

A bill to be entitled

An act relating to the Florida Hurricane Catastrophe Fund; amending s. 215.555, F.S.; reducing the coverage limits for the fund's mandatory coverage; creating a coverage limit increase option ("CLIO"); requiring the offer of specified optional coverage limits; providing definitions; specifying the terms of the CLIO options addendum to the reimbursement contract; providing for determination of a CLIO premium formula and CLIO premiums; specifying impact on the claims paying capacity of the fund; deleting expired provisions relating to the temporary increase in coverage limits option; amending s. 627.0629, F.S.; deleting provisions authorizing an insurer to include certain costs in its rates; providing effective dates.

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

Section 1. Effective June 1, 2015, paragraph (c) of subsection (4) and subsection (16) of section 215.555, Florida Statutes, are amended to read:

215.555 Florida Hurricane Catastrophe Fund.—

(4) REIMBURSEMENT CONTRACTS.—

(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

27 of the fund up to a limit of \$14 ~~\$17~~ billion for that contract
28 year, unless the board determines that there is sufficient
29 estimated claims-paying capacity to provide \$14 ~~\$17~~ billion of
30 capacity for the current contract year and an additional \$14 ~~\$17~~
31 billion of capacity for subsequent contract years. If the board
32 makes such a determination, the estimated claims-paying capacity
33 for the particular contract year shall be determined by adding
34 to the \$14 ~~\$17~~ billion limit one-half of the fund's estimated
35 claims-paying capacity in excess of \$28 ~~\$34~~ billion. However,
36 the dollar growth in the limit may not increase in any year by
37 an amount greater than the dollar growth of the balance of the
38 fund as of December 31, less any premiums or interest
39 attributable to optional coverage, as defined by rule, which
40 occurred over the prior calendar year.

41 2. In May and October of the contract year, the board
42 shall publish in the Florida Administrative Register a statement
43 of the fund's estimated borrowing capacity, the fund's estimated
44 claims-paying capacity, and the projected balance of the fund as
45 of December 31. After the end of each calendar year, the board
46 shall notify insurers of the estimated borrowing capacity,
47 estimated claims-paying capacity, and the balance of the fund as
48 of December 31 to provide insurers with data necessary to assist
49 them in determining their retention and projected payout from
50 the fund for loss reimbursement purposes. In conjunction with
51 the development of the premium formula, as provided ~~for~~ in
52 subsection (5), the board shall publish factors or multiples

53 that assist insurers in determining their retention and
54 projected payout for the next contract year. For all regulatory
55 and reinsurance purposes, an insurer may calculate its projected
56 payout from the fund as its share of the total fund premium for
57 the current contract year multiplied by the sum of the projected
58 balance of the fund as of December 31 and the estimated
59 borrowing capacity for that contract year as reported under this
60 subparagraph.

61 (16) COVERAGE LIMIT INCREASE OPTION ~~TEMPORARY INCREASE IN~~
62 ~~COVERAGE LIMIT OPTIONS.~~—

63 (a) Findings and intent.—

64 1. The Legislature finds that growth in the capital
65 available for private catastrophe reinsurance and reinsurance
66 alternatives such as catastrophe bonds has created an
67 opportunity to transfer additional hurricane risk to the private
68 sector and to reduce the share of Florida hurricane risk borne
69 by the public without destabilizing the residential property
70 insurance market. However, the Legislature also recognizes the
71 benefit of continuing to make current levels of Florida
72 Hurricane Catastrophe Fund coverage available as a transitional
73 option that can minimize market disruptions while additional
74 hurricane risk is transferred from the public sector to the
75 private sector.

76 2. The coverage limit increase option created under this
77 subsection is intended to balance the opportunity for greater
78 risk transfer with the continuing need to maintain a stable and

79 ongoing source of reimbursement as described in subsection (1).÷

80 a. ~~Because of temporary disruptions in the market for~~
81 ~~catastrophic reinsurance, many property insurers were unable to~~
82 ~~procure sufficient amounts of reinsurance for the 2006 hurricane~~
83 ~~season or were able to procure such reinsurance only by~~
84 ~~incurring substantially higher costs than in prior years.~~

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

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

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

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

102 (c) Optional coverage. ~~For the 2009-2010, 2010-2011, 2011-~~
103 ~~2012, 2012-2013, and 2013-2014 contract years, The board must~~
104 ~~shall offer, for each of such years, the optional coverage~~

105 limits as provided in this subsection each year, and the insurer
 106 must make its selections of optional coverage, if any, by
 107 executing the CLIO addendum at the same time as it executes the
 108 reimbursement contract as required by paragraph (17) (c).

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

- 111 1. "CLIO" means the coverage limit increase option.
- 112 2. "CLIO coverage" means the coverage for an insurer's
 113 losses above the insurer's statutorily determined claims-paying
 114 capacity based on the claims-paying limit in subparagraph
 115 (4) (c)1., which an insurer selects as its increase in coverage
 116 from the fund under the CLIO options selected. A CLIO insurer's
 117 increased coverage limit options shall be calculated as follows:

- 118 a. The board shall calculate and report to each CLIO
 119 insurer the CLIO coverage multiples based on three options for
 120 increasing the insurer's FHCF coverage limit. The CLIO coverage
 121 multiple shall be calculated by dividing \$1 billion, \$2 billion,
 122 or \$3 billion by the total estimated aggregate FHCF
 123 reimbursement premiums for the relevant contract year.

- 124 b. The amount by which the CLIO insurer's limit is
 125 increased over the limit calculated under paragraph (4) (d)
 126 equals the FHCF reimbursement premium multiplied by the CLIO
 127 coverage multiple.

- 128 c. In order to determine the CLIO insurer's limit of
 129 coverage, the CLIO insurer shall add its CLIO coverage multiple
 130 to its payout multiple. The sum of the multiples is the number

131 that, when multiplied by the insurer's FHCF reimbursement
132 premium as calculated under subsection (5), defines the CLIO
133 insurer's limit of FHCF reimbursement coverage for that
134 reimbursement contract year.

135 3. "CLIO coverage multiple" means the coverage multiple
136 when multiplied by an insurer's reimbursement premium that
137 defines the increase in coverage limit.

138 4. "CLIO insurer" means an insurer that has opted to
139 obtain coverage under the CLIO options addendum in addition to
140 the coverage provided to the insurer under its FHCF
141 reimbursement contract.

142 5. "CLIO options" means the options for increased coverage
143 limits created under this subsection.

144 6. "CLIO options addendum" means an addendum to the
145 reimbursement contract reflecting the obligations of the fund
146 and insurers selecting an option to increase an insurer's FHCF
147 coverage limit.

148 7. "CLIO reimbursement premium" means the premium charged
149 by the fund for coverage provided under the CLIO option.

150 8. "FHCF" means the Florida Hurricane Catastrophe Fund.

151 9. "FHCF reimbursement premium" means the premium paid by
152 an insurer for its coverage as a mandatory participant in the
153 FHCF but does not include additional premiums for optional
154 coverages.

155 10. "Payout multiple" means the number or multiple created
156 by dividing the statutorily defined claims-paying capacity as

157 determined in subparagraph (4)(c)1. by the aggregate
158 reimbursement premiums paid by all insurers estimated or
159 projected as of calendar year-end.

160 1. ~~"FHCF" means Florida Hurricane Catastrophe Fund.~~

161 2. ~~"FHCF reimbursement premium" means the premium paid by~~
162 ~~an insurer for its coverage as a mandatory participant in the~~
163 ~~FHCF, but does not include additional premiums for optional~~
164 ~~coverages.~~

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

170 4. ~~"TICL" means the temporary increase in coverage limit.~~

171 5. ~~"TICL options" means the temporary increase in coverage~~
172 ~~options created under this subsection.~~

173 6. ~~"TICL insurer" means an insurer that has opted to~~
174 ~~obtain coverage under the TICL options addendum in addition to~~
175 ~~the coverage provided to the insurer under its FHCF~~
176 ~~reimbursement contract.~~

177 7. ~~"TICL reimbursement premium" means the premium charged~~
178 ~~by the fund for coverage provided under the TICL option.~~

179 8. ~~"TICL coverage multiple" means the coverage multiple~~
180 ~~when multiplied by an insurer's reimbursement premium that~~
181 ~~defines the temporary increase in coverage limit.~~

182 9. ~~"TICL coverage" means the coverage for an insurer's~~

183 ~~losses above the insurer's statutorily determined claims-paying~~
184 ~~capacity based on the claims-paying limit in subparagraph~~
185 ~~(4)(c)1., which an insurer selects as its temporary increase in~~
186 ~~coverage from the fund under the TICL options selected. A TICL~~
187 ~~insurer's increased coverage limit options shall be calculated~~
188 ~~as follows:~~

189 ~~a. The board shall calculate and report to each TICL~~
190 ~~insurer the TICL coverage multiples based on 12 options for~~
191 ~~increasing the insurer's FHCF coverage limit. Each TICL coverage~~
192 ~~multiple shall be calculated by dividing \$1 billion, \$2 billion,~~
193 ~~\$3 billion, \$4 billion, \$5 billion, \$6 billion, \$7 billion, \$8~~
194 ~~billion, \$9 billion, \$10 billion, \$11 billion, or \$12 billion by~~
195 ~~the total estimated aggregate FHCF reimbursement premiums for~~
196 ~~the 2007-2008 contract year, and the 2008-2009 contract year.~~

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

205 ~~c. For the 2010-2011 contract year, the board shall~~
206 ~~calculate and report to each TICL insurer the TICL coverage~~
207 ~~multiples based on eight options for increasing the insurer's~~
208 ~~FHCF coverage limit. Each TICL coverage multiple shall be~~

209 ~~calculated by dividing \$1 billion, \$2 billion, \$3 billion, \$4~~
210 ~~billion, \$5 billion, \$6 billion, \$7 billion, and \$8 billion by~~
211 ~~the total estimated aggregate FHCF reimbursement premiums for~~
212 ~~the contract year.~~

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

220 ~~e. For the 2012-2013 contract year, the board shall~~
221 ~~calculate and report to each TICL insurer the TICL coverage~~
222 ~~multiples based on four options for increasing the insurer's~~
223 ~~FHCF coverage limit. Each TICL coverage multiple shall be~~
224 ~~calculated by dividing \$1 billion, \$2 billion, \$3 billion, and~~
225 ~~\$4 billion by the total estimated aggregate FHCF reimbursement~~
226 ~~premiums for the 2012-2013 contract year.~~

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

234 ~~g. The TICL insurer's increased coverage shall be the FHCF~~

235 ~~reimbursement premium multiplied by the TICL coverage multiple.~~
236 ~~In order to determine an insurer's total limit of coverage, an~~
237 ~~insurer shall add its TICL coverage multiple to its payout~~
238 ~~multiple. The total shall represent a number that, when~~
239 ~~multiplied by an insurer's FHCF reimbursement premium for a~~
240 ~~given reimbursement contract year, defines an insurer's total~~
241 ~~limit of FHCF reimbursement coverage for that reimbursement~~
242 ~~contract year.~~

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

247 (e) CLIO ~~TICL~~ options addendum.—

248 1. The CLIO ~~TICL~~ options addendum shall provide for
249 reimbursement of CLIO ~~TICL~~ insurers for covered events occurring
250 during the relevant ~~2009-2010, 2010-2011, 2011-2012, 2012-2013,~~
251 ~~and 2013-2014~~ contract year ~~years~~ in exchange for the CLIO ~~TICL~~
252 reimbursement premium paid into the fund under paragraph (f)
253 based on the ~~TICL coverage available and selected for each~~
254 ~~respective contract year. Any insurer writing covered policies~~
255 ~~has the option of selecting an increased limit of coverage under~~
256 ~~the TICL options addendum and shall select such coverage at the~~
257 ~~time that it executes the FHCF reimbursement contract.~~

258 2. The CLIO ~~TICL~~ addendum shall contain a promise by the
259 board to reimburse the CLIO ~~TICL~~ insurer for 45 percent, 75
260 percent, or 90 percent of its losses from each covered event in

261 excess of the insurer's retention, plus 5 percent of the
262 reimbursed losses to cover loss adjustment expenses. The
263 percentage shall be the same as the coverage level selected by
264 the insurer under paragraph (4) (b).

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

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

271 (f) CLIO ~~TICL~~ reimbursement premiums. Subject to all
272 requirements, standards, and procedures of paragraph (5) (b), the
273 board shall adopt a separate CLIO premium formula for the
274 optional coverage limits provided under this subsection. Each
275 CLIO ~~TICL~~ insurer shall pay to the fund, in the manner and at
276 the time provided in the reimbursement contract for payment of
277 reimbursement premiums, a CLIO reimbursement premium as
278 determined under this paragraph ~~TICL reimbursement premium~~
279 ~~determined as specified in subsection (5), except that a cash~~
280 ~~build-up factor does not apply to the TICL reimbursement~~
281 ~~premiums. However, the TICL reimbursement premium shall be~~
282 ~~increased in the 2009-2010 contract year by a factor of two, in~~
283 ~~the 2010-2011 contract year by a factor of three, in the 2011-~~
284 ~~2012 contract year by a factor of four, in the 2012-2013~~
285 ~~contract year by a factor of five, and in the 2013-2014 contract~~
286 ~~year by a factor of six.~~

287 (g) Effect on claims-paying capacity of the fund.—The CLIO
 288 optional coverage ~~For the 2009-2010, 2010-2011, 2011-2012, 2012-~~
 289 ~~2013, and 2013-2014 contract years,~~ the program created by this
 290 subsection shall increase the claims-paying capacity of the fund
 291 as provided in subparagraph (4)(c)1. by an amount not to exceed
 292 \$3 ~~\$12~~ billion and shall depend on the CLIO ~~TICL~~ coverage
 293 options available and selected for the specified contract year
 294 and the number of insurers that select the CLIO ~~TICL~~ optional
 295 coverage. The additional capacity shall apply only to the
 296 additional coverage provided under the CLIO ~~TICL~~ options and
 297 shall not otherwise affect any insurer's reimbursement from the
 298 fund if the insurer chooses not to select the ~~temporary~~
 299 to increase its limit of coverage under the FHCF.

300 Section 2. Effective June 1, 2015, subsection (5) of
 301 section 627.0629, Florida Statutes, is amended to read:

302 627.0629 Residential property insurance; rate filings.—

303 (5) In order to provide an appropriate transition period,
 304 an insurer may implement an approved rate filing for residential
 305 property insurance over a period of years. Such insurer must
 306 provide an informational notice to the office setting out its
 307 schedule for implementation of the phased-in rate filing. ~~The~~
 308 ~~insurer may include in its rate the actual cost of private~~
 309 ~~market reinsurance that corresponds to available coverage of the~~
 310 ~~Temporary Increase in Coverage Limits, TICL, from the Florida~~
 311 ~~Hurricane Catastrophe Fund. The insurer may also include the~~
 312 ~~cost of reinsurance to replace the TICL reduction implemented~~

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313 ~~pursuant to s. 215.555(16)(d)9. However, this cost for~~
314 ~~reinsurance may not include any expense or profit load or result~~
315 ~~in a total annual base rate increase in excess of 10 percent.~~

316 Section 3. Except as otherwise expressly provided in this
317 act, this act shall take effect upon becoming a law.