAP Qualification ratio minus \$2 billion.~~

554 4. FORA industry layer 3 ~~4~~ limit is \$1 billion ~~minus the~~
555 ~~total FORA industry limit selected for FORA layers 1, 2, and 3,~~
556 ~~plus the total FORA premium collected for FORA layers 1, 2, and~~
557 ~~3.~~

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

561 (4) FORA REIMBURSEMENT CONTRACTS.—

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

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

568 (c) The FORA reimbursement contract must be executed by the
569 FORA insurer no later than May 30 of the contract year ~~April 15,~~
570 ~~2023~~, for layers 1 through 3, ~~and May 30, 2023, for layer 4.~~

571 (d) For ~~the two~~ covered events with ~~the largest~~ losses for
572 the FORA insurer, the FORA reimbursement contract must contain a
573 promise by the board to reimburse the FORA insurer for 100
574 percent of its losses from each covered event in excess of the
575 lowest selected FORA layer's retention. The sum of the FORA
576 insurer's covered losses from ~~the two~~ covered events with ~~the~~
577 ~~largest~~ losses from each FORA layer may not exceed the FORA
578 insurer's combined selected FORA layer limit or limits.

579 (e) The FORA reimbursement contract must provide that
580 reimbursement amounts are not reduced by reinsurance paid or

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581 payable to the insurer from ~~other~~ sources other than the
582 mandatory FHCF layer.

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

586 ~~1. For FORA layer 1, the FORA payout multiple is the~~
587 ~~quotient of \$1 billion divided by the FHCF industry aggregate~~
588 ~~retention multiplied by the FHCF retention multiple for the FHCF~~
589 ~~coverage selected.~~

590 ~~2. For FORA layer 2, 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 ~~3. For FORA layer 3, the FORA payout multiple is calculated~~
595 ~~as follows: the numerator is the quotient of \$2 billion divided~~
596 ~~by the RAP qualification ratio as defined in s. 215.5551(2)(j)~~
597 ~~minus \$2 billion. The denominator is the FHCF industry aggregate~~
598 ~~retention. The FORA multiple is the FHCF retention multiple~~
599 ~~multiplied by the numerator divided by the denominator.~~

600 ~~4. The FORA layer 4 payout multiple is the total FORA~~
601 ~~industry layer 4 limit divided by the FHCF industry aggregate~~
602 ~~retention multiplied by the FHCF retention multiple for the FHCF~~
603 ~~coverage selected. For FORA layer 4, the total FORA industry~~
604 ~~layer limit is \$1 billion minus the total FORA industry limit~~
605 ~~selected for FORA layers 1, 2, and 3, plus the total FORA~~
606 ~~premium collected for FORA layers 1, 2, and 3.~~

607 ~~(g) For each FORA layer, the FORA payout multiple is~~
608 ~~multiplied by the FORA insurer's FHCF premium to calculate its~~
609 ~~FORA maximum payout. FORA payout multiples are calculated for 45~~

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610 ~~percent, 75 percent, and 90 percent FHCF mandatory coverage~~
611 ~~selections.~~

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

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

617 1. For each FORA layer, the board shall calculate and
618 report to each FORA insurer the initial and final FORA retention
619 multiples for each FHCF coverage selection as the FORA layer
620 retention divided by the total estimated reimbursement FHCF
621 premium for the contract year ~~FHCF retention multiple minus the~~
622 ~~FORA payout multiple~~ using the source data described in
623 paragraph (5) (a). Total reimbursement premium for purposes of
624 the calculation under this subparagraph must be estimated using
625 the assumption that all insurers have selected the 90 percent
626 coverage level. The FORA retention multiple is multiplied by the
627 FORA insurer's FHCF premium to calculate its FORA retention.
628 FORA retention multiples are calculated for 45 percent, 75
629 percent, and 90 percent FHCF mandatory coverage selections.

630 2. The retention multiple as determined under subparagraph
631 1. must be adjusted to reflect the coverage level elected by the
632 insurer. For insurers electing the 90 percent coverage level,
633 the adjusted retention multiple is 100 percent of the amount
634 determined under subparagraph 1. For insurers electing the 75
635 percent coverage level, the retention multiple is 120 percent of
636 the amount determined under subparagraph 1. For insurers
637 electing the 45 percent coverage level, the adjusted retention
638 multiple is 200 percent of the amount determined under

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639 ~~subparagraph 1~~ The FORA industry retention for the 2023-2024
 640 contract year for FORA layer 1 is the FHCF's industry retention
 641 minus \$1 billion. The FORA layer 2 industry retention is the
 642 FHCF industry retention minus \$2 billion. The FORA layer 3
 643 industry retention is the FHCF's industry retention minus the
 644 quotient of \$2 billion divided by the RAP qualification ratio.
 645 The FORA layer 4 industry retention is the FORA layer 3
 646 retention minus the FORA layer 4 limit.

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

651 4. For a FORA insurer that selects more than one layer, the
 652 FORA combined layer retention is ~~shall be~~ the lowest selected
 653 layer retention for each of the ~~two covered~~ events with the
 654 ~~largest~~ losses for the FORA insurer.

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

662 (5) FORA PREMIUMS.—

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

667 1. ~~Fifty percent Rate on Line multiplied by the FORA~~

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668 ~~insurer's FORA layer 1 limit.~~

669 ~~2. Fifty five percent Rate on Line multiplied by the FORA~~
670 ~~insurer's FORA layer 2 limit.~~

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

673 ~~4. Sixty five percent Rate on Line multiplied by the FORA~~
674 ~~insurer's FORA layer 4 limit.~~

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

683 (c) Failure to pay the initial FORA premium in full by
684 December 1 of the contract year will July 1, 2023, shall result
685 in disqualification as a FORA insurer. The final FORA premium
686 will be due no later than March 1 following the contract year,
687 2024.

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

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

704 (11) APPROPRIATION.—

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

721 (c) If a covered event occurs that triggers reimbursements
722 under FORA, no later than January 31 following the covered
723 event, ~~2024~~, and quarterly thereafter, the board must ~~shall~~
724 submit a report to the Executive Office of the Governor, the
725 President of the Senate, and the Speaker of the House of

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726 Representatives detailing any reimbursements of FORA, all
727 premiums collected, all loss development projections, and
728 detailed information about administrative and post-event
729 examination activities and expenditures.

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

736 (12) EXPIRATION DATE.—If no general revenue funds have been
737 transferred to the board for FORA under subsection (11) by June
738 30, 2029 ~~2026~~, this section expires on July 1, 2029 ~~2026~~. If
739 general revenue funds have been transferred to the board for
740 FORA under subsection (11) by June 30, 2029 ~~2026~~, this section
741 expires on July 1, 2034 ~~2030~~, and all unencumbered funds
742 collected under this section shall be transferred by the board
743 back to the General Revenue Fund unallocated.

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