

By the Committee on Banking and Insurance; and Senator Alexander

597-03518-12

20121372c1

1                                   A bill to be entitled  
2       An act relating to the Florida Hurricane Catastrophe  
3       Fund; amending s. 215.555, F.S.; revising the  
4       definitions of "retention" and "corporation";  
5       providing for calculation of an insurer's  
6       reimbursement premium and retention under the  
7       reimbursement contract; revising coverage levels  
8       available under the reimbursement contract; revising  
9       aggregate coverage limits; providing for the phase-in  
10      of changes to coverage levels and limits; revising the  
11      cash build-up factor included in reimbursement  
12      premiums; providing for phase-in; reducing maximum  
13      allowable emergency assessments; changing the name of  
14      the Florida Hurricane Catastrophe Fund Finance  
15      Corporation; repealing provisions related to temporary  
16      emergency options for additional coverage; terminating  
17      the temporary increase in coverage limits option at  
18      the end of the 2012-2013 contract year; limiting to  
19      the 2012-2013 contract year provisions relating to the  
20      TICL options addendum, TICL reimbursement premiums,  
21      and the claims-paying capacity of the fund, to  
22      conform; amending s. 627.0629, F.S.; conforming a  
23      cross-reference; providing an effective date.

24  
25   Be It Enacted by the Legislature of the State of Florida:

26  
27       Section 1. Paragraphs (e) and (n) of subsection (2),  
28      paragraphs (b) and (c) of subsection (4), paragraph (b) of  
29      subsection (5), paragraphs (b) and (d) of subsection (6), and

597-03518-12

20121372c1

30 subsections (16), (17), and (18) of section 215.555, Florida  
31 Statutes, are amended to read:

32 215.555 Florida Hurricane Catastrophe Fund.—

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

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

37 1.a. The board shall calculate and report to each insurer  
38 the retention multiples for that year.

39 (I) For the contract year beginning June 1, 2005, the  
40 retention multiple shall be equal to \$4.5 billion divided by the  
41 total estimated reimbursement premium for the contract year; for  
42 subsequent years, up to and including the 2012-2013 contract  
43 year, the retention multiple shall be equal to \$4.5 billion,  
44 adjusted based upon the reported exposure for the contract year  
45 occurring 2 years before the particular contract year to reflect  
46 the percentage growth in exposure to the fund for covered  
47 policies since 2004, divided by the total estimated  
48 reimbursement premium for the contract year.

49 (II) For the contract year beginning June 1, 2013, the  
50 retention multiple shall be equal to \$8 billion divided by the  
51 total estimated reimbursement premium for the contract year. For  
52 subsequent years, the retention multiple shall be equal to \$8  
53 billion, adjusted based upon the reported exposure for the  
54 contract year occurring 2 years before the particular contract  
55 year to reflect the percentage growth in exposure to the fund  
56 for covered policies since 2011, divided by the total  
57 reimbursement premium for the contract year.

58 b. For the 2012-2013 contract year, total reimbursement

597-03518-12

20121372c1

59 premium for purposes of the calculation under this subparagraph  
60 shall be estimated using the assumption that all insurers have  
61 selected the 90-percent coverage level.

62 c. In order to implement the phase-in of reduced coverage  
63 levels as provided in paragraph (4) (b), total reimbursement  
64 premium for purposes of the calculation under this subparagraph  
65 shall be estimated using the following assumptions:

66 (I) For the 2013-2014 contract year, the assumption is that  
67 all insurers have selected the 85-percent coverage level.

68 (II) For the 2014-2015 contract year, the assumption is  
69 that all insurers have selected the 80-percent coverage level.

70 (III) For the 2015-2016 contract year and subsequent  
71 contract years, the assumption is that all insurers have  
72 selected the 75-percent coverage level.

73 2. The retention multiple as determined under subparagraph  
74 1. shall be adjusted to reflect the coverage level elected by  
75 the insurer.

76 a. For an insurer electing the maximum coverage level  
77 available under paragraph (4) (b) for a particular contract year  
78 ~~For insurers electing the 90-percent coverage level, the~~  
79 adjusted retention multiple is 100 percent of the amount  
80 determined under subparagraph 1.

81 b. In order to implement the phase-in of reduced coverage  
82 levels as provided in paragraph (4) (b), for an insurer electing  
83 a coverage level other than the maximum coverage level, the  
84 adjusted retention multiple is as follows:

85 (I) With respect to the 2012-2013 contract year, for an  
86 insurer ~~For insurers~~ electing the 75-percent coverage level, the  
87 retention multiple is 90/75ths ~~120 percent~~ of the amount

597-03518-12

20121372c1

88 determined under subparagraph 1., and for an insurer ~~For~~  
89 ~~insurers~~ electing the 45-percent coverage level, the adjusted  
90 retention multiple is 90/45ths ~~200 percent~~ of the amount  
91 determined under subparagraph 1.

92 (II) With respect to the 2013-2014 contract year, for an  
93 insurer electing the 75-percent coverage level, the retention  
94 multiple is 85/75ths of the amount determined under subparagraph  
95 1., and for an insurer electing the 45-percent coverage level,  
96 the retention multiple is 85/45ths of the amount determined  
97 under subparagraph 1.

98 (III) With respect to the 2014-2015 contract year, for an  
99 insurer electing the 75-percent coverage level, the retention  
100 multiple is 80/75ths of the amount determined under subparagraph  
101 1., and for an insurer electing the 45-percent coverage level,  
102 the retention multiple is 80/45ths of the amount determined  
103 under subparagraph 1.

104 (IV) With respect to the 2015-2016 contract year and  
105 subsequent contract years, for an insurer electing the 75-  
106 percent coverage level, the retention multiple is the amount  
107 determined under subparagraph 1., and for an insurer electing  
108 the 45-percent coverage level, the retention multiple is  
109 75/45ths of the amount determined under subparagraph 1.

110 3. An insurer shall determine its provisional retention by  
111 multiplying its provisional reimbursement premium by the  
112 applicable adjusted retention multiple and shall determine its  
113 actual retention by multiplying its actual reimbursement premium  
114 by the applicable adjusted retention multiple.

115 4. For insurers who experience multiple covered events  
116 causing loss during the contract year, beginning June 1, 2005,

597-03518-12

20121372c1

117 each insurer's full retention shall be applied to each of the  
118 covered events causing the two largest losses for that insurer.  
119 For each other covered event resulting in losses, the insurer's  
120 retention shall be reduced to one-third of the full retention.  
121 The reimbursement contract shall provide for the reimbursement  
122 of losses for each covered event based on the full retention  
123 with adjustments made to reflect the reduced retentions on or  
124 after January 1 of the contract year provided the insurer  
125 reports its losses as specified in the reimbursement contract.

126 (n) "Corporation" means the State Board of Administration  
127 ~~Florida Hurricane Catastrophe Fund~~ Finance Corporation created  
128 in paragraph (6) (d).

129 (4) REIMBURSEMENT CONTRACTS.—

130 (b)1.a. The contract shall contain a promise by the board  
131 to reimburse the insurer for a specified percentage ~~45 percent,~~  
132 ~~75 percent, or 90 percent~~ of its losses from each covered event  
133 in excess of the insurer's retention, plus 5 percent of the  
134 reimbursed losses to cover loss adjustment expenses.

135 b. The available coverage levels are as follows:

136 (I) For the 2012-2013 contract year, 90 percent, 75  
137 percent, and 45 percent.

138 (II) For the 2013-2014 contract year, 85 percent, 75  
139 percent, and 45 percent.

140 (III) For the 2014-2015 contract year, 80 percent, 75  
141 percent, and 45 percent.

142 (IV) For the 2015-2016 contract year and subsequent  
143 contract years, 75 percent and 45 percent.

144 2.a. The insurer must elect one of the percentage coverage  
145 levels specified in this paragraph and may, upon renewal of a

597-03518-12

20121372c1

146 reimbursement contract, elect a lower percentage coverage level  
147 if no revenue bonds issued under subsection (6) after a covered  
148 event are outstanding, or elect a higher percentage coverage  
149 level, regardless of whether or not revenue bonds are  
150 outstanding. All members of an insurer group must elect the same  
151 percentage coverage level. Any joint underwriting association,  
152 risk apportionment plan, or other entity created under s.  
153 627.351 must elect the maximum ~~90-percent~~ coverage level  
154 available under subparagraph 1.

155 b. In order to implement the phase-in of reduced coverage  
156 levels as provided in subparagraph 1., and notwithstanding any  
157 provisions of sub-subparagraph a. to the contrary, if revenue  
158 bonds issued under subsection (6) after a covered event are  
159 outstanding and the insurer has elected the maximum coverage  
160 level available under subparagraph 1., the insurer must, upon  
161 renewal of the reimbursement contract, elect the maximum  
162 coverage level available under subparagraph 1. for the renewal  
163 contract year.

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

167 4. Notwithstanding any other provision contained in this  
168 section, the board shall make available to insurers that  
169 purchased coverage provided by this subparagraph in 2008,  
170 insurers qualifying as limited apportionment companies under s.  
171 627.351(6)(c), and insurers that have been approved to  
172 participate in the Insurance Capital Build-Up Incentive Program  
173 pursuant to s. 215.5595 a contract or contract addendum that  
174 provides an additional amount of reimbursement coverage of up to

597-03518-12

20121372c1

175 \$10 million. The premium to be charged for this additional  
176 reimbursement coverage shall be 50 percent of the additional  
177 reimbursement coverage provided, which shall include one prepaid  
178 reinstatement. The minimum retention level that an eligible  
179 participating insurer must retain associated with this  
180 additional coverage layer is 30 percent of the insurer's surplus  
181 ~~as of December 31, 2008, for the 2009-2010 contract year; as of~~  
182 ~~December 31, 2009, for the 2010-2011 contract year; and as of~~  
183 December 31, 2010, for the 2011-2012 contract year. This  
184 coverage shall be in addition to all other coverage that may be  
185 provided under this section. The coverage provided by the fund  
186 under this subparagraph shall be in addition to the claims-  
187 paying capacity as defined in subparagraph (c)1., but only with  
188 respect to those insurers that select the additional coverage  
189 option and meet the requirements of this subparagraph. The  
190 claims-paying capacity with respect to all other participating  
191 insurers and limited apportionment companies that do not select  
192 the additional coverage option shall be limited to their  
193 reimbursement premium's proportionate share of the actual  
194 claims-paying capacity otherwise defined in subparagraph (c)1.  
195 and as provided for under the terms of the reimbursement  
196 contract. The optional coverage retention as specified shall be  
197 accessed before the mandatory coverage under the reimbursement  
198 contract, but once the limit of coverage selected under this  
199 option is exhausted, the insurer's retention under the mandatory  
200 coverage will apply. This coverage will apply and be paid  
201 concurrently with mandatory coverage. This subparagraph expires  
202 on May 31, 2012.

203 (c)1. The contract shall also provide that the obligation

597-03518-12

20121372c1

204 of the board with respect to all contracts covering a particular  
205 contract year shall not exceed the actual claims-paying capacity  
206 of the fund up to the limit specified in this subparagraph.

207 a. For the 2012-2013 contract year, the limit is \$17  
208 billion.

209 b. For the 2013-2014 contract year, the limit is \$15.5  
210 billion.

211 c. For the 2014-2015 contract year, the limit is \$14  
212 billion.

213 d. For the 2015-2016 contract year and subsequent contract  
214 years, the limit is \$12 billion.

215 e. For contract years after the 2015-2016 contract year, if  
216 a limit of \$17 billion for that contract year, unless the board  
217 determines that there is sufficient estimated claims-paying  
218 capacity to provide \$12 \$17 billion of capacity for the current  
219 contract year and an additional \$12 \$17 billion of capacity for  
220 subsequent contract years. If the board makes such a  
221 determination, the estimated claims-paying capacity for the  
222 particular contract year shall be determined by adding to the  
223 \$12 \$17 billion limit one-half of the fund's estimated claims-  
224 paying capacity in excess of \$24 \$34 billion. However, the  
225 dollar growth in the limit may not increase in any year by an  
226 amount greater than the dollar growth of the balance of the fund  
227 as of December 31, less any premiums or interest attributable to  
228 optional coverage, as defined by rule, which occurred over the  
229 prior calendar year.

230 2. In May and October of the contract year, the board shall  
231 publish in the Florida Administrative Weekly a statement of the  
232 fund's estimated borrowing capacity, the fund's estimated

597-03518-12

20121372c1

233 claims-paying capacity, and the projected balance of the fund as  
234 of December 31. After the end of each calendar year, the board  
235 shall notify insurers of the estimated borrowing capacity,  
236 estimated claims-paying capacity, and the balance of the fund as  
237 of December 31 to provide insurers with data necessary to assist  
238 them in determining their retention and projected payout from  
239 the fund for loss reimbursement purposes. In conjunction with  
240 the development of the premium formula, as provided for in  
241 subsection (5), the board shall publish factors or multiples  
242 that assist insurers in determining their retention and  
243 projected payout for the next contract year. For all regulatory  
244 and reinsurance purposes, an insurer may calculate its projected  
245 payout from the fund as its share of the total fund premium for  
246 the current contract year multiplied by the sum of the projected  
247 balance of the fund as of December 31 and the estimated  
248 borrowing capacity for that contract year as reported under this  
249 subparagraph.

250 (5) REIMBURSEMENT PREMIUMS.—

251 (b)1. The State Board of Administration shall select an  
252 independent consultant to develop a formula for determining the  
253 actuarially indicated premium to be paid to the fund. The  
254 formula shall specify, for each zip code or other limited  
255 geographical area, the amount of premium to be paid by an  
256 insurer for each \$1,000 of insured value under covered policies  
257 in that zip code or other area. In establishing premiums, the  
258 board shall consider the coverage elected under paragraph (4) (b)  
259 and any factors that tend to enhance the actuarial  
260 sophistication of ratemaking for the fund, including  
261 deductibles, type of construction, type of coverage provided,

597-03518-12

20121372c1

262 relative concentration of risks, and other such factors deemed  
263 by the board to be appropriate.

264 2. The formula must provide for a cash build-up factor as  
265 specified in this subparagraph. ~~For the 2009-2010 contract year,~~  
266 ~~the factor is 5 percent. For the 2010-2011 contract year, the~~  
267 ~~factor is 10 percent.~~

268 a. For the 2011-2012 contract year, the factor is 15  
269 percent.

270 b. For the 2012-2013 contract year, the factor is 20  
271 percent.

272 c. For the 2013-2014 contract year ~~and thereafter,~~ the  
273 factor is 25 percent.

274 d. For the 2014-2015 contract year, the factor is 30  
275 percent.

276 e. For the 2015-2016 contract year, the factor is 35  
277 percent.

278 f. For the 2016-2017 contract year, the factor is 40  
279 percent.

280 g. For the 2017-2018 contract year, the factor is 45  
281 percent.

282 h. For the 2018-2019 contract year and subsequent contract  
283 years, the factor is 50 percent.

284 3. The formula may provide for a procedure to determine the  
285 premiums to be paid by new insurers that begin writing covered  
286 policies after the beginning of a contract year, taking into  
287 consideration when the insurer starts writing covered policies,  
288 the potential exposure of the insurer, the potential exposure of  
289 the fund, the administrative costs to the insurer and to the  
290 fund, and any other factors deemed appropriate by the board. The

597-03518-12

20121372c1

291 formula must be approved by unanimous vote of the board. The  
292 board may, at any time, revise the formula pursuant to the  
293 procedure provided in this paragraph.

294 (6) REVENUE BONDS.—

295 (b) *Emergency assessments*—

296 1. If the board determines that the amount of revenue  
297 produced under subsection (5) is insufficient to fund the  
298 obligations, costs, and expenses of the fund and the  
299 corporation, including repayment of revenue bonds and that  
300 portion of the debt service coverage not met by reimbursement  
301 premiums, the board shall direct the Office of Insurance  
302 Regulation to levy, by order, an emergency assessment on direct  
303 premiums for all property and casualty lines of business in this  
304 state, including property and casualty business of surplus lines  
305 insurers regulated under part VIII of chapter 626, but not  
306 including any workers' compensation premiums or medical  
307 malpractice premiums. As used in this subsection, the term  
308 "property and casualty business" includes all lines of business  
309 identified on Form 2, Exhibit of Premiums and Losses, in the  
310 annual statement required of authorized insurers by s. 624.424  
311 and any rule adopted under this section, except for those lines  
312 identified as accident and health insurance and except for  
313 policies written under the National Flood Insurance Program. The  
314 assessment shall be specified as a percentage of direct written  
315 premium and is subject to annual adjustments by the board in  
316 order to meet debt obligations. The same percentage shall apply  
317 to all policies in lines of business subject to the assessment  
318 issued or renewed during the 12-month period beginning on the  
319 effective date of the assessment.

597-03518-12

20121372c1

320           2.a. A premium is not subject to an annual assessment under  
321 this paragraph in excess of 6 percent of premium with respect to  
322 obligations arising out of losses attributable to any one  
323 contract year prior to the 2015-2016 contract year, and a  
324 premium is not subject to an aggregate annual assessment under  
325 this paragraph in excess of 10 percent of premium if all of the  
326 losses that generated the obligations were attributable to  
327 contract years prior to the 2015-2016 contract year. An annual  
328 assessment under this paragraph shall continue as long as the  
329 revenue bonds issued with respect to which the assessment was  
330 imposed are outstanding, including any bonds the proceeds of  
331 which were used to refund the revenue bonds, unless adequate  
332 provision has been made for the payment of the bonds under the  
333 documents authorizing issuance of the bonds.

334           b. Except as provided in sub-subparagraph a., a premium is  
335 not subject to an annual assessment under this paragraph in  
336 excess of 5 percent of premium with respect to obligations  
337 arising out of losses attributable to any one contract year, and  
338 a premium is not subject to an aggregate annual assessment under  
339 this paragraph in excess of 8 percent of premium. An annual  
340 assessment under this paragraph shall continue as long as the  
341 revenue bonds issued with respect to which the assessment was  
342 imposed are outstanding, including any bonds the proceeds of  
343 which were used to refund the revenue bonds, unless adequate  
344 provision has been made for the payment of the bonds under the  
345 documents authorizing issuance of the bonds.

346           3. Emergency assessments shall be collected from  
347 policyholders. Emergency assessments shall be remitted by  
348 insurers as a percentage of direct written premium for the

597-03518-12

20121372c1

349 preceding calendar quarter as specified in the order from the  
350 Office of Insurance Regulation. The office shall verify the  
351 accurate and timely collection and remittance of emergency  
352 assessments and shall report the information to the board in a  
353 form and at a time specified by the board. Each insurer  
354 collecting assessments shall provide the information with  
355 respect to premiums and collections as may be required by the  
356 office to enable the office to monitor and verify compliance  
357 with this paragraph.

358         4. With respect to assessments of surplus lines premiums,  
359 each surplus lines agent shall collect the assessment at the  
360 same time as the agent collects the surplus lines tax required  
361 by s. 626.932, and the surplus lines agent shall remit the  
362 assessment to the Florida Surplus Lines Service Office created  
363 by s. 626.921 at the same time as the agent remits the surplus  
364 lines tax to the Florida Surplus Lines Service Office. The  
365 emergency assessment on each insured procuring coverage and  
366 filing under s. 626.938 shall be remitted by the insured to the  
367 Florida Surplus Lines Service Office at the time the insured  
368 pays the surplus lines tax to the Florida Surplus Lines Service  
369 Office. The Florida Surplus Lines Service Office shall remit the  
370 collected assessments to the fund or corporation as provided in  
371 the order levied by the Office of Insurance Regulation. The  
372 Florida Surplus Lines Service Office shall verify the proper  
373 application of such emergency assessments and shall assist the  
374 board in ensuring the accurate and timely collection and  
375 remittance of assessments as required by the board. The Florida  
376 Surplus Lines Service Office shall annually calculate the  
377 aggregate written premium on property and casualty business,

597-03518-12

20121372c1

378 other than workers' compensation and medical malpractice,  
379 procured through surplus lines agents and insureds procuring  
380 coverage and filing under s. 626.938 and shall report the  
381 information to the board in a form and at a time specified by  
382 the board.

383       5.a. Any assessment authority not used for a particular  
384 contract year may be used for a subsequent contract year. If,  
385 for a subsequent contract year, the board determines that the  
386 amount of revenue produced under subsection (5) is insufficient  
387 to fund the obligations, costs, and expenses of the fund and the  
388 corporation, including repayment of revenue bonds and that  
389 portion of the debt service coverage not met by reimbursement  
390 premiums, the board shall direct the Office of Insurance  
391 Regulation to levy an emergency assessment up to an amount not  
392 exceeding the amount of unused assessment authority from a  
393 previous contract year or years, plus an additional 4 percent,  
394 if provided that the assessments in the aggregate do not exceed  
395 the limits specified in subparagraph 2. and all of the losses  
396 that generated the obligations were attributable to contract  
397 years prior to the 2015-2016 contract year.

398       b. Except as provided in sub-subparagraph a., any  
399 assessment authority not used for a particular contract year may  
400 be used for a subsequent contract year. If, for a subsequent  
401 contract year, the board determines that the amount of revenue  
402 produced under subsection (5) is insufficient to fund the  
403 obligations, costs, and expenses of the fund and the  
404 corporation, including repayment of revenue bonds and that  
405 portion of the debt service coverage not met by reimbursement  
406 premiums, the board shall direct the Office of Insurance

597-03518-12

20121372c1

407 Regulation to levy an emergency assessment up to an amount not  
408 exceeding the amount of unused assessment authority from a  
409 previous contract year or years, plus an additional 3 percent,  
410 if the assessments in the aggregate do not exceed the limits  
411 specified in subparagraph 2.

412         6. The assessments otherwise payable to the corporation  
413 under this paragraph shall be paid to the fund unless and until  
414 the Office of Insurance Regulation and the Florida Surplus Lines  
415 Service Office have received from the corporation and the fund a  
416 notice, which shall be conclusive and upon which they may rely  
417 without further inquiry, that the corporation has issued bonds  
418 and the fund has no agreements in effect with local governments  
419 under paragraph (c). On or after the date of the notice and  
420 until the date the corporation has no bonds outstanding, the  
421 fund shall have no right, title, or interest in or to the  
422 assessments, except as provided in the fund's agreement with the  
423 corporation.

424         7. Emergency assessments are not premium and are not  
425 subject to the premium tax, to the surplus lines tax, to any  
426 fees, or to any commissions. An insurer is liable for all  
427 assessments that it collects and must treat the failure of an  
428 insured to pay an assessment as a failure to pay the premium. An  
429 insurer is not liable for uncollectible assessments.

430         8. When an insurer is required to return an unearned  
431 premium, it shall also return any collected assessment  
432 attributable to the unearned premium. A credit adjustment to the  
433 collected assessment may be made by the insurer with regard to  
434 future remittances that are payable to the fund or corporation,  
435 but the insurer is not entitled to a refund.

597-03518-12

20121372c1

436           9. When a surplus lines insured or an insured who has  
437 procured coverage and filed under s. 626.938 is entitled to the  
438 return of an unearned premium, the Florida Surplus Lines Service  
439 Office shall provide a credit or refund to the agent or such  
440 insured for the collected assessment attributable to the  
441 unearned premium prior to remitting the emergency assessment  
442 collected to the fund or corporation.

443           10. The exemption of medical malpractice insurance premiums  
444 from emergency assessments under this paragraph is repealed May  
445 31, 2013, and medical malpractice insurance premiums shall be  
446 subject to emergency assessments attributable to loss events  
447 occurring in the contract years commencing on June 1, 2013.

448           (d) State Board of Administration ~~Florida Hurricane~~  
449 ~~Catastrophe Fund Finance Corporation.~~

450           1. In addition to the findings and declarations in  
451 subsection (1), the Legislature also finds and declares that:

452           a. The public benefits corporation created under this  
453 paragraph will provide a mechanism necessary for the cost-  
454 effective and efficient issuance of bonds. This mechanism will  
455 eliminate unnecessary costs in the bond issuance process,  
456 thereby increasing the amounts available to pay reimbursement  
457 for losses to property sustained as a result of hurricane  
458 damage.

459           b. The purpose of such bonds is to fund reimbursements  
460 through the Florida Hurricane Catastrophe Fund to pay for the  
461 costs of construction, reconstruction, repair, restoration, and  
462 other costs associated with damage to properties of  
463 policyholders of covered policies due to the occurrence of a  
464 hurricane.

597-03518-12

20121372c1

465 c. The efficacy of the financing mechanism will be enhanced  
466 by the corporation's ownership of the assessments, by the  
467 insulation of the assessments from possible bankruptcy  
468 proceedings, and by covenants of the state with the  
469 corporation's bondholders.

470 2.a. There is created a public benefits corporation, which  
471 is an instrumentality of the state, to be known as the State  
472 Board of Administration Florida Hurricane Catastrophe Fund  
473 Finance Corporation.

474 b. The corporation shall operate under a five-member board  
475 of directors consisting of the Governor or a designee, the Chief  
476 Financial Officer or a designee, the Attorney General or a  
477 designee, the director of the Division of Bond Finance of the  
478 State Board of Administration, and the Chief Operating Officer  
479 ~~senior employee of the State Board of Administration responsible~~  
480 ~~for operations~~ of the Florida Hurricane Catastrophe Fund.

481 c. The corporation has all of the powers of corporations  
482 under chapter 607 and under chapter 617, subject only to the  
483 provisions of this subsection.

484 d. The corporation may issue bonds and engage in such other  
485 financial transactions as are necessary to provide sufficient  
486 funds to achieve the purposes of this section.

487 e. The corporation may invest in any of the investments  
488 authorized under s. 215.47.

489 f. There shall be no liability on the part of, and no cause  
490 of action shall arise against, any board members or employees of  
491 the corporation for any actions taken by them in the performance  
492 of their duties under this paragraph.

493 3.a. In actions under chapter 75 to validate any bonds

597-03518-12

20121372c1

494 issued by the corporation, the notice required by s. 75.06 shall  
495 be published only in Leon County and in two newspapers of  
496 general circulation in the state, and the complaint and order of  
497 the court shall be served only on the State Attorney of the  
498 Second Judicial Circuit.

499       b. The state hereby covenants with holders of bonds of the  
500 corporation that the state will not repeal or abrogate the power  
501 of the board to direct the Office of Insurance Regulation to  
502 levy the assessments and to collect the proceeds of the revenues  
503 pledged to the payment of such bonds as long as any such bonds  
504 remain outstanding unless adequate provision has been made for  
505 the payment of such bonds pursuant to the documents authorizing  
506 the issuance of such bonds.

507       4. The bonds of the corporation are not a debt of the state  
508 or of any political subdivision, and neither the state nor any  
509 political subdivision is liable on such bonds. The corporation  
510 does not have the power to pledge the credit, the revenues, or  
511 the taxing power of the state or of any political subdivision.  
512 The credit, revenues, or taxing power of the state or of any  
513 political subdivision shall not be deemed to be pledged to the  
514 payment of any bonds of the corporation.

515       5.a. The property, revenues, and other assets of the  
516 corporation; the transactions and operations of the corporation  
517 and the income from such transactions and operations; and all  
518 bonds issued under this paragraph and interest on such bonds are  
519 exempt from taxation by the state and any political subdivision,  
520 including the intangibles tax under chapter 199 and the income  
521 tax under chapter 220. This exemption does not apply to any tax  
522 imposed by chapter 220 on interest, income, or profits on debt

597-03518-12

20121372c1

523 obligations owned by corporations other than the State Board of  
524 Administration Florida Hurricane Catastrophe Fund Finance  
525 Corporation.

526 b. All bonds of the corporation shall be and constitute  
527 legal investments without limitation for all public bodies of  
528 this state; for all banks, trust companies, savings banks,  
529 savings associations, savings and loan associations, and  
530 investment companies; for all administrators, executors,  
531 trustees, and other fiduciaries; for all insurance companies and  
532 associations and other persons carrying on an insurance  
533 business; and for all other persons who are now or may hereafter  
534 be authorized to invest in bonds or other obligations of the  
535 state and shall be and constitute eligible securities to be  
536 deposited as collateral for the security of any state, county,  
537 municipal, or other public funds. This sub-subparagraph shall be  
538 considered as additional and supplemental authority and shall  
539 not be limited without specific reference to this sub-  
540 subparagraph.

541 6. The corporation and its corporate existence shall  
542 continue until terminated by law; however, no such law shall  
543 take effect as long as the corporation has bonds outstanding  
544 unless adequate provision has been made for the payment of such  
545 bonds pursuant to the documents authorizing the issuance of such  
546 bonds. Upon termination of the existence of the corporation, all  
547 of its rights and properties in excess of its obligations shall  
548 pass to and be vested in the state.

549 7. The State Board of Administration Finance Corporation is  
550 for all purposes the successor to the Florida Hurricane  
551 Catastrophe Fund Finance Corporation.

597-03518-12

20121372c1

552 ~~(16) TEMPORARY EMERGENCY OPTIONS FOR ADDITIONAL COVERAGE.~~

553 ~~(a) Findings and intent.~~

554 ~~1. The Legislature finds that:~~

555 ~~a. Because of temporary disruptions in the market for~~  
556 ~~eatastrophic reinsurance, many property insurers were unable to~~  
557 ~~procure reinsurance for the 2006 hurricane season with an~~  
558 ~~attachment point below the insurers' respective Florida~~  
559 ~~Hurricane Catastrophe Fund attachment points, were unable to~~  
560 ~~procure sufficient amounts of such reinsurance, or were able to~~  
561 ~~procure such reinsurance only by incurring substantially higher~~  
562 ~~costs than in prior years.~~

563 ~~b. The reinsurance market problems were responsible, at~~  
564 ~~least in part, for substantial premium increases to many~~  
565 ~~consumers and increases in the number of policies issued by the~~  
566 ~~Citizens Property Insurance Corporation.~~

567 ~~c. It is likely that the reinsurance market disruptions~~  
568 ~~will not significantly abate prior to the 2007 hurricane season.~~

569 ~~2. It is the intent of the Legislature to create a~~  
570 ~~temporary emergency program, applicable to the 2007, 2008, and~~  
571 ~~2009 hurricane seasons, to address these market disruptions and~~  
572 ~~enable insurers, at their option, to procure additional coverage~~  
573 ~~from the Florida Hurricane Catastrophe Fund.~~

574 ~~(b) Applicability of other provisions of this section. All~~  
575 ~~provisions of this section and the rules adopted under this~~  
576 ~~section apply to the program created by this subsection unless~~  
577 ~~specifically superseded by this subsection.~~

578 ~~(c) Optional coverage. For the contract year commencing~~  
579 ~~June 1, 2007, and ending May 31, 2008, the contract year~~  
580 ~~commencing June 1, 2008, and ending May 31, 2009, and the~~

597-03518-12

20121372c1

581 ~~contract year commencing June 1, 2009, and ending May 31, 2010,~~  
582 ~~the board shall offer for each of such years the optional~~  
583 ~~coverage as provided in this subsection.~~

584 ~~(d) Additional definitions. As used in this subsection, the~~  
585 ~~term:~~

586 ~~1. "TEACO options" means the temporary emergency additional~~  
587 ~~coverage options created under this subsection.~~

588 ~~2. "TEACO insurer" means an insurer that has opted to~~  
589 ~~obtain coverage under the TEACO options in addition to the~~  
590 ~~coverage provided to the insurer under its reimbursement~~  
591 ~~contract.~~

592 ~~3. "TEACO reimbursement premium" means the premium charged~~  
593 ~~by the fund for coverage provided under the TEACO options.~~

594 ~~4. "TEACO retention" means the amount of losses below which~~  
595 ~~a TEACO insurer is not entitled to reimbursement from the fund~~  
596 ~~under the TEACO option selected. A TEACO insurer's retention~~  
597 ~~options shall be calculated as follows:~~

598 ~~a. The board shall calculate and report to each TEACO~~  
599 ~~insurer the TEACO retention multiples. There shall be three~~  
600 ~~TEACO retention multiples for defining coverage. Each multiple~~  
601 ~~shall be calculated by dividing \$3 billion, \$4 billion, or \$5~~  
602 ~~billion by the total estimated mandatory FHCF reimbursement~~  
603 ~~premium assuming all insurers selected the 90 percent coverage~~  
604 ~~level.~~

605 ~~b. The TEACO retention multiples as determined under sub-~~  
606 ~~subparagraph a. shall be adjusted to reflect the coverage level~~  
607 ~~elected by the insurer. For insurers electing the 90 percent~~  
608 ~~coverage level, the adjusted retention multiple is 100 percent~~  
609 ~~of the amount determined under sub-subparagraph a. For insurers~~

597-03518-12

20121372c1

610 ~~electing the 75 percent coverage level, the retention multiple~~  
611 ~~is 120 percent of the amount determined under sub-subparagraph~~  
612 ~~a. For insurers electing the 45 percent coverage level, the~~  
613 ~~adjusted retention multiple is 200 percent of the amount~~  
614 ~~determined under sub-subparagraph a.~~

615 ~~e. An insurer shall determine its provisional TEACO~~  
616 ~~retention by multiplying its estimated mandatory FHCF~~  
617 ~~reimbursement premium by the applicable adjusted TEACO retention~~  
618 ~~multiple and shall determine its actual TEACO retention by~~  
619 ~~multiplying its actual mandatory FHCF reimbursement premium by~~  
620 ~~the applicable adjusted TEACO retention multiple.~~

621 ~~d. For TEACO insurers who experience multiple covered~~  
622 ~~events causing loss during the contract year, the insurer's full~~  
623 ~~TEACO retention shall be applied to each of the covered events~~  
624 ~~causing the two largest losses for that insurer. For other~~  
625 ~~covered events resulting in losses, the TEACO option does not~~  
626 ~~apply and the insurer's retention shall be one third of the full~~  
627 ~~retention as calculated under paragraph (2)(e).~~

628 ~~5. "TEACO addendum" means an addendum to the reimbursement~~  
629 ~~contract reflecting the obligations of the fund and TEACO~~  
630 ~~insurers under the program created by this subsection.~~

631 ~~6. "FHCF" means the Florida Hurricane Catastrophe Fund.~~  
632 ~~(c) TEACO addendum.—~~

633 ~~1. The TEACO addendum shall provide for reimbursement of~~  
634 ~~TEACO insurers for covered events occurring during the contract~~  
635 ~~year, in exchange for the TEACO reimbursement premium paid into~~  
636 ~~the fund under paragraph (f). Any insurer writing covered~~  
637 ~~policies has the option of choosing to accept the TEACO addendum~~  
638 ~~for any of the 3 contract years that the coverage is offered.~~

597-03518-12

20121372c1

639           ~~2. The TEACO addendum shall contain a promise by the board~~  
640 ~~to reimburse the TEACO insurer for 45 percent, 75 percent, or 90~~  
641 ~~percent of its losses from each covered event in excess of the~~  
642 ~~insurer's TEACO retention, plus 5 percent of the reimbursed~~  
643 ~~losses to cover loss adjustment expenses. The percentage shall~~  
644 ~~be the same as the coverage level selected by the insurer under~~  
645 ~~paragraph (4) (b).~~

646           ~~3. The TEACO addendum shall provide that reimbursement~~  
647 ~~amounts shall not be reduced by reinsurance paid or payable to~~  
648 ~~the insurer from other sources.~~

649           ~~4. The TEACO addendum shall also provide that the~~  
650 ~~obligation of the board with respect to all TEACO addenda shall~~  
651 ~~not exceed an amount equal to two times the difference between~~  
652 ~~the industry retention level calculated under paragraph (2) (e)~~  
653 ~~and the \$3 billion, \$4 billion, or \$5 billion industry TEACO~~  
654 ~~retention level options actually selected, but in no event may~~  
655 ~~the board's obligation exceed the actual claims paying capacity~~  
656 ~~of the fund plus the additional capacity created in paragraph~~  
657 ~~(g). If the actual claims paying capacity and the additional~~  
658 ~~capacity created under paragraph (g) fall short of the board's~~  
659 ~~obligations under the reimbursement contract, each insurer's~~  
660 ~~share of the fund's capacity shall be prorated based on the~~  
661 ~~premium an insurer pays for its mandatory reimbursement coverage~~  
662 ~~and the premium paid for its optional TEACO coverage as each~~  
663 ~~such premium bears to the total premiums paid to the fund times~~  
664 ~~the available capacity.~~

665           ~~5. The priorities, schedule, and method of reimbursements~~  
666 ~~under the TEACO addendum shall be the same as provided under~~  
667 ~~subsection (4).~~

597-03518-12

20121372c1

668 ~~6. A TEACO insurer's maximum reimbursement for a single~~  
669 ~~event shall be equal to the product of multiplying its mandatory~~  
670 ~~FHCF premium by the difference between its FHCF retention~~  
671 ~~multiple and its TEACO retention multiple under the TEACO option~~  
672 ~~selected and by the coverage selected under paragraph (4) (b),~~  
673 ~~plus an additional 5 percent for loss adjustment expenses. A~~  
674 ~~TEACO insurer's maximum reimbursement under the TEACO option~~  
675 ~~selected for a TEACO insurer's two largest events shall be twice~~  
676 ~~its maximum reimbursement for a single event.~~

677 ~~(f) TEACO reimbursement premiums.—~~

678 ~~1. Each TEACO insurer shall pay to the fund, in the manner~~  
679 ~~and at the time provided in the reimbursement contract for~~  
680 ~~payment of reimbursement premiums, a TEACO reimbursement premium~~  
681 ~~calculated as specified in this paragraph.~~

682 ~~2. The insurer's TEACO reimbursement premium associated~~  
683 ~~with the \$3 billion retention option shall be equal to 85~~  
684 ~~percent of a TEACO insurer's maximum reimbursement for a single~~  
685 ~~event as calculated under subparagraph (c)6. The TEACO~~  
686 ~~reimbursement premium associated with the \$4 billion retention~~  
687 ~~option shall be equal to 80 percent of a TEACO insurer's maximum~~  
688 ~~reimbursement for a single event as calculated under~~  
689 ~~subparagraph (c)6. The TEACO premium associated with the \$5~~  
690 ~~billion retention option shall be equal to 75 percent of a TEACO~~  
691 ~~insurer's maximum reimbursement for a single event as calculated~~  
692 ~~under subparagraph (c)6.~~

693 ~~(g) Effect on claims paying capacity of the fund. For the~~  
694 ~~contract term commencing June 1, 2007, the contract year~~  
695 ~~commencing June 1, 2008, and the contract term beginning June 1,~~  
696 ~~2009, the program created by this subsection shall increase the~~

597-03518-12

20121372c1

697 ~~claims paying capacity of the fund as provided in subparagraph~~  
698 ~~(4)(c)1. by an amount equal to two times the difference between~~  
699 ~~the industry retention level calculated under paragraph (2)(e)~~  
700 ~~and the \$3 billion industry TEACO retention level specified in~~  
701 ~~sub-subparagraph (d)4.a. The additional capacity shall apply~~  
702 ~~only to the additional coverage provided by the TEACO option and~~  
703 ~~shall not otherwise affect any insurer's reimbursement from the~~  
704 ~~fund.~~

705 (16) ~~(17)~~ TEMPORARY INCREASE IN COVERAGE LIMIT OPTIONS.—

706 (a) *Findings and intent.*—

707 1. The Legislature finds that:

708 a. Because of temporary disruptions in the market for  
709 catastrophic reinsurance, many property insurers were unable to  
710 procure sufficient amounts of reinsurance for the 2006 hurricane  
711 season or were able to procure such reinsurance only by  
712 incurring substantially higher costs than in prior years.

713 b. The reinsurance market problems were responsible, at  
714 least in part, for substantial premium increases to many  
715 consumers and increases in the number of policies issued by  
716 Citizens Property Insurance Corporation.

717 c. It is likely that the reinsurance market disruptions  
718 will not significantly abate prior to the 2007 hurricane season.

719 2. It is the intent of the Legislature to create options  
720 for insurers to purchase a temporary increased coverage limit  
721 above the statutorily determined limit in subparagraph (4)(c)1.,  
722 applicable for the 2007, 2008, 2009, 2010, 2011, and 2012, ~~and~~  
723 ~~2013~~ hurricane seasons, to address market disruptions and enable  
724 insurers, at their option, to procure additional coverage from  
725 the Florida Hurricane Catastrophe Fund.

597-03518-12

20121372c1

726 (b) *Applicability of other provisions of this section.*—All  
727 provisions of this section and the rules adopted under this  
728 section apply to the coverage created by this subsection unless  
729 specifically superseded by provisions in this subsection.

730 (c) *Optional coverage.*—For the 2009-2010, 2010-2011, 2011-  
731 2012, and 2012-2013, ~~and 2013-2014~~ contract years, the board  
732 shall offer, ~~for each of such years,~~ the optional coverage as  
733 provided in this subsection.

734 (d) *Additional definitions.*—As used in this subsection, the  
735 term:

736 1. "FHCF" means Florida Hurricane Catastrophe Fund.

737 2. "FHCF reimbursement premium" means the premium paid by  
738 an insurer for its coverage as a mandatory participant in the  
739 FHCF, but does not include additional premiums for optional  
740 coverages.

741 3. "Payout multiple" means the number or multiple created  
742 by dividing the statutorily defined claims-paying capacity as  
743 determined in subparagraph (4)(c)1. by the aggregate  
744 reimbursement premiums paid by all insurers estimated or  
745 projected as of calendar year-end.

746 4. "TICL" means the temporary increase in coverage limit.

747 5. "TICL options" means the temporary increase in coverage  
748 options created under this subsection.

749 6. "TICL insurer" means an insurer that has opted to obtain  
750 coverage under the TICL options addendum in addition to the  
751 coverage provided to the insurer under its FHCF reimbursement  
752 contract.

753 7. "TICL reimbursement premium" means the premium charged  
754 by the fund for coverage provided under the TICL option.

597-03518-12

20121372c1

755 8. "TICL coverage multiple" means the coverage multiple  
756 when multiplied by an insurer's reimbursement premium that  
757 defines the temporary increase in coverage limit.

758 9. "TICL coverage" means the coverage for an insurer's  
759 losses above the insurer's statutorily determined claims-paying  
760 capacity based on the claims-paying limit in subparagraph  
761 (4)(c)1., which an insurer selects as its temporary increase in  
762 coverage from the fund under the TICL options selected. A TICL  
763 insurer's increased coverage limit options shall be calculated  
764 as follows:

765 ~~a. The board shall calculate and report to each TICL~~  
766 ~~insurer the TICL coverage multiples based on 12 options for~~  
767 ~~increasing the insurer's FHCF coverage limit. Each TICL coverage~~  
768 ~~multiple shall be calculated by dividing \$1 billion, \$2 billion,~~  
769 ~~\$3 billion, \$4 billion, \$5 billion, \$6 billion, \$7 billion, \$8~~  
770 ~~billion, \$9 billion, \$10 billion, \$11 billion, or \$12 billion by~~  
771 ~~the total estimated aggregate FHCF reimbursement premiums for~~  
772 ~~the 2007-2008 contract year, and the 2008-2009 contract year.~~

773 ~~b. For the 2009-2010 contract year, the board shall~~  
774 ~~calculate and report to each TICL insurer the TICL coverage~~  
775 ~~multiples based on 10 options for increasing the insurer's FHCF~~  
776 ~~coverage limit. Each TICL coverage multiple shall be calculated~~  
777 ~~by dividing \$1 billion, \$2 billion, \$3 billion, \$4 billion, \$5~~  
778 ~~billion, \$6 billion, \$7 billion, \$8 billion, \$9 billion, and \$10~~  
779 ~~billion by the total estimated aggregate FHCF reimbursement~~  
780 ~~premiums for the 2009-2010 contract year.~~

781 ~~c. For the 2010-2011 contract year, the board shall~~  
782 ~~calculate and report to each TICL insurer the TICL coverage~~  
783 ~~multiples based on eight options for increasing the insurer's~~

597-03518-12

20121372c1

784 ~~FHCF coverage limit. Each TICL coverage multiple shall be~~  
785 ~~calculated by dividing \$1 billion, \$2 billion, \$3 billion, \$4~~  
786 ~~billion, \$5 billion, \$6 billion, \$7 billion, and \$8 billion by~~  
787 ~~the total estimated aggregate FHCF reimbursement premiums for~~  
788 ~~the contract year.~~

789 ~~d. For the 2011-2012 contract year, the board shall~~  
790 ~~calculate and report to each TICL insurer the TICL coverage~~  
791 ~~multiples based on six options for increasing the insurer's FHCF~~  
792 ~~coverage limit. Each TICL coverage multiple shall be calculated~~  
793 ~~by dividing \$1 billion, \$2 billion, \$3 billion, \$4 billion, \$5~~  
794 ~~billion, and \$6 billion by the total estimated aggregate FHCF~~  
795 ~~reimbursement premiums for the 2011-2012 contract year.~~

796 a.e. For the 2012-2013 contract year, the board shall  
797 calculate and report to each TICL insurer the TICL coverage  
798 multiples based on four options for increasing the insurer's  
799 FHCF coverage limit. Each TICL coverage multiple shall be  
800 calculated by dividing \$1 billion, \$2 billion, \$3 billion, and  
801 \$4 billion by the total estimated aggregate FHCF reimbursement  
802 premiums for the 2012-2013 contract year.

803 ~~f. For the 2013-2014 contract year, the board shall~~  
804 ~~calculate and report to each TICL insurer the TICL coverage~~  
805 ~~multiples based on two options for increasing the insurer's FHCF~~  
806 ~~coverage limit. Each TICL coverage multiple shall be calculated~~  
807 ~~by dividing \$1 billion and \$2 billion by the total estimated~~  
808 ~~aggregate FHCF reimbursement premiums for the 2013-2014 contract~~  
809 ~~year.~~

810 b.g. The TICL insurer's increased coverage shall be the  
811 FHCF reimbursement premium multiplied by the TICL coverage  
812 multiple. In order to determine an insurer's total limit of

597-03518-12

20121372c1

813 coverage, an insurer shall add its TICL coverage multiple to its  
814 payout multiple. The total shall represent a number that, when  
815 multiplied by an insurer's FHCF reimbursement premium for a  
816 given reimbursement contract year, defines an insurer's total  
817 limit of FHCF reimbursement coverage for that reimbursement  
818 contract year.

819 10. "TICL options addendum" means an addendum to the  
820 reimbursement contract reflecting the obligations of the fund  
821 and insurers selecting an option to increase an insurer's FHCF  
822 coverage limit.

823 (e) *TICL options addendum.*—

824 1. The TICL options addendum shall provide for  
825 reimbursement of TICL insurers for covered events occurring  
826 during the ~~2009-2010, 2010-2011, 2011-2012, 2012-2013, and 2013-~~  
827 ~~2014~~ contract year ~~years~~ in exchange for the TICL reimbursement  
828 premium paid into the fund under paragraph (f) based on the TICL  
829 coverage available and selected for each respective contract  
830 year. Any insurer writing covered policies has the option of  
831 selecting an increased limit of coverage under the TICL options  
832 addendum and shall select such coverage at the time that it  
833 executes the FHCF reimbursement contract.

834 2. The TICL addendum shall contain a promise by the board  
835 to reimburse the TICL insurer for 45 percent, 75 percent, or 90  
836 percent of its losses from each covered event in excess of the  
837 insurer's retention, plus 5 percent of the reimbursed losses to  
838 cover loss adjustment expenses. The percentage shall be the same  
839 as the coverage level selected by the insurer under paragraph  
840 (4) (b).

841 3. The TICL addendum shall provide that reimbursement

597-03518-12

20121372c1

842 amounts shall not be reduced by reinsurance paid or payable to  
843 the insurer from other sources.

844 4. The priorities, schedule, and method of reimbursements  
845 under the TICL addendum shall be the same as provided under  
846 subsection (4).

847 (f) *TICL reimbursement premiums.*—Each TICL insurer shall  
848 pay to the fund, in the manner and at the time provided in the  
849 reimbursement contract for payment of reimbursement premiums, a  
850 TICL reimbursement premium determined as specified in subsection  
851 (5), except that a cash build-up factor does not apply to the  
852 TICL reimbursement premiums. However, the TICL reimbursement  
853 premium shall be increased in the ~~2009-2010 contract year by a~~  
854 ~~factor of two, in the 2010-2011 contract year by a factor of~~  
855 ~~three, in the 2011-2012 contract year by a factor of four, in~~  
856 ~~the 2012-2013 contract year by a factor of five, and in the~~  
857 ~~2013-2014 contract year by a factor of six.~~

858 (g) *Effect on claims-paying capacity of the fund.*—For the  
859 ~~2009-2010, 2010-2011, 2011-2012, 2012-2013, and 2013-2014~~  
860 contract year ~~years~~, the program created by this subsection  
861 shall increase the claims-paying capacity of the fund as  
862 provided in subparagraph (4)(c)1. by an amount not to exceed \$4  
863 ~~\$12~~ billion and shall depend on the TICL coverage options  
864 available and selected for the specified contract year and the  
865 number of insurers that select the TICL optional coverage. The  
866 additional capacity shall apply only to the additional coverage  
867 provided under the TICL options and shall not otherwise affect  
868 any insurer's reimbursement from the fund if the insurer chooses  
869 not to select the temporary option to increase its limit of  
870 coverage under the FHCF.

597-03518-12

20121372c1

871        (17)~~(18)~~ FACILITATION OF INSURERS' PRIVATE CONTRACT  
872 NEGOTIATIONS BEFORE THE START OF THE HURRICANE SEASON.—

873        (a) In addition to the legislative findings and intent  
874 provided elsewhere in this section, the Legislature finds that:

875            1.a. Because a regular session of the Legislature begins  
876 approximately 3 months before the start of a contract year and  
877 ends approximately 1 month before the start of a contract year,  
878 participants in the fund always face the possibility that  
879 legislative actions will change the coverage provided or offered  
880 by the fund with only a few days or weeks of advance notice.

881            b. The timing issues described in sub-subparagraph a. can  
882 create uncertainties and disadvantages for the residential  
883 property insurers that are required to participate in the fund  
884 when such insurers negotiate for the procurement of private  
885 reinsurance or other sources of capital.

886            c. Providing participating insurers with a greater degree  
887 of certainty regarding the coverage provided or offered by the  
888 fund and more time to negotiate for the procurement of private  
889 reinsurance or other sources of capital will enable the  
890 residential property insurance market to operate with greater  
891 stability.

892            d. Increased stability in the residential property  
893 insurance market serves a primary purpose of the fund and  
894 benefits Florida consumers by enabling insurers to operate more  
895 economically. In years when reinsurance and capital markets are  
896 experiencing a capital shortage, the last-minute rush by  
897 insurers only weeks before the start of the hurricane season to  
898 procure adequate coverage in order to meet their capital  
899 requirements can result in higher costs that are passed on to

597-03518-12

20121372c1

900 Florida consumers. However, if more time is available,  
901 residential property insurers should experience greater  
902 competition for their business with a corresponding beneficial  
903 effect for Florida consumers.

904 2. It is the intent of the Legislature to provide insurers  
905 with the terms and conditions of the reimbursement contract well  
906 in advance of the insurers' need to finalize their procurement  
907 of private reinsurance or other sources of capital, and thereby  
908 improve insurers' negotiating position with reinsurers and other  
909 sources of capital.

910 3. It is also the intent of the Legislature that the board  
911 publish the fund's maximum statutory limit of coverage and the  
912 fund's total retention early enough that residential property  
913 insurers can have the opportunity to better estimate their  
914 coverage from the fund.

915 (b) The board shall adopt the reimbursement contract for a  
916 particular contract year by February 1 of the immediately  
917 preceding contract year. However, the reimbursement contract  
918 shall be adopted as soon as possible in advance of the 2010-2011  
919 contract year.

920 (c) Insurers writing covered policies shall execute the  
921 reimbursement contract by March 1 of the immediately preceding  
922 contract year, and the contract shall have an effective date as  
923 defined in paragraph (2) (o).

924 (d) The board shall publish in the Florida Administrative  
925 Weekly the maximum statutory adjusted capacity for the mandatory  
926 coverage for a particular contract year, the maximum statutory  
927 coverage for any optional coverage for the particular contract  
928 year, and the aggregate fund retention used to calculate

597-03518-12

20121372c1

929 individual insurer's retention multiples for the particular  
930 contract year no later than January 1 of the immediately  
931 preceding contract year.

932 Section 2. Subsection (5) of section 627.0629, Florida  
933 Statutes, is amended to read:

934 627.0629 Residential property insurance; rate filings.—

935 (5) In order to provide an appropriate transition period,  
936 an insurer may implement an approved rate filing for residential  
937 property insurance over a period of years. Such insurer must  
938 provide an informational notice to the office setting out its  
939 schedule for implementation of the phased-in rate filing. The  
940 insurer may include in its rate the actual cost of private  
941 market reinsurance that corresponds to available coverage of the  
942 Temporary Increase in Coverage Limits, TICL, from the Florida  
943 Hurricane Catastrophe Fund. The insurer may also include the  
944 cost of reinsurance to replace the TICL reduction implemented  
945 pursuant to s. 215.555(16)(d)9 ~~s. 215.555(17)(d)9~~. However, this  
946 cost for reinsurance may not include any expense or profit load  
947 or result in a total annual base rate increase in excess of 10  
948 percent.

949 Section 3. This act shall take effect upon becoming a law.