

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5           outdated coverage level; revising coverage levels  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. 627.062, F.S.; providing for  
21          recoupment of certain costs of reinsurance; amending  
22          s. 627.0629, F.S.; conforming a cross-reference;  
23          providing effective dates.

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

26  
27       Section 1.   Effective June 1, 2013, paragraph (n) of  
28       subsection (2), paragraphs (b) and (c) of subsection (4), and

29 paragraphs (b) and (d) of subsection (6) of section 215.555,  
 30 Florida Statutes, are amended to read:

31 215.555 Florida Hurricane Catastrophe Fund.—

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

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

36 (4) REIMBURSEMENT CONTRACTS.—

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

42 2. The insurer must elect one of the percentage coverage  
 43 levels specified in this paragraph and may, upon renewal of a  
 44 reimbursement contract, elect a lower percentage coverage level  
 45 if no revenue bonds issued under subsection (6) after a covered  
 46 event are outstanding, or elect a higher percentage coverage  
 47 level, regardless of whether or not revenue bonds are  
 48 outstanding. All members of an insurer group must elect the same  
 49 percentage coverage level. Any joint underwriting association,  
 50 risk apportionment plan, or other entity created under s.  
 51 627.351 must elect the 90-percent coverage level.

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

55 ~~4. Notwithstanding any other provision contained in this~~  
 56 ~~section, the board shall make available to insurers that~~

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

85 | ~~accessed before the mandatory coverage under the reimbursement~~  
86 | ~~contract, but once the limit of coverage selected under this~~  
87 | ~~option is exhausted, the insurer's retention under the mandatory~~  
88 | ~~coverage will apply. This coverage will apply and be paid~~  
89 | ~~concurrently with mandatory coverage. This subparagraph expires~~  
90 | ~~on May 31, 2012.~~

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

95 | a. For the 2013-2014 contract year, the limit is \$17  
96 | billion.

97 | b. For the 2014-2015 contract year, the limit is \$16.5  
98 | billion.

99 | c. For the 2015-2016 contract year, the limit is \$15.5  
100 | billion.

101 | d. For the 2016-2017 contract year and subsequent contract  
102 | years, the limit is \$14 billion.

103 | e. For contract years after the 2016-2017 contract year,  
104 | if a limit of \$17 billion for that contract year, unless the  
105 | board determines that there is sufficient estimated claims-  
106 | paying capacity to provide \$14 ~~\$17~~ billion of capacity for the  
107 | current contract year and an additional \$14 ~~\$17~~ billion of  
108 | capacity for subsequent contract years. ~~If the board makes such~~  
109 | ~~a determination,~~ the estimated claims-paying capacity for the  
110 | particular contract year shall be determined by adding to the  
111 | \$14 ~~\$17~~ billion limit one-half of the fund's estimated claims-  
112 | paying capacity in excess of \$28 ~~\$34~~ billion. However, the

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113 dollar growth in the limit may not increase in any year by an  
114 amount greater than the dollar growth of the balance of the fund  
115 as of December 31, ~~less any premiums or interest attributable to~~  
116 ~~optional coverage~~, as defined by rule which occurred over the  
117 prior calendar year.

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

138 (6) REVENUE BONDS.—

139 (b) Emergency assessments—

140 1. If the board determines that the amount of revenue

141 produced under subsection (5) is insufficient to fund the  
142 obligations, costs, and expenses of the fund and the  
143 corporation, including repayment of revenue bonds and that  
144 portion of the debt service coverage not met by reimbursement  
145 premiums, the board shall direct the Office of Insurance  
146 Regulation to levy, by order, an emergency assessment on direct  
147 premiums for all property and casualty lines of business in this  
148 state, including property and casualty business of surplus lines  
149 insurers regulated under part VIII of chapter 626, but not  
150 including any workers' compensation premiums or medical  
151 malpractice premiums. As used in this subsection, the term  
152 "property and casualty business" includes all lines of business  
153 identified on Form 2, Exhibit of Premiums and Losses, in the  
154 annual statement required of authorized insurers by s. 624.424  
155 and any rule adopted under this section, except for those lines  
156 identified as accident and health insurance and except for  
157 policies written under the National Flood Insurance Program. The  
158 assessment shall be specified as a percentage of direct written  
159 premium and is subject to annual adjustments by the board in  
160 order to meet debt obligations. The same percentage shall apply  
161 to all policies in lines of business subject to the assessment  
162 issued or renewed during the 12-month period beginning on the  
163 effective date of the assessment.

164 2. A premium is not subject to an annual assessment under  
165 this paragraph in excess of 6 percent of premium with respect to  
166 obligations arising out of losses attributable to any one  
167 contract year, and a premium is not subject to an aggregate  
168 annual assessment under this paragraph in excess of 10 percent

169 of premium. An annual assessment under this paragraph shall  
170 continue as long as the revenue bonds issued with respect to  
171 which the assessment was imposed are outstanding, including any  
172 bonds the proceeds of which were used to refund the revenue  
173 bonds, unless adequate provision has been made for the payment  
174 of the bonds under the documents authorizing issuance of the  
175 bonds.

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

188 4. With respect to assessments of surplus lines premiums,  
189 each surplus lines agent shall collect the assessment at the  
190 same time as the agent collects the surplus lines tax required  
191 by s. 626.932, and the surplus lines agent shall remit the  
192 assessment to the Florida Surplus Lines Service Office created  
193 by s. 626.921 at the same time as the agent remits the surplus  
194 lines tax to the Florida Surplus Lines Service Office. The  
195 emergency assessment on each insured procuring coverage and  
196 filing under s. 626.938 shall be remitted by the insured to the

197 Florida Surplus Lines Service Office at the time the insured  
198 pays the surplus lines tax to the Florida Surplus Lines Service  
199 Office. The Florida Surplus Lines Service Office shall remit the  
200 collected assessments to the fund or corporation as provided in  
201 the order levied by the Office of Insurance Regulation. The  
202 Florida Surplus Lines Service Office shall verify the proper  
203 application of such emergency assessments and shall assist the  
204 board in ensuring the accurate and timely collection and  
205 remittance of assessments as required by the board. The Florida  
206 Surplus Lines Service Office shall annually calculate the  
207 aggregate written premium on property and casualty business,  
208 other than workers' compensation and medical malpractice,  
209 procured through surplus lines agents and insureds procuring  
210 coverage and filing under s. 626.938 and shall report the  
211 information to the board in a form and at a time specified by  
212 the board.

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



225 | limits specified in subparagraph 2.

226 |         6. The assessments otherwise payable to the corporation  
 227 | under this paragraph shall be paid to the fund unless and until  
 228 | the Office of Insurance Regulation and the Florida Surplus Lines  
 229 | Service Office have received from the corporation and the fund a  
 230 | notice, which shall be conclusive and upon which they may rely  
 231 | without further inquiry, that the corporation has issued bonds  
 232 | and the fund has no agreements in effect with local governments  
 233 | under paragraph (c). On or after the date of the notice and  
 234 | until the date the corporation has no bonds outstanding, the  
 235 | fund shall have no right, title, or interest in or to the  
 236 | assessments, except as provided in the fund's agreement with the  
 237 | corporation.

238 |         7. Emergency assessments are not premium and are not  
 239 | subject to the premium tax, to the surplus lines tax, to any  
 240 | fees, or to any commissions. An insurer is liable for all  
 241 | assessments that it collects and must treat the failure of an  
 242 | insured to pay an assessment as a failure to pay the premium. An  
 243 | insurer is not liable for uncollectible assessments.

244 |         8. When an insurer is required to return an unearned  
 245 | premium, it shall also return any collected assessment  
 246 | attributable to the unearned premium. A credit adjustment to the  
 247 | collected assessment may be made by the insurer with regard to  
 248 | future remittances that are payable to the fund or corporation,  
 249 | but the insurer is not entitled to a refund.

250 |         9. When a surplus lines insured or an insured who has  
 251 | procured coverage and filed under s. 626.938 is entitled to the  
 252 | return of an unearned premium, the Florida Surplus Lines Service

253 Office shall provide a credit or refund to the agent or such  
 254 insured for the collected assessment attributable to the  
 255 unearned premium prior to remitting the emergency assessment  
 256 collected to the fund or corporation.

257 10. The exemption of medical malpractice insurance  
 258 premiums from emergency assessments under this paragraph is  
 259 repealed May 31, 2016 ~~2013~~, and medical malpractice insurance  
 260 premiums shall be subject to emergency assessments attributable  
 261 to loss events occurring in the contract years commencing on  
 262 June 1, 2016 ~~2013~~.

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

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

267 a. The public benefits corporation created under this  
 268 paragraph will provide a mechanism necessary for the cost-  
 269 effective and efficient issuance of bonds. This mechanism will  
 270 eliminate unnecessary costs in the bond issuance process,  
 271 thereby increasing the amounts available to pay reimbursement  
 272 for losses to property sustained as a result of hurricane  
 273 damage.

274 b. The purpose of such bonds is to fund reimbursements  
 275 through the Florida Hurricane Catastrophe Fund to pay for the  
 276 costs of construction, reconstruction, repair, restoration, and  
 277 other costs associated with damage to properties of  
 278 policyholders of covered policies due to the occurrence of a  
 279 hurricane.

280 c. The efficacy of the financing mechanism will be

281 enhanced by the corporation's ownership of the assessments, by  
 282 the insulation of the assessments from possible bankruptcy  
 283 proceedings, and by covenants of the state with the  
 284 corporation's bondholders.

285 2.a. There is created a public benefits corporation, which  
 286 is an instrumentality of the state, to be known as the State  
 287 Board of Administration ~~Florida Hurricane Catastrophe Fund~~  
 288 Finance Corporation.

289 b. The corporation shall operate under a five-member board  
 290 of directors consisting of the Governor or a designee, the Chief  
 291 Financial Officer or a designee, the Attorney General or a  
 292 designee, the director of the Division of Bond Finance of the  
 293 State Board of Administration, and the Chief Operating Officer  
 294 ~~senior employee of the State Board of Administration responsible~~  
 295 ~~for operations~~ of the Florida Hurricane Catastrophe Fund.

296 c. The corporation has all of the powers of corporations  
 297 under chapter 607 and under chapter 617, subject only to the  
 298 provisions of this subsection.

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

302 e. The corporation may invest in any of the investments  
 303 authorized under s. 215.47.

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

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

309 | issued by the corporation, the notice required by s. 75.06 shall  
310 | be published in two newspapers of general circulation in the  
311 | state, and the complaint and order of the court shall be served  
312 | only on the State Attorney of the Second Judicial Circuit.

313 |       b. The state hereby covenants with holders of bonds of the  
314 | corporation that the state will not repeal or abrogate the power  
315 | of the board to direct the Office of Insurance Regulation to  
316 | levy the assessments and to collect the proceeds of the revenues  
317 | pledged to the payment of such bonds as long as any such bonds  
318 | remain outstanding unless adequate provision has been made for  
319 | the payment of such bonds pursuant to the documents authorizing  
320 | the issuance of such bonds.

321 |       4. The bonds of the corporation are not a debt of the  
322 | state or of any political subdivision, and neither the state nor  
323 | any political subdivision is liable on such bonds. The  
324 | corporation does not have the power to pledge the credit, the  
325 | revenues, or the taxing power of the state or of any political  
326 | subdivision. The credit, revenues, or taxing power of the state  
327 | or of any political subdivision shall not be deemed to be  
328 | pledged to the payment of any bonds of the corporation.

329 |       5.a. The property, revenues, and other assets of the  
330 | corporation; the transactions and operations of the corporation  
331 | and the income from such transactions and operations; and all  
332 | bonds issued under this paragraph and interest on such bonds are  
333 | exempt from taxation by the state and any political subdivision,  
334 | including the intangibles tax under chapter 199 and the income  
335 | tax under chapter 220. This exemption does not apply to any tax  
336 | imposed by chapter 220 on interest, income, or profits on debt

337 obligations owned by corporations other than the State Board of  
 338 Administration ~~Florida Hurricane Catastrophe Fund~~ Finance  
 339 Corporation.

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

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

363 7. The State Board of Administration Finance Corporation  
 364 is for all purposes the successor to the Florida Hurricane

365 Catastrophe Fund Finance Corporation.

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

370 215.555 Florida Hurricane Catastrophe Fund.—

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

372 ~~(a) Findings and intent.—~~

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

374 ~~a. Because of temporary disruptions in the market for~~  
 375 ~~eatastrophic reinsurance, many property insurers were unable to~~  
 376 ~~procure reinsurance for the 2006 hurricane season with an~~  
 377 ~~attachment point below the insurers' respective Florida~~  
 378 ~~Hurricane Catastrophe Fund attachment points, were unable to~~  
 379 ~~procure sufficient amounts of such reinsurance, or were able to~~  
 380 ~~procure such reinsurance only by incurring substantially higher~~  
 381 ~~costs than in prior years.~~

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

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

388 ~~2. It is the intent of the Legislature to create a~~  
 389 ~~temporary emergency program, applicable to the 2007, 2008, and~~  
 390 ~~2009 hurricane seasons, to address these market disruptions and~~  
 391 ~~enable insurers, at their option, to procure additional coverage~~  
 392 ~~from the Florida Hurricane Catastrophe Fund.~~

393 ~~(b) Applicability of other provisions of this section. All~~  
394 ~~provisions of this section and the rules adopted under this~~  
395 ~~section apply to the program created by this subsection unless~~  
396 ~~specifically superseded by this subsection.~~

397 ~~(c) Optional coverage. For the contract year commencing~~  
398 ~~June 1, 2007, and ending May 31, 2008, the contract year~~  
399 ~~commencing June 1, 2008, and ending May 31, 2009, and the~~  
400 ~~contract year commencing June 1, 2009, and ending May 31, 2010,~~  
401 ~~the board shall offer for each of such years the optional~~  
402 ~~coverage as provided in this subsection.~~

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

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

407 ~~2. "TEACO insurer" means an insurer that has opted to~~  
408 ~~obtain coverage under the TEACO options in addition to the~~  
409 ~~coverage provided to the insurer under its reimbursement~~  
410 ~~contract.~~

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

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

417 ~~a. The board shall calculate and report to each TEACO~~  
418 ~~insurer the TEACO retention multiples. There shall be three~~  
419 ~~TEACO retention multiples for defining coverage. Each multiple~~  
420 ~~shall be calculated by dividing \$3 billion, \$4 billion, or \$5~~

421 billion by the total estimated mandatory FHCF reimbursement  
422 premium assuming all insurers selected the 90 percent coverage  
423 level.

424 ~~b. The TEACO retention multiples as determined under sub-~~  
425 ~~subparagraph a. shall be adjusted to reflect the coverage level~~  
426 ~~elected by the insurer. For insurers electing the 90 percent~~  
427 ~~coverage level, the adjusted retention multiple is 100 percent~~  
428 ~~of the amount determined under sub-subparagraph a. For insurers~~  
429 ~~electing the 75 percent coverage level, the retention multiple~~  
430 ~~is 120 percent of the amount determined under sub-subparagraph~~  
431 ~~a. For insurers electing the 45 percent coverage level, the~~  
432 ~~adjusted retention multiple is 200 percent of the amount~~  
433 ~~determined under sub-subparagraph a.~~

434 ~~e. An insurer shall determine its provisional TEACO~~  
435 ~~retention by multiplying its estimated mandatory FHCF~~  
436 ~~reimbursement premium by the applicable adjusted TEACO retention~~  
437 ~~multiple and shall determine its actual TEACO retention by~~  
438 ~~multiplying its actual mandatory FHCF reimbursement premium by~~  
439 ~~the applicable adjusted TEACO retention multiple.~~

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

447 ~~5. "TEACO addendum" means an addendum to the reimbursement~~  
448 ~~contract reflecting the obligations of the fund and TEACO~~



449 ~~insurers under the program created by this subsection.~~

450 ~~6. "FHCF" means the Florida Hurricane Catastrophe Fund.~~

451 ~~(c) TEACO addendum.~~

452 ~~1. The TEACO addendum shall provide for reimbursement of~~  
453 ~~TEACO insurers for covered events occurring during the contract~~  
454 ~~year, in exchange for the TEACO reimbursement premium paid into~~  
455 ~~the fund under paragraph (f). Any insurer writing covered~~  
456 ~~policies has the option of choosing to accept the TEACO addendum~~  
457 ~~for any of the 3 contract years that the coverage is offered.~~

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

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

468 ~~4. The TEACO addendum shall also provide that the~~  
469 ~~obligation of the board with respect to all TEACO addenda shall~~  
470 ~~not exceed an amount equal to two times the difference between~~  
471 ~~the industry retention level calculated under paragraph (2) (c)~~  
472 ~~and the \$3 billion, \$4 billion, or \$5 billion industry TEACO~~  
473 ~~retention level options actually selected, but in no event may~~  
474 ~~the board's obligation exceed the actual claims paying capacity~~  
475 ~~of the fund plus the additional capacity created in paragraph~~  
476 ~~(g). If the actual claims paying capacity and the additional~~

477 ~~capacity created under paragraph (g) fall short of the board's~~  
478 ~~obligations under the reimbursement contract, each insurer's~~  
479 ~~share of the fund's capacity shall be prorated based on the~~  
480 ~~premium an insurer pays for its mandatory reimbursement coverage~~  
481 ~~and the premium paid for its optional TEACO coverage as each~~  
482 ~~such premium bears to the total premiums paid to the fund times~~  
483 ~~the available capacity.~~

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

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

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

497 ~~1. Each TEACO insurer shall pay to the fund, in the manner~~  
498 ~~and at the time provided in the reimbursement contract for~~  
499 ~~payment of reimbursement premiums, a TEACO reimbursement premium~~  
500 ~~calculated as specified in this paragraph.~~

501 ~~2. The insurer's TEACO reimbursement premium associated~~  
502 ~~with the \$3 billion retention option shall be equal to 85~~  
503 ~~percent of a TEACO insurer's maximum reimbursement for a single~~  
504 ~~event as calculated under subparagraph (c)6. The TEACO~~

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505 ~~reimbursement premium associated with the \$4 billion retention~~  
506 ~~option shall be equal to 80 percent of a TEACO insurer's maximum~~  
507 ~~reimbursement for a single event as calculated under~~  
508 ~~subparagraph (c)6. The TEACO premium associated with the \$5~~  
509 ~~billion retention option shall be equal to 75 percent of a TEACO~~  
510 ~~insurer's maximum reimbursement for a single event as calculated~~  
511 ~~under subparagraph (c)6.~~

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

524 Section 3. Subsection (5) of section 627.062, Florida  
525 Statutes, is amended to read:

526 627.062 Rate standards.—

527 (5) With respect to a rate filing involving coverage of  
528 the type for which the insurer is required to pay a  
529 reimbursement premium to the Florida Hurricane Catastrophe Fund,  
530 the insurer may fully recoup in its property insurance premiums  
531 any reimbursement premiums paid to the fund, together with  
532 reasonable costs of other reinsurance, including reinsurance

533 | purchased solely to insure against potential deficits within the  
 534 | fund which the most recent estimate made pursuant to s.  
 535 | 215.555(4)(c)2. predicts would be funded through revenue bonds  
 536 | issued under s. 215.555(6); ~~however, except as otherwise~~  
 537 | ~~provided in this section, the insurer may not recoup reinsurance~~  
 538 | ~~costs that duplicate coverage provided by the fund.~~ An insurer  
 539 | may not recoup more than 1 year of reimbursement premium at a  
 540 | time. Any under-recoupment from the prior year may be added to  
 541 | the following year's reimbursement premium, and any over-  
 542 | recoupment must be subtracted from the following year's  
 543 | reimbursement premium.

544 | Section 4. Subsection (5) of section 627.0629, Florida  
 545 | Statutes, is amended to read:

546 | 627.0629 Residential property insurance; rate filings.—

547 | (5) In order to provide an appropriate transition period,  
 548 | an insurer may implement an approved rate filing for residential  
 549 | property insurance over a period of years. Such insurer must  
 550 | provide an informational notice to the office setting out its  
 551 | schedule for implementation of the phased-in rate filing. The  
 552 | insurer may include in its rate the actual cost of private  
 553 | market reinsurance that corresponds to available coverage of the  
 554 | Temporary Increase in Coverage Limits, TICL, from the Florida  
 555 | Hurricane Catastrophe Fund. The insurer may also include the  
 556 | cost of reinsurance to replace the TICL reduction implemented  
 557 | pursuant to s. 215.555(16)(d)9. ~~215.555(17)(d)9.~~ However, this  
 558 | cost for reinsurance may not include any expense or profit load  
 559 | or result in a total annual base rate increase in excess of 10  
 560 | percent.

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561           Section 5. Except as otherwise expressly provided in this  
562 act, this act shall take effect upon becoming a law.