

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 definition of the term "corporation"; deleting an
 5 outdated coverage level; revising coverage levels
 6 available under the reimbursement contract; revising
 7 aggregate coverage limits; providing for the phase-in
 8 of changes to coverage levels and limits; requiring
 9 the board to perform certain calculations under
 10 specified circumstances; revising the exemption of
 11 medical malpractice insurance premiums from emergency
 12 assessments if certain revenues are determined to be
 13 insufficient to fund the obligations, costs, and
 14 expenses of the Florida Hurricane Catastrophe Fund and
 15 the Florida Hurricane Catastrophe Fund Finance
 16 Corporation; changing the name of the Florida
 17 Hurricane Catastrophe Fund Finance Corporation;
 18 amending s. 215.555, F.S.; deleting provisions
 19 relating to temporary emergency options for additional
 20 coverage; amending s. 627.0629, F.S.; conforming a
 21 cross-reference; providing effective dates.

22
 23 Be It Enacted by the Legislature of the State of Florida:

24
 25 Section 1. Effective June 1, 2013, paragraph (n) of
 26 subsection (2), paragraphs (b) and (c) of subsection (4), and
 27 paragraphs (b) and (d) of subsection (6) of section 215.555,
 28 Florida Statutes, are amended to read:

29 | 215.555 Florida Hurricane Catastrophe Fund.—

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

31 | (n) "Corporation" means the State Board of Administration
 32 | ~~Florida Hurricane Catastrophe Fund~~ Finance Corporation created
 33 | in paragraph (6) (d).

34 | (4) REIMBURSEMENT CONTRACTS.—

35 | (b)1. The contract shall contain a promise by the board to
 36 | reimburse the insurer for 45 percent, 75 percent, or 90 percent
 37 | of its losses from each covered event in excess of the insurer's
 38 | retention, plus 5 percent of the reimbursed losses to cover loss
 39 | adjustment expenses.

40 | 2. The insurer must elect one of the percentage coverage
 41 | levels specified in this paragraph and may, upon renewal of a
 42 | reimbursement contract, elect a lower percentage coverage level
 43 | if no revenue bonds issued under subsection (6) after a covered
 44 | event are outstanding, or elect a higher percentage coverage
 45 | level, regardless of whether or not revenue bonds are
 46 | outstanding. All members of an insurer group must elect the same
 47 | percentage coverage level. Any joint underwriting association,
 48 | risk apportionment plan, or other entity created under s.
 49 | 627.351 must elect the 90-percent coverage level.

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

53 | ~~4. Notwithstanding any other provision contained in this~~
 54 | ~~section, the board shall make available to insurers that~~
 55 | ~~purchased coverage provided by this subparagraph in 2008,~~
 56 | ~~insurers qualifying as limited apportionment companies under s.~~

57 ~~627.351(6)(c), and insurers that have been approved to~~
58 ~~participate in the Insurance Capital Build-Up Incentive Program~~
59 ~~pursuant to s. 215.5595 a contract or contract addendum that~~
60 ~~provides an additional amount of reimbursement coverage of up to~~
61 ~~\$10 million. The premium to be charged for this additional~~
62 ~~reimbursement coverage shall be 50 percent of the additional~~
63 ~~reimbursement coverage provided, which shall include one prepaid~~
64 ~~reinstatement. The minimum retention level that an eligible~~
65 ~~participating insurer must retain associated with this~~
66 ~~additional coverage layer is 30 percent of the insurer's surplus~~
67 ~~as of December 31, 2008, for the 2009-2010 contract year; as of~~
68 ~~December 31, 2009, for the 2010-2011 contract year; and as of~~
69 ~~December 31, 2010, for the 2011-2012 contract year. This~~
70 ~~coverage shall be in addition to all other coverage that may be~~
71 ~~provided under this section. The coverage provided by the fund~~
72 ~~under this subparagraph shall be in addition to the claims-~~
73 ~~paying capacity as defined in subparagraph (c)1., but only with~~
74 ~~respect to those insurers that select the additional coverage~~
75 ~~option and meet the requirements of this subparagraph. The~~
76 ~~claims-paying capacity with respect to all other participating~~
77 ~~insurers and limited apportionment companies that do not select~~
78 ~~the additional coverage option shall be limited to their~~
79 ~~reimbursement premium's proportionate share of the actual~~
80 ~~claims-paying capacity otherwise defined in subparagraph (c)1.~~
81 ~~and as provided for under the terms of the reimbursement~~
82 ~~contract. The optional coverage retention as specified shall be~~
83 ~~accessed before the mandatory coverage under the reimbursement~~
84 ~~contract, but once the limit of coverage selected under this~~

85 ~~option is exhausted, the insurer's retention under the mandatory~~
 86 ~~coverage will apply. This coverage will apply and be paid~~
 87 ~~concurrently with mandatory coverage. This subparagraph expires~~
 88 ~~on May 31, 2012.~~

89 (c)1. The contract shall also provide that the obligation
 90 of the board with respect to all contracts covering a particular
 91 contract year shall not exceed the actual claims-paying capacity
 92 of the fund up to the limit specified in this subparagraph.

93 a. For the 2013-2014 contract year, the limit is \$17
 94 billion.

95 b. For the 2014-2015 contract year, and subsequent
 96 contract years, the limit is \$16.5 billion.

97 c. For contract years after the 2014-2015 contract year,
 98 if a limit of \$17 billion for that contract year, unless the
 99 board determines that there is sufficient estimated claims-
 100 paying capacity to provide \$16.5 \$17 billion of capacity for the
 101 current contract year and an additional \$16.5 \$17 billion of
 102 capacity for subsequent contract years. If the board makes such
 103 a determination, the estimated claims-paying capacity for the
 104 particular contract year shall be determined by adding to the
 105 \$16.5 \$17 billion limit one-half of the fund's estimated claims-
 106 paying capacity in excess of \$33 \$34 billion. However, the
 107 dollar growth in the limit may not increase in any year by an
 108 amount greater than the dollar growth of the balance of the fund
 109 as of December 31, less any premiums or interest attributable to
 110 optional coverage, as defined by rule which occurred over the
 111 prior calendar year.

112 2. In May and October of the contract year, the board

113 shall publish in the Florida Administrative Weekly a statement
114 of the fund's estimated borrowing capacity, the fund's estimated
115 claims-paying capacity, and the projected balance of the fund as
116 of December 31. After the end of each calendar year, the board
117 shall notify insurers of the estimated borrowing capacity,
118 estimated claims-paying capacity, and the balance of the fund as
119 of December 31 to provide insurers with data necessary to assist
120 them in determining their retention and projected payout from
121 the fund for loss reimbursement purposes. In conjunction with
122 the development of the premium formula, as provided for in
123 subsection (5), the board shall publish factors or multiples
124 that assist insurers in determining their retention and
125 projected payout for the next contract year. For all regulatory
126 and reinsurance purposes, an insurer may calculate its projected
127 payout from the fund as its share of the total fund premium for
128 the current contract year multiplied by the sum of the projected
129 balance of the fund as of December 31 and the estimated
130 borrowing capacity for that contract year as reported under this
131 subparagraph.

132 (6) REVENUE BONDS.—

133 (b) Emergency assessments—

134 1. If the board determines that the amount of revenue
135 produced under subsection (5) is insufficient to fund the
136 obligations, costs, and expenses of the fund and the
137 corporation, including repayment of revenue bonds and that
138 portion of the debt service coverage not met by reimbursement
139 premiums, the board shall direct the Office of Insurance
140 Regulation to levy, by order, an emergency assessment on direct

141 premiums for all property and casualty lines of business in this
142 state, including property and casualty business of surplus lines
143 insurers regulated under part VIII of chapter 626, but not
144 including any workers' compensation premiums or medical
145 malpractice premiums. As used in this subsection, the term
146 "property and casualty business" includes all lines of business
147 identified on Form 2, Exhibit of Premiums and Losses, in the
148 annual statement required of authorized insurers by s. 624.424
149 and any rule adopted under this section, except for those lines
150 identified as accident and health insurance and except for
151 policies written under the National Flood Insurance Program. The
152 assessment shall be specified as a percentage of direct written
153 premium and is subject to annual adjustments by the board in
154 order to meet debt obligations. The same percentage shall apply
155 to all policies in lines of business subject to the assessment
156 issued or renewed during the 12-month period beginning on the
157 effective date of the assessment.

158 2. A premium is not subject to an annual assessment under
159 this paragraph in excess of 6 percent of premium with respect to
160 obligations arising out of losses attributable to any one
161 contract year, and a premium is not subject to an aggregate
162 annual assessment under this paragraph in excess of 10 percent
163 of premium. An annual assessment under this paragraph shall
164 continue as long as the revenue bonds issued with respect to
165 which the assessment was imposed are outstanding, including any
166 bonds the proceeds of which were used to refund the revenue
167 bonds, unless adequate provision has been made for the payment
168 of the bonds under the documents authorizing issuance of the

169 bonds.

170 3. Emergency assessments shall be collected from
171 policyholders. Emergency assessments shall be remitted by
172 insurers as a percentage of direct written premium for the
173 preceding calendar quarter as specified in the order from the
174 Office of Insurance Regulation. The office shall verify the
175 accurate and timely collection and remittance of emergency
176 assessments and shall report the information to the board in a
177 form and at a time specified by the board. Each insurer
178 collecting assessments shall provide the information with
179 respect to premiums and collections as may be required by the
180 office to enable the office to monitor and verify compliance
181 with this paragraph.

182 4. With respect to assessments of surplus lines premiums,
183 each surplus lines agent shall collect the assessment at the
184 same time as the agent collects the surplus lines tax required
185 by s. 626.932, and the surplus lines agent shall remit the
186 assessment to the Florida Surplus Lines Service Office created
187 by s. 626.921 at the same time as the agent remits the surplus
188 lines tax to the Florida Surplus Lines Service Office. The
189 emergency assessment on each insured procuring coverage and
190 filing under s. 626.938 shall be remitted by the insured to the
191 Florida Surplus Lines Service Office at the time the insured
192 pays the surplus lines tax to the Florida Surplus Lines Service
193 Office. The Florida Surplus Lines Service Office shall remit the
194 collected assessments to the fund or corporation as provided in
195 the order levied by the Office of Insurance Regulation. The
196 Florida Surplus Lines Service Office shall verify the proper

197 application of such emergency assessments and shall assist the
198 board in ensuring the accurate and timely collection and
199 remittance of assessments as required by the board. The Florida
200 Surplus Lines Service Office shall annually calculate the
201 aggregate written premium on property and casualty business,
202 other than workers' compensation and medical malpractice,
203 procured through surplus lines agents and insureds procuring
204 coverage and filing under s. 626.938 and shall report the
205 information to the board in a form and at a time specified by
206 the board.

207 5. Any assessment authority not used for a particular
208 contract year may be used for a subsequent contract year. If,
209 for a subsequent contract year, the board determines that the
210 amount of revenue produced under subsection (5) is insufficient
211 to fund the obligations, costs, and expenses of the fund and the
212 corporation, including repayment of revenue bonds and that
213 portion of the debt service coverage not met by reimbursement
214 premiums, the board shall direct the Office of Insurance
215 Regulation to levy an emergency assessment up to an amount not
216 exceeding the amount of unused assessment authority from a
217 previous contract year or years, plus an additional 4 percent
218 provided that the assessments in the aggregate do not exceed the
219 limits specified in subparagraph 2.

220 6. The assessments otherwise payable to the corporation
221 under this paragraph shall be paid to the fund unless and until
222 the Office of Insurance Regulation and the Florida Surplus Lines
223 Service Office have received from the corporation and the fund a
224 notice, which shall be conclusive and upon which they may rely

225 without further inquiry, that the corporation has issued bonds
226 and the fund has no agreements in effect with local governments
227 under paragraph (c). On or after the date of the notice and
228 until the date the corporation has no bonds outstanding, the
229 fund shall have no right, title, or interest in or to the
230 assessments, except as provided in the fund's agreement with the
231 corporation.

232 7. Emergency assessments are not premium and are not
233 subject to the premium tax, to the surplus lines tax, to any
234 fees, or to any commissions. An insurer is liable for all
235 assessments that it collects and must treat the failure of an
236 insured to pay an assessment as a failure to pay the premium. An
237 insurer is not liable for uncollectible assessments.

238 8. When an insurer is required to return an unearned
239 premium, it shall also return any collected assessment
240 attributable to the unearned premium. A credit adjustment to the
241 collected assessment may be made by the insurer with regard to
242 future remittances that are payable to the fund or corporation,
243 but the insurer is not entitled to a refund.

244 9. When a surplus lines insured or an insured who has
245 procured coverage and filed under s. 626.938 is entitled to the
246 return of an unearned premium, the Florida Surplus Lines Service
247 Office shall provide a credit or refund to the agent or such
248 insured for the collected assessment attributable to the
249 unearned premium prior to remitting the emergency assessment
250 collected to the fund or corporation.

251 10. The exemption of medical malpractice insurance
252 premiums from emergency assessments under this paragraph is

253 repealed May 31, 2016 ~~2013~~, and medical malpractice insurance
254 premiums shall be subject to emergency assessments attributable
255 to loss events occurring in the contract years commencing on
256 June 1, 2016 ~~2013~~.

257 (d) State Board of Administration ~~Florida Hurricane~~
258 ~~Catastrophe Fund~~ Finance Corporation.—

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

261 a. The public benefits corporation created under this
262 paragraph will provide a mechanism necessary for the cost-
263 effective and efficient issuance of bonds. This mechanism will
264 eliminate unnecessary costs in the bond issuance process,
265 thereby increasing the amounts available to pay reimbursement
266 for losses to property sustained as a result of hurricane
267 damage.

268 b. The purpose of such bonds is to fund reimbursements
269 through the Florida Hurricane Catastrophe Fund to pay for the
270 costs of construction, reconstruction, repair, restoration, and
271 other costs associated with damage to properties of
272 policyholders of covered policies due to the occurrence of a
273 hurricane.

274 c. The efficacy of the financing mechanism will be
275 enhanced by the corporation's ownership of the assessments, by
276 the insulation of the assessments from possible bankruptcy
277 proceedings, and by covenants of the state with the
278 corporation's bondholders.

279 2.a. There is created a public benefits corporation, which
280 is an instrumentality of the state, to be known as the State

281 Board of Administration ~~Florida Hurricane Catastrophe Fund~~
 282 Finance Corporation.

283 b. The corporation shall operate under a five-member board
 284 of directors consisting of the Governor or a designee, the Chief
 285 Financial Officer or a designee, the Attorney General or a
 286 designee, the director of the Division of Bond Finance of the
 287 State Board of Administration, and the Chief Operating Officer
 288 ~~senior employee of the State Board of Administration responsible~~
 289 ~~for operations~~ of the Florida Hurricane Catastrophe Fund.

290 c. The corporation has all of the powers of corporations
 291 under chapter 607 and under chapter 617, subject only to the
 292 provisions of this subsection.

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

296 e. The corporation may invest in any of the investments
 297 authorized under s. 215.47.

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

302 3.a. In actions under chapter 75 to validate any bonds
 303 issued by the corporation, the notice required by s. 75.06 shall
 304 be published in two newspapers of general circulation in the
 305 state, and the complaint and order of the court shall be served
 306 only on the State Attorney of the Second Judicial Circuit.

307 b. The state hereby covenants with holders of bonds of the
 308 corporation that the state will not repeal or abrogate the power

309 of the board to direct the Office of Insurance Regulation to
 310 levy the assessments and to collect the proceeds of the revenues
 311 pledged to the payment of such bonds as long as any such bonds
 312 remain outstanding unless adequate provision has been made for
 313 the payment of such bonds pursuant to the documents authorizing
 314 the issuance of such bonds.

315 4. The bonds of the corporation are not a debt of the
 316 state or of any political subdivision, and neither the state nor
 317 any political subdivision is liable on such bonds. The
 318 corporation does not have the power to pledge the credit, the
 319 revenues, or the taxing power of the state or of any political
 320 subdivision. The credit, revenues, or taxing power of the state
 321 or of any political subdivision shall not be deemed to be
 322 pledged to the payment of any bonds of the corporation.

323 5.a. The property, revenues, and other assets of the
 324 corporation; the transactions and operations of the corporation
 325 and the income from such transactions and operations; and all
 326 bonds issued under this paragraph and interest on such bonds are
 327 exempt from taxation by the state and any political subdivision,
 328 including the intangibles tax under chapter 199 and the income
 329 tax under chapter 220. This exemption does not apply to any tax
 330 imposed by chapter 220 on interest, income, or profits on debt
 331 obligations owned by corporations other than the State Board of
 332 Administration ~~Florida Hurricane Catastrophe Fund Finance~~
 333 Corporation.

334 b. All bonds of the corporation shall be and constitute
 335 legal investments without limitation for all public bodies of
 336 this state; for all banks, trust companies, savings banks,

337 savings associations, savings and loan associations, and
338 investment companies; for all administrators, executors,
339 trustees, and other fiduciaries; for all insurance companies and
340 associations and other persons carrying on an insurance
341 business; and for all other persons who are now or may hereafter
342 be authorized to invest in bonds or other obligations of the
343 state and shall be and constitute eligible securities to be
344 deposited as collateral for the security of any state, county,
345 municipal, or other public funds. This sub-subparagraph shall be
346 considered as additional and supplemental authority and shall
347 not be limited without specific reference to this sub-
348 subparagraph.

349 6. The corporation and its corporate existence shall
350 continue until terminated by law; however, no such law shall
351 take effect as long as the corporation has bonds outstanding
352 unless adequate provision has been made for the payment of such
353 bonds pursuant to the documents authorizing the issuance of such
354 bonds. Upon termination of the existence of the corporation, all
355 of its rights and properties in excess of its obligations shall
356 pass to and be vested in the state.

357 7. The State Board of Administration Finance Corporation
358 is for all purposes the successor to the Florida Hurricane
359 Catastrophe Fund Finance Corporation.

360 Section 2. Effective June 1, 2013, subsections (17) and
361 (18) of section 215.555, Florida Statutes, are renumbered as
362 subsections (16) and (17), respectively, and present subsection
363 (16) of that section is amended to read:

364 215.555 Florida Hurricane Catastrophe Fund.—

365 ~~(16) TEMPORARY EMERGENCY OPTIONS FOR ADDITIONAL COVERAGE.—~~

366 ~~(a) Findings and intent.—~~

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

368 ~~a. Because of temporary disruptions in the market for~~
369 ~~catastrophic reinsurance, many property insurers were unable to~~
370 ~~procure reinsurance for the 2006 hurricane season with an~~
371 ~~attachment point below the insurers' respective Florida~~
372 ~~Hurricane Catastrophe Fund attachment points, were unable to~~
373 ~~procure sufficient amounts of such reinsurance, or were able to~~
374 ~~procure such reinsurance only by incurring substantially higher~~
375 ~~costs than in prior years.~~

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

380 ~~e. It is likely that the reinsurance market disruptions~~
381 ~~will not significantly abate prior to the 2007 hurricane season.~~

382 ~~2. It is the intent of the Legislature to create a~~
383 ~~temporary emergency program, applicable to the 2007, 2008, and~~
384 ~~2009 hurricane seasons, to address these market disruptions and~~
385 ~~enable insurers, at their option, to procure additional coverage~~
386 ~~from the Florida Hurricane Catastrophe Fund.~~

387 ~~(b) Applicability of other provisions of this section.—All~~
388 ~~provisions of this section and the rules adopted under this~~
389 ~~section apply to the program created by this subsection unless~~
390 ~~specifically superseded by this subsection.~~

391 ~~(c) Optional coverage.—For the contract year commencing~~
392 ~~June 1, 2007, and ending May 31, 2008, the contract year~~

393 ~~commencing June 1, 2008, and ending May 31, 2009, and the~~
394 ~~contract year commencing June 1, 2009, and ending May 31, 2010,~~
395 ~~the board shall offer for each of such years the optional~~
396 ~~coverage as provided in this subsection.~~

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

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

401 ~~2. "TEACO insurer" means an insurer that has opted to~~
402 ~~obtain coverage under the TEACO options in addition to the~~
403 ~~coverage provided to the insurer under its reimbursement~~
404 ~~contract.~~

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

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

411 ~~a. The board shall calculate and report to each TEACO~~
412 ~~insurer the TEACO retention multiples. There shall be three~~
413 ~~TEACO retention multiples for defining coverage. Each multiple~~
414 ~~shall be calculated by dividing \$3 billion, \$4 billion, or \$5~~
415 ~~billion by the total estimated mandatory FHCF reimbursement~~
416 ~~premium assuming all insurers selected the 90 percent coverage~~
417 ~~level.~~

418 ~~b. The TEACO retention multiples as determined under sub-~~
419 ~~paragraph a. shall be adjusted to reflect the coverage level~~
420 ~~elected by the insurer. For insurers electing the 90 percent~~

421 ~~coverage level, the adjusted retention multiple is 100 percent~~
422 ~~of the amount determined under sub-subparagraph a. For insurers~~
423 ~~electing the 75 percent coverage level, the retention multiple~~
424 ~~is 120 percent of the amount determined under sub-subparagraph~~
425 ~~a. For insurers electing the 45 percent coverage level, the~~
426 ~~adjusted retention multiple is 200 percent of the amount~~
427 ~~determined under sub-subparagraph a.~~

428 ~~e. An insurer shall determine its provisional TEACO~~
429 ~~retention by multiplying its estimated mandatory FHCF~~
430 ~~reimbursement premium by the applicable adjusted TEACO retention~~
431 ~~multiple and shall determine its actual TEACO retention by~~
432 ~~multiplying its actual mandatory FHCF reimbursement premium by~~
433 ~~the applicable adjusted TEACO retention multiple.~~

434 ~~d. For TEACO insurers who experience multiple covered~~
435 ~~events causing loss during the contract year, the insurer's full~~
436 ~~TEACO retention shall be applied to each of the covered events~~
437 ~~causing the two largest losses for that insurer. For other~~
438 ~~covered events resulting in losses, the TEACO option does not~~
439 ~~apply and the insurer's retention shall be one-third of the full~~
440 ~~retention as calculated under paragraph (2) (e).~~

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

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

446 ~~1. The TEACO addendum shall provide for reimbursement of~~
447 ~~TEACO insurers for covered events occurring during the contract~~
448 ~~year, in exchange for the TEACO reimbursement premium paid into~~

449 | ~~the fund under paragraph (f). Any insurer writing covered~~
450 | ~~policies has the option of choosing to accept the TEACO addendum~~
451 | ~~for any of the 3 contract years that the coverage is offered.~~

452 | ~~2. The TEACO addendum shall contain a promise by the board~~
453 | ~~to reimburse the TEACO insurer for 45 percent, 75 percent, or 90~~
454 | ~~percent of its losses from each covered event in excess of the~~
455 | ~~insurer's TEACO retention, plus 5 percent of the reimbursed~~
456 | ~~losses to cover loss adjustment expenses. The percentage shall~~
457 | ~~be the same as the coverage level selected by the insurer under~~
458 | ~~paragraph (4) (b).~~

459 | ~~3. The TEACO addendum shall provide that reimbursement~~
460 | ~~amounts shall not be reduced by reinsurance paid or payable to~~
461 | ~~the insurer from other sources.~~

462 | ~~4. The TEACO addendum shall also provide that the~~
463 | ~~obligation of the board with respect to all TEACO addenda shall~~
464 | ~~not exceed an amount equal to two times the difference between~~
465 | ~~the industry retention level calculated under paragraph (2) (c)~~
466 | ~~and the \$3 billion, \$4 billion, or \$5 billion industry TEACO~~
467 | ~~retention level options actually selected, but in no event may~~
468 | ~~the board's obligation exceed the actual claims-paying capacity~~
469 | ~~of the fund plus the additional capacity created in paragraph~~
470 | ~~(g). If the actual claims-paying capacity and the additional~~
471 | ~~capacity created under paragraph (g) fall short of the board's~~
472 | ~~obligations under the reimbursement contract, each insurer's~~
473 | ~~share of the fund's capacity shall be prorated based on the~~
474 | ~~premium an insurer pays for its mandatory reimbursement coverage~~
475 | ~~and the premium paid for its optional TEACO coverage as each~~
476 | ~~such premium bears to the total premiums paid to the fund times~~

477 | ~~the available capacity.~~

478 | ~~5. The priorities, schedule, and method of reimbursements~~
479 | ~~under the TEACO addendum shall be the same as provided under~~
480 | ~~subsection (4).~~

481 | ~~6. A TEACO insurer's maximum reimbursement for a single~~
482 | ~~event shall be equal to the product of multiplying its mandatory~~
483 | ~~FHCF premium by the difference between its FHCF retention~~
484 | ~~multiple and its TEACO retention multiple under the TEACO option~~
485 | ~~selected and by the coverage selected under paragraph (4) (b),~~
486 | ~~plus an additional 5 percent for loss adjustment expenses. A~~
487 | ~~TEACO insurer's maximum reimbursement under the TEACO option~~
488 | ~~selected for a TEACO insurer's two largest events shall be twice~~
489 | ~~its maximum reimbursement for a single event.~~

490 | ~~(f) TEACO reimbursement premiums.—~~

491 | ~~1. Each TEACO insurer shall pay to the fund, in the manner~~
492 | ~~and at the time provided in the reimbursement contract for~~
493 | ~~payment of reimbursement premiums, a TEACO reimbursement premium~~
494 | ~~calculated as specified in this paragraph.~~

495 | ~~2. The insurer's TEACO reimbursement premium associated~~
496 | ~~with the \$3 billion retention option shall be equal to 85~~
497 | ~~percent of a TEACO insurer's maximum reimbursement for a single~~
498 | ~~event as calculated under subparagraph (c)6. The TEACO~~
499 | ~~reimbursement premium associated with the \$4 billion retention~~
500 | ~~option shall be equal to 80 percent of a TEACO insurer's maximum~~
501 | ~~reimbursement for a single event as calculated under~~
502 | ~~subparagraph (c)6. The TEACO premium associated with the \$5~~
503 | ~~billion retention option shall be equal to 75 percent of a TEACO~~
504 | ~~insurer's maximum reimbursement for a single event as calculated~~

505 under subparagraph ~~(e)6.~~

506 ~~(g) Effect on claims paying capacity of the fund. For the~~
507 ~~contract term commencing June 1, 2007, the contract year~~
508 ~~commencing June 1, 2008, and the contract term beginning June 1,~~
509 ~~2009, the program created by this subsection shall increase the~~
510 ~~claims paying capacity of the fund as provided in subparagraph~~
511 ~~(4)(c)1. by an amount equal to two times the difference between~~
512 ~~the industry retention level calculated under paragraph (2)(e)~~
513 ~~and the \$3 billion industry TEACO retention level specified in~~
514 ~~sub-subparagraph (d)4.a. The additional capacity shall apply~~
515 ~~only to the additional coverage provided by the TEACO option and~~
516 ~~shall not otherwise affect any insurer's reimbursement from the~~
517 ~~fund.~~

518 Section 3. Subsection (5) of section 627.0629, Florida
519 Statutes, is amended to read:

520 627.0629 Residential property insurance; rate filings.—

521 (5) In order to provide an appropriate transition period,
522 an insurer may implement an approved rate filing for residential
523 property insurance over a period of years. Such insurer must
524 provide an informational notice to the office setting out its
525 schedule for implementation of the phased-in rate filing. The
526 insurer may include in its rate the actual cost of private
527 market reinsurance that corresponds to available coverage of the
528 Temporary Increase in Coverage Limits, TICL, from the Florida
529 Hurricane Catastrophe Fund. The insurer may also include the
530 cost of reinsurance to replace the TICL reduction implemented
531 pursuant to s. 215.555(16)(d)9. ~~215.555(17)(d)9.~~ However, this
532 cost for reinsurance may not include any expense or profit load

CS/CS/HB 1107

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533 | or result in a total annual base rate increase in excess of 10
534 | percent.

535 | Section 4. Except as otherwise expressly provided in this
536 | act, this act shall take effect upon becoming a law.