

By Senator Brandes

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1 A bill to be entitled

2 An act relating to the Florida Hurricane Catastrophe
3 Fund; amending s. 215.555, F.S.; deleting the cash
4 build-up factor in the formula used for determining
5 insurer reimbursement premiums paid to the fund;
6 amending ss. 627.062 and 627.351, F.S.; conforming
7 provisions to changes made by the act; providing an
8 effective date.

9
10 Be It Enacted by the Legislature of the State of Florida:

11
12 Section 1. Paragraph (b) of subsection (5) of section
13 215.555, Florida Statutes, is amended to read:

14 215.555 Florida Hurricane Catastrophe Fund.—

15 (5) REIMBURSEMENT PREMIUMS.—

16 (b) The State Board of Administration shall select an
17 independent consultant to develop a formula for determining the
18 actuarially indicated premium to be paid to the fund. The
19 formula must ~~shall~~ specify, for each zip code or other limited
20 geographical area, the amount of premium to be paid by an
21 insurer for each \$1,000 of insured value under covered policies
22 in that zip code or other area. In establishing premiums, the
23 board shall consider the coverage elected under paragraph (4) (b)
24 and any factors that tend to enhance the actuarial
25 sophistication of ratemaking for the fund, including
26 deductibles, type of construction, type of coverage provided,
27 relative concentration of risks, and other such factors deemed
28 by the board to be appropriate. ~~The formula must provide for a~~
29 ~~cash build-up factor. For the 2009-2010 contract year, the~~

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30 ~~factor is 5 percent. For the 2010-2011 contract year, the factor~~
 31 ~~is 10 percent. For the 2011-2012 contract year, the factor is 15~~
 32 ~~percent. For the 2012-2013 contract year, the factor is 20~~
 33 ~~percent. For the 2013-2014 contract year and thereafter, the~~
 34 ~~factor is 25 percent.~~ The formula may provide for a procedure to
 35 determine the premiums to be paid by new insurers that begin
 36 writing covered policies after the beginning of a contract year,
 37 taking into consideration when the insurer starts writing
 38 covered policies, the potential exposure of the insurer, the
 39 potential exposure of the fund, the administrative costs to the
 40 insurer and to the fund, and any other factors deemed
 41 appropriate by the board. The formula must be approved by
 42 unanimous vote of the board. The board may, at any time, revise
 43 the formula pursuant to the procedure provided in this
 44 paragraph.

45 Section 2. Paragraph (k) of subsection (2) of section
 46 627.062, Florida Statutes, is amended to read:

47 627.062 Rate standards.—

48 (2) As to all such classes of insurance:

49 (k)1. A residential property insurer may make a separate
 50 filing limited solely to an adjustment of its rates for
 51 reinsurance, the cost of financing products used as a
 52 replacement for reinsurance, and financing costs incurred in the
 53 purchase of reinsurance, ~~and the actual cost paid due to the~~
 54 ~~application of the cash build-up factor pursuant to s.~~
 55 ~~215.555(5)(b)~~ if the insurer:

56 a. Elects to purchase financing products such as a
 57 liquidity instrument or line of credit, in which case the cost
 58 included in filing for the liquidity instrument or line of

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59 credit may not result in a premium increase exceeding 3 percent
60 for any individual policyholder. All costs contained in the
61 filing may not result in an overall premium increase of more
62 than 15 percent for any individual policyholder.

63 b. Includes in the filing a copy of all of its reinsurance,
64 liquidity instrument, or line of credit contracts; proof of the
65 billing or payment for the contracts; and the calculation upon
66 which the proposed rate change is based demonstrating that the
67 costs meet the criteria of this section.

68 2. An insurer that purchases reinsurance or financing
69 products from an affiliated company may make a separate filing
70 only if the costs for such reinsurance or financing products are
71 charged at or below charges made for comparable coverage by
72 nonaffiliated reinsurers or financial entities making such
73 coverage or financing products available in this state.

74 3. An insurer may make only one filing per 12-month period
75 under this paragraph.

76 4. An insurer that elects to implement a rate change under
77 this paragraph must file its rate filing with the office at
78 least 45 days before the effective date of the rate change.
79 After an insurer submits a complete filing that meets all of the
80 requirements of this paragraph, the office has 45 days after the
81 date of the filing to review the rate filing and determine if
82 the rate is excessive, inadequate, or unfairly discriminatory.

83
84 The provisions of this subsection do not apply to workers'
85 compensation, employer's liability insurance, and motor vehicle
86 insurance.

87 Section 3. Paragraph (n) of subsection (6) of section

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88 627.351, Florida Statutes, is amended to read:

89 627.351 Insurance risk apportionment plans.—

90 (6) CITIZENS PROPERTY INSURANCE CORPORATION.—

91 (n)1. Rates for coverage provided by the corporation must
92 be actuarially sound and subject to s. 627.062, except as
93 otherwise provided in this paragraph. The corporation shall file
94 its recommended rates with the office at least annually. The
95 corporation shall provide any additional information regarding
96 the rates which the office requires. The office shall consider
97 the recommendations of the board and issue a final order
98 establishing the rates for the corporation within 45 days after
99 the recommended rates are filed. The corporation may not pursue
100 an administrative challenge or judicial review of the final
101 order of the office.

102 2. In addition to the rates otherwise determined pursuant
103 to this paragraph, the corporation shall impose and collect an
104 amount equal to the premium tax provided in s. 624.509 to
105 augment the financial resources of the corporation.

106 3. After the public hurricane loss-projection model under
107 s. 627.06281 has been found to be accurate and reliable by the
108 Florida Commission on Hurricane Loss Projection Methodology, the
109 model shall be considered when establishing the windstorm
110 portion of the corporation's rates. The corporation may use the
111 public model results in combination with the results of private
112 models to calculate rates for the windstorm portion of the
113 corporation's rates. This subparagraph does not require or allow
114 the corporation to adopt rates lower than the rates otherwise
115 required or allowed by this paragraph.

116 4. The rate filings for the corporation which were approved

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117 by the office and took effect January 1, 2007, are rescinded,
118 except for those rates that were lowered. As soon as possible,
119 the corporation shall begin using the lower rates that were in
120 effect on December 31, 2006, and provide refunds to
121 policyholders who paid higher rates as a result of that rate
122 filing. The rates in effect on December 31, 2006, remain in
123 effect for the 2007 and 2008 calendar years except for any rate
124 change that results in a lower rate. The next rate change that
125 may increase rates shall take effect pursuant to a new rate
126 filing recommended by the corporation and established by the
127 office, subject to this paragraph.

128 5. Beginning on July 15, 2009, and annually thereafter, the
129 corporation must make a recommended actuarially sound rate
130 filing for each personal and commercial line of business it
131 writes, to be effective no earlier than January 1, 2010.

132 6. Beginning on or after January 1, 2010, and
133 notwithstanding the board's recommended rates and the office's
134 final order regarding the corporation's filed rates under
135 subparagraph 1., the corporation shall annually implement a rate
136 increase which, except for sinkhole coverage, does not exceed 10
137 percent for any single policy issued by the corporation,
138 excluding coverage changes and surcharges.

139 ~~7. The corporation may also implement an increase to~~
140 ~~reflect the effect on the corporation of the cash buildup factor~~
141 ~~pursuant to s. 215.555(5)(b).~~

142 7.8. The corporation's implementation of rates as
143 prescribed in subparagraph 6. shall cease for any line of
144 business written by the corporation upon the corporation's
145 implementation of actuarially sound rates. Thereafter, the

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146 corporation shall annually make a recommended actuarially sound
147 rate filing for each commercial and personal line of business
148 the corporation writes.

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