A bill to be entitled

An act relating to the Florida Hurricane Catastrophe Fund; amending s. 215.555, F.S.; revising the definitions of “retention” and “corporation”; providing for calculation of an insurer’s reimbursement premium and retention under the reimbursement contract; revising coverage levels available under the reimbursement contract; revising aggregate coverage limits; providing for the phase-in of changes to coverage levels and limits; revising the cash build-up factor included in reimbursement premiums; providing for phase-in; reducing maximum allowable emergency assessments; changing the name of the Florida Hurricane Catastrophe Fund Finance Corporation; repealing provisions related to temporary emergency options for additional coverage; terminating the temporary increase in coverage limits option at the end of the 2011-2012 contract year; providing an effective date.

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

Section 1. Paragraphs (e) and (n) of subsection (2), paragraphs (b) and (c) of subsection (4), paragraph (b) of subsection (5), paragraphs (b) and (d) of subsection (6), and subsections (16), (17), and (18) of section 215.555, Florida Statutes, are amended to read:

215.555 Florida Hurricane Catastrophe Fund.—

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

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

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

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

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

b. For the 2012-2013 contract year, total reimbursement premium for purposes of the calculation under this subparagraph shall be estimated using the assumption that all insurers have selected the 90-percent coverage level.

c. In order to implement the phase-in of reduced coverage levels as provided in paragraph (4)(b), total reimbursement

premium for purposes of the calculation under this subparagraph shall be estimated using the following assumptions:

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

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

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

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

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

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

(I) With respect to the 2012-2013 contract year, for an insurer ~~For insurers~~ electing the 75-percent coverage level, the retention multiple is 90/75ths ~~120 percent~~ of the amount determined under subparagraph 1., and for an insurer ~~For insurers~~ electing the 45-percent coverage level, the adjusted retention multiple is 90/45ths ~~200 percent~~ of the amount determined under subparagraph 1.

(II) With respect to the 2013-2014 contract year, for an insurer electing the 75-percent coverage level, the retention multiple is 85/75ths of the amount determined under subparagraph

1., and for an insurer electing the 45-percent coverage level, the retention multiple is 85/45ths of the amount determined under subparagraph 1.

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

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

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

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

(n) “Corporation” means the State Board of Administration ~~Florida Hurricane Catastrophe Fund~~ Finance Corporation created in paragraph (6)(d).

(4) REIMBURSEMENT CONTRACTS.—

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

b. The available coverage levels are as follows:

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

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

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

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

2.a. The insurer must elect one of the percentage coverage levels specified in this paragraph and may, upon renewal of a reimbursement contract, elect a lower percentage coverage level if no revenue bonds issued under subsection (6) after a covered event are outstanding, or elect a higher percentage coverage level, regardless of whether or not revenue bonds are outstanding. All members of an insurer group must elect the same percentage coverage level. Any joint underwriting association, risk apportionment plan, or other entity created under s. 627.351 must elect the maximum ~~90-percent~~ coverage level available under subparagraph 1.

b. In order to implement the phase-in of reduced coverage levels as provided in subparagraph 1., and notwithstanding any

154 provisions of sub-subparagraph a. to the contrary, if revenue
155 bonds issued under subsection (6) after a covered event are
156 outstanding and the insurer has elected the maximum coverage
157 level available under subparagraph 1., the insurer must, upon
158 renewal of the reimbursement contract, elect the maximum
159 coverage level available under subparagraph 1. for the renewal
160 contract year.
161 3. The contract shall provide that reimbursement amounts
162 shall not be reduced by reinsurance paid or payable to the
163 insurer from other sources.
164 4. Notwithstanding any other provision contained in this
165 section, the board shall make available to insurers that
166 purchased coverage provided by this subparagraph in 2008,
167 insurers qualifying as limited apportionment companies under s.
168 627.351(6)(c), and insurers that have been approved to
169 participate in the Insurance Capital Build-Up Incentive Program
170 pursuant to s. 215.5595 a contract or contract addendum that
171 provides an additional amount of reimbursement coverage of up to
172 $10 million. The premium to be charged for this additional
173 reimbursement coverage shall be 50 percent of the additional
174 reimbursement coverage provided, which shall include one prepaid
175 reinstatement. The minimum retention level that an eligible
176 participating insurer must retain associated with this
177 additional coverage layer is 30 percent of the insurer's surplus
178 ~~as of December 31, 2008, for the 2009-2010 contract year; as of~~
179 ~~December 31, 2009, for the 2010-2011 contract year; and~~ as of
180 December 31, 2010, for the 2011-2012 contract year. This
181 coverage shall be in addition to all other coverage that may be
182 provided under this section. The coverage provided by the fund
183 under this subparagraph shall be in addition to the claims-
184 paying capacity as defined in subparagraph (c)1., but only with

respect to those insurers that select the additional coverage option and meet the requirements of this subparagraph. The claims-paying capacity with respect to all other participating insurers and limited apportionment companies that do not select the additional coverage option shall be limited to their reimbursement premium's proportionate share of the actual claims-paying capacity otherwise defined in subparagraph (c)1. and as provided for under the terms of the reimbursement contract. The optional coverage retention as specified shall be accessed before the mandatory coverage under the reimbursement contract, but once the limit of coverage selected under this option is exhausted, the insurer's retention under the mandatory coverage will apply. This coverage will apply and be paid concurrently with mandatory coverage. This subparagraph expires on May 31, 2012.

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

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

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

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

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

e. For contract years after the 2015-2016 contract year, if ~~a limit of $17 billion for that contract year, unless~~ the board determines that there is sufficient estimated claims-paying capacity to provide $12 ~~$17~~ billion of capacity for the current

contract year and an additional $12 ~~$17~~ billion of capacity for subsequent contract years~~. If the board makes such a determination~~, the estimated claims-paying capacity for the particular contract year shall be determined by adding to the $12 ~~$17~~ billion limit one-half of the fund's estimated claims-paying capacity in excess of $24 ~~$34~~ billion. However, the dollar growth in the limit may not increase in any year by an amount greater than the dollar growth of the balance of the fund as of December 31~~, less any premiums or interest attributable to optional coverage~~, as defined by rule, which occurred over the prior calendar year.

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

247 (5) REIMBURSEMENT PREMIUMS.—
248 (b)1. The State Board of Administration shall select an
249 independent consultant to develop a formula for determining the
250 actuarially indicated premium to be paid to the fund. The
251 formula shall specify, for each zip code or other limited
252 geographical area, the amount of premium to be paid by an
253 insurer for each $1,000 of insured value under covered policies
254 in that zip code or other area. In establishing premiums, the
255 board shall consider the coverage elected under paragraph (4)(b)
256 and any factors that tend to enhance the actuarial
257 sophistication of ratemaking for the fund, including
258 deductibles, type of construction, type of coverage provided,
259 relative concentration of risks, and other such factors deemed
260 by the board to be appropriate.
261 2. The formula must provide for a cash build-up factor as
262 specified in this subparagraph. ~~For the 2009-2010 contract year,~~
263 ~~the factor is 5 percent. For the 2010-2011 contract year, the~~
264 ~~factor is 10 percent.~~
265 a. For the 2011-2012 contract year, the factor is 15
266 percent.
267 b. For the 2012-2013 contract year, the factor is 20
268 percent.
269 c. For the 2013-2014 contract year ~~and thereafter~~, the
270 factor is 25 percent.
271 d. For the 2014-2015 contract year, the factor is 30
272 percent.
273 e. For the 2015-2016 contract year, the factor is 35
274 percent.
275 f. For the 2016-2017 contract year, the factor is 40
276 percent.

277 g. For the 2017-2018 contract year, the factor is 45
278 percent.
279 h. For the 2018-2019 contract year and subsequent contract
280 years, the factor is 50 percent.
281 3. The formula may provide for a procedure to determine the
282 premiums to be paid by new insurers that begin writing covered
283 policies after the beginning of a contract year, taking into
284 consideration when the insurer starts writing covered policies,
285 the potential exposure of the insurer, the potential exposure of
286 the fund, the administrative costs to the insurer and to the
287 fund, and any other factors deemed appropriate by the board. The
288 formula must be approved by unanimous vote of the board. The
289 board may, at any time, revise the formula pursuant to the
290 procedure provided in this paragraph.
291 (6) REVENUE BONDS.—
292 (b) Emergency assessments—
293 1. If the board determines that the amount of revenue
294 produced under subsection (5) is insufficient to fund the
295 obligations, costs, and expenses of the fund and the
296 corporation, including repayment of revenue bonds and that
297 portion of the debt service coverage not met by reimbursement
298 premiums, the board shall direct the Office of Insurance
299 Regulation to levy, by order, an emergency assessment on direct
300 premiums for all property and casualty lines of business in this
301 state, including property and casualty business of surplus lines
302 insurers regulated under part VIII of chapter 626, but not
303 including any workers' compensation premiums or medical
304 malpractice premiums. As used in this subsection, the term
305 "property and casualty business" includes all lines of business
306 identified on Form 2, Exhibit of Premiums and Losses, in the
307 annual statement required of authorized insurers by s. 624.424

and any rule adopted under this section, except for those lines identified as accident and health insurance and except for policies written under the National Flood Insurance Program. The assessment shall be specified as a percentage of direct written premium and is subject to annual adjustments by the board in order to meet debt obligations. The same percentage shall apply to all policies in lines of business subject to the assessment issued or renewed during the 12-month period beginning on the effective date of the assessment.

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

b. Except as provided in sub-subparagraph a., a premium is not subject to an annual assessment under this paragraph in excess of 5 percent of premium with respect to obligations arising out of losses attributable to any one contract year, and a premium is not subject to an aggregate annual assessment under this paragraph in excess of 8 percent of premium. An annual assessment under this paragraph shall continue as long as the revenue bonds issued with respect to which the assessment was

339 imposed are outstanding, including any bonds the proceeds of
340 which were used to refund the revenue bonds, unless adequate
341 provision has been made for the payment of the bonds under the
342 documents authorizing issuance of the bonds.
343 3. Emergency assessments shall be collected from
344 policyholders. Emergency assessments shall be remitted by
345 insurers as a percentage of direct written premium for the
346 preceding calendar quarter as specified in the order from the
347 Office of Insurance Regulation. The office shall verify the
348 accurate and timely collection and remittance of emergency
349 assessments and shall report the information to the board in a
350 form and at a time specified by the board. Each insurer
351 collecting assessments shall provide the information with
352 respect to premiums and collections as may be required by the
353 office to enable the office to monitor and verify compliance
354 with this paragraph.
355 4. With respect to assessments of surplus lines premiums,
356 each surplus lines agent shall collect the assessment at the
357 same time as the agent collects the surplus lines tax required
358 by s. 626.932, and the surplus lines agent shall remit the
359 assessment to the Florida Surplus Lines Service Office created
360 by s. 626.921 at the same time as the agent remits the surplus
361 lines tax to the Florida Surplus Lines Service Office. The
362 emergency assessment on each insured procuring coverage and
363 filing under s. 626.938 shall be remitted by the insured to the
364 Florida Surplus Lines Service Office at the time the insured
365 pays the surplus lines tax to the Florida Surplus Lines Service
366 Office. The Florida Surplus Lines Service Office shall remit the
367 collected assessments to the fund or corporation as provided in
368 the order levied by the Office of Insurance Regulation. The
369 Florida Surplus Lines Service Office shall verify the proper

370 application of such emergency assessments and shall assist the
371 board in ensuring the accurate and timely collection and
372 remittance of assessments as required by the board. The Florida
373 Surplus Lines Service Office shall annually calculate the
374 aggregate written premium on property and casualty business,
375 other than workers' compensation and medical malpractice,
376 procured through surplus lines agents and insureds procuring
377 coverage and filing under s. 626.938 and shall report the
378 information to the board in a form and at a time specified by
379 the board.
380 5.a. Any assessment authority not used for a particular
381 contract year may be used for a subsequent contract year. If,
382 for a subsequent contract year, the board determines that the
383 amount of revenue produced under subsection (5) is insufficient
384 to fund the obligations, costs, and expenses of the fund and the
385 corporation, including repayment of revenue bonds and that
386 portion of the debt service coverage not met by reimbursement
387 premiums, the board shall direct the Office of Insurance
388 Regulation to levy an emergency assessment up to an amount not
389 exceeding the amount of unused assessment authority from a
390 previous contract year or years, plus an additional 4 percent
391 provided that the assessments in the aggregate do not exceed the
392 limits specified in subparagraph 2, and provided that all of the
393 losses which generated the obligations were attributable to
394 contract years prior to the 2015-2016 contract year.
395 b. Except as provided in sub-subparagraph a., any
396 assessment authority not used for a particular contract year may
397 be used for a subsequent contract year. If, for a subsequent
398 contract year, the board determines that the amount of revenue
399 produced under subsection (5) is insufficient to fund the
400 obligations, costs, and expenses of the fund and the

401 corporation, including repayment of revenue bonds and that
402 portion of the debt service coverage not met by reimbursement
403 premiums, the board shall direct the Office of Insurance
404 Regulation to levy an emergency assessment up to an amount not
405 exceeding the amount of unused assessment authority from a
406 previous contract year or years, plus an additional 3 percent
407 provided that the assessments in the aggregate do not exceed the
408 limits specified in subparagraph 2.
409 6. The assessments otherwise payable to the corporation
410 under this paragraph shall be paid to the fund unless and until
411 the Office of Insurance Regulation and the Florida Surplus Lines
412 Service Office have received from the corporation and the fund a
413 notice, which shall be conclusive and upon which they may rely
414 without further inquiry, that the corporation has issued bonds
415 and the fund has no agreements in effect with local governments
416 under paragraph (c). On or after the date of the notice and
417 until the date the corporation has no bonds outstanding, the
418 fund shall have no right, title, or interest in or to the
419 assessments, except as provided in the fund's agreement with the
420 corporation.
421 7. Emergency assessments are not premium and are not
422 subject to the premium tax, to the surplus lines tax, to any
423 fees, or to any commissions. An insurer is liable for all
424 assessments that it collects and must treat the failure of an
425 insured to pay an assessment as a failure to pay the premium. An
426 insurer is not liable for uncollectible assessments.
427 8. When an insurer is required to return an unearned
428 premium, it shall also return any collected assessment
429 attributable to the unearned premium. A credit adjustment to the
430 collected assessment may be made by the insurer with regard to

431 future remittances that are payable to the fund or corporation,
432 but the insurer is not entitled to a refund.
433 9. When a surplus lines insured or an insured who has
434 procured coverage and filed under s. 626.938 is entitled to the
435 return of an unearned premium, the Florida Surplus Lines Service
436 Office shall provide a credit or refund to the agent or such
437 insured for the collected assessment attributable to the
438 unearned premium prior to remitting the emergency assessment
439 collected to the fund or corporation.
440 10. The exemption of medical malpractice insurance premiums
441 from emergency assessments under this paragraph is repealed May
442 31, 2013, and medical malpractice insurance premiums shall be
443 subject to emergency assessments attributable to loss events
444 occurring in the contract years commencing on June 1, 2013.
445 (d) State Board of Administration ~~Florida Hurricane~~
446 ~~Catastrophe Fund~~ Finance Corporation.—
447 1. In addition to the findings and declarations in
448 subsection (1), the Legislature also finds and declares that:
449 a. The public benefits corporation created under this
450 paragraph will provide a mechanism necessary for the cost-
451 effective and efficient issuance of bonds. This mechanism will
452 eliminate unnecessary costs in the bond issuance process,
453 thereby increasing the amounts available to pay reimbursement
454 for losses to property sustained as a result of hurricane
455 damage.
456 b. The purpose of such bonds is to fund reimbursements
457 through the Florida Hurricane Catastrophe Fund to pay for the
458 costs of construction, reconstruction, repair, restoration, and
459 other costs associated with damage to properties of
460 policyholders of covered policies due to the occurrence of a
461 hurricane.

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

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

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

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

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

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

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

3.a. In actions under chapter 75 to validate any bonds issued by the corporation, the notice required by s. 75.06 shall be published only in Leon County and in two newspapers of

493 general circulation in the state, and the complaint and order of
494 the court shall be served only on the State Attorney of the
495 Second Judicial Circuit.
496 b. The state hereby covenants with holders of bonds of the
497 corporation that the state will not repeal or abrogate the power
498 of the board to direct the Office of Insurance Regulation to
499 levy the assessments and to collect the proceeds of the revenues
500 pledged to the payment of such bonds as long as any such bonds
501 remain outstanding unless adequate provision has been made for
502 the payment of such bonds pursuant to the documents authorizing
503 the issuance of such bonds.
504 4. The bonds of the corporation are not a debt of the state
505 or of any political subdivision, and neither the state nor any
506 political subdivision is liable on such bonds. The corporation
507 does not have the power to pledge the credit, the revenues, or
508 the taxing power of the state or of any political subdivision.
509 The credit, revenues, or taxing power of the state or of any
510 political subdivision shall not be deemed to be pledged to the
511 payment of any bonds of the corporation.
512 5.a. The property, revenues, and other assets of the
513 corporation; the transactions and operations of the corporation
514 and the income from such transactions and operations; and all
515 bonds issued under this paragraph and interest on such bonds are
516 exempt from taxation by the state and any political subdivision,
517 including the intangibles tax under chapter 199 and the income
518 tax under chapter 220. This exemption does not apply to any tax
519 imposed by chapter 220 on interest, income, or profits on debt
520 obligations owned by corporations other than the State Board of
521 Administration ~~Florida Hurricane Catastrophe Fund~~ Finance
522 Corporation.

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

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

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

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

~~(a) Findings and intent.—~~

~~1. The Legislature finds that:~~

~~a. Because of temporary disruptions in the market for catastrophic reinsurance, many property insurers were unable to~~

~~procure reinsurance for the 2006 hurricane season with an attachment point below the insurers' respective Florida Hurricane Catastrophe Fund attachment points, were unable to procure sufficient amounts of such reinsurance, or were able to procure such reinsurance only by incurring substantially higher costs than in prior years.~~

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

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

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

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

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

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

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

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

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

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

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

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

~~c. An insurer shall determine its provisional TEACO retention by multiplying its estimated mandatory FHCF reimbursement premium by the applicable adjusted TEACO retention multiple and shall determine its actual TEACO retention by~~

~~multiplying its actual mandatory FHCF reimbursement premium by the applicable adjusted TEACO retention multiple.~~

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

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

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

~~(e) TEACO addendum.—~~

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

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

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

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

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

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

~~(f) TEACO reimbursement premiums.~~

~~1. Each TEACO insurer shall pay to the fund, in the manner and at the time provided in the reimbursement contract for~~

677 ~~payment of reimbursement premiums, a TEACO reimbursement premium~~
678 ~~calculated as specified in this paragraph.~~
679 ~~2. The insurer's TEACO reimbursement premium associated~~
680 ~~with the $3 billion retention option shall be equal to 85~~
681 ~~percent of a TEACO insurer's maximum reimbursement for a single~~
682 ~~event as calculated under subparagraph (e)6. The TEACO~~
683 ~~reimbursement premium associated with the $4 billion retention~~
684 ~~option shall be equal to 80 percent of a TEACO insurer's maximum~~
685 ~~reimbursement for a single event as calculated under~~
686 ~~subparagraph (e)6. The TEACO premium associated with the $5~~
687 ~~billion retention option shall be equal to 75 percent of a TEACO~~
688 ~~insurer's maximum reimbursement for a single event as calculated~~
689 ~~under subparagraph (e)6.~~
690 ~~(g) Effect on claims-paying capacity of the fund.—For the~~
691 ~~contract term commencing June 1, 2007, the contract year~~
692 ~~commencing June 1, 2008, and the contract term beginning June 1,~~
693 ~~2009, the program created by this subsection shall increase the~~
694 ~~claims-paying capacity of the fund as provided in subparagraph~~
695 ~~(4)(c)1. by an amount equal to two times the difference between~~
696 ~~the industry retention level calculated under paragraph (2)(e)~~
697 ~~and the $3 billion industry TEACO retention level specified in~~
698 ~~sub-subparagraph (d)4.a. The additional capacity shall apply~~
699 ~~only to the additional coverage provided by the TEACO option and~~
700 ~~shall not otherwise affect any insurer's reimbursement from the~~
701 ~~fund.~~
702 (16) ~~(17)~~ TEMPORARY INCREASE IN COVERAGE LIMIT OPTIONS.—
703 (a) Findings and intent.—
704 1. The Legislature finds that:
705 a. Because of temporary disruptions in the market for
706 catastrophic reinsurance, many property insurers were unable to
707 procure sufficient amounts of reinsurance for the 2006 hurricane

season or were able to procure such reinsurance only by incurring substantially higher costs than in prior years.

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

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

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

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

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

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

1. “FHCF” means Florida Hurricane Catastrophe Fund.

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

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

4. “TICL” means the temporary increase in coverage limit.

5. “TICL options” means the temporary increase in coverage options created under this subsection.

6. “TICL insurer” means an insurer that has opted to obtain coverage under the TICL options addendum in addition to the coverage provided to the insurer under its FHCF reimbursement contract.

7. “TICL reimbursement premium” means the premium charged by the fund for coverage provided under the TICL option.

8. “TICL coverage multiple” means the coverage multiple when multiplied by an insurer’s reimbursement premium that defines the temporary increase in coverage limit.

9. “TICL coverage” means the coverage for an insurer’s losses above the insurer’s statutorily determined claims-paying capacity based on the claims-paying limit in subparagraph (4)(c)1., which an insurer selects as its temporary increase in coverage from the fund under the TICL options selected. A TICL insurer’s increased coverage limit options shall be calculated as provided in sub-subparagraph a. ~~follows:~~

~~a. The board shall calculate and report to each TICL insurer the TICL coverage multiples based on 12 options for increasing the insurer’s FHCF coverage limit. Each TICL coverage multiple shall be calculated by dividing $1 billion, $2 billion, $3 billion, $4 billion, $5 billion, $6 billion, $7 billion, $8 billion, $9 billion, $10 billion, $11 billion, or $12 billion by~~

~~the total estimated aggregate FHCF reimbursement premiums for the 2007-2008 contract year, and the 2008-2009 contract year.~~

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

~~c. For the 2010-2011 contract year, the board shall calculate and report to each TICL insurer the TICL coverage multiples based on eight options for increasing the insurer's FHCF coverage limit. Each TICL coverage multiple shall be calculated by dividing $1 billion, $2 billion, $3 billion, $4 billion, $5 billion, $6 billion, $7 billion, and $8 billion by the total estimated aggregate FHCF reimbursement premiums for the contract year.~~

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

a. ~~e.~~ For the 2012-2013 contract year, the board shall calculate and report to each TICL insurer the TICL coverage multiples based on four options for increasing the insurer's FHCF coverage limit. Each TICL coverage multiple shall be calculated by dividing $1 billion, $2 billion, $3 billion, and

$4 billion by the total estimated aggregate FHCF reimbursement premiums for the 2012-2013 contract year.

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

b. ~~g.~~ The TICL insurer's increased coverage shall be the FHCF reimbursement premium multiplied by the TICL coverage multiple. In order to determine an insurer's total limit of coverage, an insurer shall add its TICL coverage multiple to its payout multiple. The total shall represent a number that, when multiplied by an insurer's FHCF reimbursement premium for a given reimbursement contract year, defines an insurer's total limit of FHCF reimbursement coverage for that reimbursement contract year.

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

(e) TICL options addendum.—

1. The TICL options addendum shall provide for reimbursement of TICL insurers for covered events occurring during the ~~2009-2010, 2010-2011, 2011-2012,~~ 2012-2013~~, and 2013-2014~~ contract year ~~years~~ in exchange for the TICL reimbursement premium paid into the fund under paragraph (f) based on the TICL coverage available and selected for each respective contract year. Any insurer writing covered policies has the option of selecting an increased limit of coverage under the TICL options

addendum and shall select such coverage at the time that it executes the FHCF reimbursement contract.

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

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

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

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

(g) Effect on claims-paying capacity of the fund.—For the ~~2009-2010, 2010-2011, 2011-2012,~~ 2012-2013~~, and 2013-2014~~ contract year ~~years~~, the program created by this subsection shall increase the claims-paying capacity of the fund as provided in subparagraph (4)(c)1. by an amount not to exceed $4

860 ~~$12~~ billion and shall depend on the TICL coverage options
861 available and selected for the specified contract year and the
862 number of insurers that select the TICL optional coverage. The
863 additional capacity shall apply only to the additional coverage
864 provided under the TICL options and shall not otherwise affect
865 any insurer's reimbursement from the fund if the insurer chooses
866 not to select the temporary option to increase its limit of
867 coverage under the FHCF.
868 (17) ~~(18)~~ FACILITATION OF INSURERS' PRIVATE CONTRACT
869 NEGOTIATIONS BEFORE THE START OF THE HURRICANE SEASON.—
870 (a) In addition to the legislative findings and intent
871 provided elsewhere in this section, the Legislature finds that:
872 1.a. Because a regular session of the Legislature begins
873 approximately 3 months before the start of a contract year and
874 ends approximately 1 month before the start of a contract year,
875 participants in the fund always face the possibility that
876 legislative actions will change the coverage provided or offered
877 by the fund with only a few days or weeks of advance notice.
878 b. The timing issues described in sub-subparagraph a. can
879 create uncertainties and disadvantages for the residential
880 property insurers that are required to participate in the fund
881 when such insurers negotiate for the procurement of private
882 reinsurance or other sources of capital.
883 c. Providing participating insurers with a greater degree
884 of certainty regarding the coverage provided or offered by the
885 fund and more time to negotiate for the procurement of private
886 reinsurance or other sources of capital will enable the
887 residential property insurance market to operate with greater
888 stability.
889 d. Increased stability in the residential property
890 insurance market serves a primary purpose of the fund and

891 benefits Florida consumers by enabling insurers to operate more
892 economically. In years when reinsurance and capital markets are
893 experiencing a capital shortage, the last-minute rush by
894 insurers only weeks before the start of the hurricane season to
895 procure adequate coverage in order to meet their capital
896 requirements can result in higher costs that are passed on to
897 Florida consumers. However, if more time is available,
898 residential property insurers should experience greater
899 competition for their business with a corresponding beneficial
900 effect for Florida consumers.
901 2. It is the intent of the Legislature to provide insurers
902 with the terms and conditions of the reimbursement contract well
903 in advance of the insurers' need to finalize their procurement
904 of private reinsurance or other sources of capital, and thereby
905 improve insurers' negotiating position with reinsurers and other
906 sources of capital.
907 3. It is also the intent of the Legislature that the board
908 publish the fund's maximum statutory limit of coverage and the
909 fund's total retention early enough that residential property
910 insurers can have the opportunity to better estimate their
911 coverage from the fund.
912 (b) The board shall adopt the reimbursement contract for a
913 particular contract year by February 1 of the immediately
914 preceding contract year. However, the reimbursement contract
915 shall be adopted as soon as possible in advance of the 2010-2011
916 contract year.
917 (c) Insurers writing covered policies shall execute the
918 reimbursement contract by March 1 of the immediately preceding
919 contract year, and the contract shall have an effective date as
920 defined in paragraph (2)(o).

921 (d) The board shall publish in the Florida Administrative
922 Weekly the maximum statutory adjusted capacity for the mandatory
923 coverage for a particular contract year, the maximum statutory
924 coverage for any optional coverage for the particular contract
925 year, and the aggregate fund retention used to calculate
926 individual insurer’s retention multiples for the particular
927 contract year no later than January 1 of the immediately
928 preceding contract year.
929 Section 2. This act shall take effect upon becoming a law.