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LEGISLATIVE ACTION

Senate

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House

The Committee on Appropriations (Brandes) recommended the following:

Senate Amendment (with title amendment)

Before line 73

insert:

Section 1. Effective June 1, 2022, paragraph (e) of subsection (2) of section 215.555, Florida Statutes, is 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



11 insurer is not entitled to reimbursement from the fund. An
12 insurer's retention shall be calculated as follows:

13 1. The board shall calculate and report to each insurer the
14 retention multiples for that year. For the contract year
15 beginning June 1, 2022 ~~2005~~, the retention multiple shall be
16 equal to \$4.5 billion divided by the total estimated
17 reimbursement premium for the contract year; for subsequent
18 years, the retention multiple shall be equal to \$4.5 billion,
19 adjusted based upon the reported exposure for the contract year
20 occurring 2 years before the particular contract year to reflect
21 the percentage growth in exposure to the fund for covered
22 policies since 2021 ~~2004~~, divided by the total estimated
23 reimbursement premium for the contract year. Total reimbursement
24 premium for purposes of the calculation under this subparagraph
25 shall be estimated using the assumption that all insurers have
26 selected the 90-percent coverage level.

27 2. The retention multiple as determined under subparagraph
28 1. shall be adjusted to reflect the coverage level elected by
29 the insurer. For insurers electing the 90-percent coverage
30 level, the adjusted retention multiple is 100 percent of the
31 amount determined under subparagraph 1. For insurers electing
32 the 75-percent coverage level, the retention multiple is 120
33 percent of the amount determined under subparagraph 1. For
34 insurers electing the 45-percent coverage level, the adjusted
35 retention multiple is 200 percent of the amount determined under
36 subparagraph 1.

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



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40 actual retention by multiplying its actual reimbursement premium
41 by the applicable adjusted retention multiple.

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

53 Section 2. Paragraph (b) of subsection (5) of section
54 215.555, Florida Statutes, is amended to read:

55 215.555 Florida Hurricane Catastrophe Fund.—

56 (5) REIMBURSEMENT PREMIUMS.—

57 (b) The State Board of Administration shall select an
58 independent consultant to develop a formula for determining the
59 actuarially indicated premium to be paid to the fund. The
60 formula shall specify, for each zip code or other limited
61 geographical area, the amount of premium to be paid by an
62 insurer for each \$1,000 of insured value under covered policies
63 in that zip code or other area. In establishing premiums, the
64 board shall consider the coverage elected under paragraph (4) (b)
65 and any factors that tend to enhance the actuarial
66 sophistication of ratemaking for the fund, including
67 deductibles, type of construction, type of coverage provided,
68 relative concentration of risks, and other such factors deemed



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69 by the board to be appropriate. The formula must provide for a
70 cash build-up factor only in contract years when the fund's cash
71 balance at the end of the previous calendar year is below \$10
72 billion and for two subsequent contract years after the year in
73 which such a cash build-up factor is triggered. ~~For the 2009-~~
74 ~~2010 contract year, the factor is 5 percent. For the 2010-2011~~
75 ~~contract year, the factor is 10 percent. For the 2011-2012~~
76 ~~contract year, the factor is 15 percent. For the 2012-2013~~
77 ~~contract year, the factor is 20 percent. For the 2013-2014~~
78 ~~contract year and thereafter,~~ The factor is and may not exceed
79 25 percent. The formula may provide for a procedure to determine
80 the premiums to be paid by new insurers that begin writing
81 covered policies after the beginning of a contract year, taking
82 into consideration when the insurer starts writing covered
83 policies, the potential exposure of the insurer, the potential
84 exposure of the fund, the administrative costs to the insurer
85 and to the fund, and any other factors deemed appropriate by the
86 board. The formula must be approved by unanimous vote of the
87 board. The board may, at any time, revise the formula pursuant
88 to the procedure provided in this paragraph.

89 Section 3. For the purpose of incorporating the amendments
90 made by this act to section 215.555, Florida Statutes, in a
91 reference thereto, paragraph (k) of subsection (2) of section
92 627.062, Florida Statutes, is reenacted to read:

93 627.062 Rate standards.—

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

95 (k)1. A residential property insurer may make a separate
96 filing limited solely to an adjustment of its rates for
97 reinsurance, the cost of financing products used as a



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98 replacement for reinsurance, financing costs incurred in the
99 purchase of reinsurance, and the actual cost paid due to the
100 application of the cash build-up factor pursuant to s.
101 215.555(5) (b) if the insurer:

102 a. Elects to purchase financing products such as a
103 liquidity instrument or line of credit, in which case the cost
104 included in filing for the liquidity instrument or line of
105 credit may not result in a premium increase exceeding 3 percent
106 for any individual policyholder. All costs contained in the
107 filing may not result in an overall premium increase of more
108 than 15 percent for any individual policyholder.

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

114 2. An insurer that purchases reinsurance or financing
115 products from an affiliated company may make a separate filing
116 only if the costs for such reinsurance or financing products are
117 charged at or below charges made for comparable coverage by
118 nonaffiliated reinsurers or financial entities making such
119 coverage or financing products available in this state.

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

122 4. An insurer that elects to implement a rate change under
123 this paragraph must file its rate filing with the office at
124 least 45 days before the effective date of the rate change.
125 After an insurer submits a complete filing that meets all of the
126 requirements of this paragraph, the office has 45 days after the



127 date of the filing to review the rate filing and determine if
128 the rate is excessive, inadequate, or unfairly discriminatory.

129
130 The provisions of this subsection do not apply to workers'
131 compensation, employer's liability insurance, and motor vehicle
132 insurance.

133 Section 4. For the purpose of incorporating the amendments
134 made by this act to section 215.555, Florida Statutes, in a
135 reference thereto, paragraph (n) of subsection (6) of section
136 627.351, Florida Statutes, is reenacted to read:

137 627.351 Insurance risk apportionment plans.—

138 (6) CITIZENS PROPERTY INSURANCE CORPORATION.—

139 (n)1. Rates for coverage provided by the corporation must
140 be actuarially sound and subject to s. 627.062, except as
141 otherwise provided in this paragraph. The corporation shall file
142 its recommended rates with the office at least annually. The
143 corporation shall provide any additional information regarding
144 the rates which the office requires. The office shall consider
145 the recommendations of the board and issue a final order
146 establishing the rates for the corporation within 45 days after
147 the recommended rates are filed. The corporation may not pursue
148 an administrative challenge or judicial review of the final
149 order of the office.

150 2. In addition to the rates otherwise determined pursuant
151 to this paragraph, the corporation shall impose and collect an
152 amount equal to the premium tax provided in s. 624.509 to
153 augment the financial resources of the corporation.

154 3. After the public hurricane loss-projection model under
155 s. 627.06281 has been found to be accurate and reliable by the



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156 Florida Commission on Hurricane Loss Projection Methodology, the
157 model shall be considered when establishing the windstorm
158 portion of the corporation's rates. The corporation may use the
159 public model results in combination with the results of private
160 models to calculate rates for the windstorm portion of the
161 corporation's rates. This subparagraph does not require or allow
162 the corporation to adopt rates lower than the rates otherwise
163 required or allowed by this paragraph.

164 4. The corporation must make a recommended actuarially
165 sound rate filing for each personal and commercial line of
166 business it writes.

167 5. Notwithstanding the board's recommended rates and the
168 office's final order regarding the corporation's filed rates
169 under subparagraph 1., the corporation shall annually implement
170 a rate increase which, except for sinkhole coverage, does not
171 exceed the following for any single policy issued by the
172 corporation, excluding coverage changes and surcharges:

- 173 a. Eleven percent for 2022.
- 174 b. Twelve percent for 2023.
- 175 c. Thirteen percent for 2024.
- 176 d. Fourteen percent for 2025.
- 177 e. Fifteen percent for 2026 and all subsequent years.

178 6. The corporation may also implement an increase to
179 reflect the effect on the corporation of the cash buildup factor
180 pursuant to s. 215.555(5)(b).

181 7. The corporation's implementation of rates as prescribed
182 in subparagraph 5. shall cease for any line of business written
183 by the corporation upon the corporation's implementation of
184 actuarially sound rates. Thereafter, the corporation shall



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185 annually make a recommended actuarially sound rate filing for
186 each commercial and personal line of business the corporation
187 writes.

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189 ===== T I T L E A M E N D M E N T =====

190 And the title is amended as follows:

191 Delete lines 3 - 5

192 and insert:

193 F.S.; revising the retention of losses for which an
194 insurer is not entitled to reimbursement from the
195 Florida Hurricane Catastrophe Fund; requiring the
196 formula for determining actuarially indicated premiums
197 to include a cash build-up factor only in contract
198 years under certain circumstances; deleting obsolete
199 language; limiting the amount of the cash build-up
200 factor; redefining the term "covered policy" under the
201 Florida Hurricane Catastrophe Fund in relation to
202 certain collateral protection insurance policies;
203 reenacting ss. 627.062(2)(k) and 627.351(6)(n), F.S.,
204 relating to rate standards and insurance risk
205 apportionment plans, respectively, to incorporate the
206 amendments made to s. 215.555, F.S., in references
207 thereto;