By Senator DiCeglie

18-00809-26 20261448__

A bill to be entitled

An act relating to the Florida Hurricane Catastrophe Fund; amending s. 215.555, F.S.; revising the definition of the term “retention”; requiring reimbursement contracts to contain a promise by the State Board of Administration to reimburse the insurer for applicable loss adjustment expenses; requiring that, for contracts and rates effective on or after a specified date, the loss adjustment expense included be a specified amount; requiring that the hurricane loss portion of the formula for determining the actuarially indicated premium to be paid to the fund be determined in a specified manner; authorizing, rather than requiring, such formula to provide for a cash build-up factor; deleting obsolete provisions; requiring the cash build-up factor to be zero in a specified contract year; providing an effective date.

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

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

215.555 Florida Hurricane Catastrophe Fund.—

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

(e) “Retention” means the amount of losses below which an insurer is not entitled to reimbursement from the fund. An insurer’s retention shall be calculated as follows:

1. The board shall calculate and report to each insurer the

retention multiples for that year. For the contract year beginning June 1, 2026 ~~2005~~, the retention multiple must ~~shall~~ be equal to $4.5 billion ~~divided by the total estimated reimbursement premium for the contract year; for subsequent years, the retention multiple shall be equal to $4.5 billion, adjusted based upon the reported exposure for the contract year occurring 2 years before the particular contract year to reflect the percentage growth in exposure to the fund for covered policies since 2004, divided by the total estimated reimbursement premium for the contract year. Total reimbursement premium for purposes of the calculation under this subparagraph shall be estimated using the assumption that all insurers have selected the 90-percent coverage level~~.

2. The retention multiple as determined under subparagraph 1. shall be adjusted to reflect the coverage level elected by the insurer. For insurers electing the 90-percent coverage level, the adjusted retention multiple is 100 percent of the amount determined under subparagraph 1. For insurers electing the 75-percent coverage level, the retention multiple is 120 percent of the amount determined under subparagraph 1. For insurers electing the 45-percent coverage level, the adjusted retention multiple is 200 percent of the amount determined under subparagraph 1.

3. An insurer shall determine its provisional retention by multiplying its provisional reimbursement premium by the applicable adjusted retention multiple and shall determine its actual retention by multiplying its actual reimbursement premium by the applicable adjusted retention multiple.

4. For insurers who experience multiple covered events

causing loss during the contract year, beginning June 1, 2005, each insurer’s full retention shall be applied to each of the covered events causing the two largest losses for that insurer. For each other covered event resulting in losses, the insurer’s retention shall be reduced to one-third of the full retention. The reimbursement contract shall provide for the reimbursement of losses for each covered event based on the full retention with adjustments made to reflect the reduced retentions on or after January 1 of the contract year provided the insurer reports its losses as specified in the reimbursement contract.

(4) REIMBURSEMENT CONTRACTS.—

(b)1. The contract shall contain a promise by the board to reimburse the insurer for 45 percent, 75 percent, or 90 percent of its losses and applicable loss adjustment expenses from each covered event in excess of the insurer’s retention~~, plus 5 percent of the reimbursed losses to cover loss adjustment expenses~~. For contracts and rates effective on or after June 1, 2026 ~~2019~~, the loss adjustment expense included ~~reimbursement~~ must be the lesser of 15 ~~10~~ percent of the total subject losses before reimbursement or the total subject actual loss adjustment expenses ~~the reimbursed losses~~.

2. The insurer must elect one of the percentage coverage levels specified in this paragraph and may, upon renewal of a reimbursement contract, elect a lower percentage coverage level if no revenue bonds issued under subsection (6) after a covered event are outstanding, or elect a higher percentage coverage level, regardless of whether or not revenue bonds are outstanding. All members of an insurer group must elect the same percentage coverage level. Any joint underwriting association,

risk apportionment plan, or other entity created under s. 627.351 must elect the 90-percent coverage level.

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

(5) REIMBURSEMENT PREMIUMS.—

(b) The State Board of Administration shall select an independent consultant to develop a formula for determining the actuarially indicated premium to be paid to the fund. The hurricane loss portion of the formula must be determined by averaging the results of all the catastrophe models accepted by the Florida Commission on Hurricane Loss Projection Methodology. The formula must ~~shall~~ specify, for each zip code or other limited geographical area, the amount of premium to be paid by an insurer for each $1,000 of insured value under covered policies in that zip code or other area. In establishing premiums, the board shall consider the coverage elected under paragraph (4)(b) and any factors that tend to enhance the actuarial sophistication of ratemaking for the fund, including deductibles, type of construction, type of coverage provided, relative concentration of risks, and other such factors deemed by the board to be appropriate. The formula may ~~must~~ provide for a cash build-up factor. ~~For the 2009-2010 contract year, the factor is 5 percent. For the 2010-2011 contract year, the factor is 10 percent. For the 2011-2012 contract year, the factor is 15 percent. For the 2012-2013 contract year, the factor is 20 percent.~~ For the 2013-2014 contract year and thereafter, the factor is 25 percent; however, the cash build-up factor must be zero in the 2026-2027 contract year. The formula may provide for a procedure to determine the premiums to be paid by new insurers that begin writing covered policies after the beginning of a contract year, taking into consideration when the insurer starts writing covered policies, the potential exposure of the insurer, the potential exposure of the fund, the administrative costs to the insurer and to the fund, and any other factors deemed appropriate by the board. The formula must be approved by unanimous vote of the board. The board may, at any time, revise the formula pursuant to the procedure provided in this paragraph.

Section 2. This act shall take effect July 1, 2026.