



Policy and Budget Council

January 17, 2007
8:00 a.m. – 10:00 a.m.
212 Knott Building

Action Packet

COUNCIL MEETING REPORT

Policy & Budget Council

1/17/2007 8:00:00AM

Location: 212 Knott Building

Attendance:

	<i>Present</i>	<i>Absent</i>	<i>Excused</i>
Ray Sansom (Chair)	X		
Kevin Ambler	X		
Loranne Ausley	X		
Aaron Bean	X		
Ellyn Setnor Bogdanoff	X		
Marsha Bowen	X		
Mary Brandenburg	X		
Donald Brown	X		
Dean Cannon	X		
Joyce Cusack	X		
Charles Dean	X		
Bill Galvano	X		
Andy Gardiner	X		
Michael Grant	X		
Adam Hasner	X		
Will Kendrick	X		
Dick Kravitz	X		
Stan Mayfield	X		
Matthew Meadows	X		
Joe Pickens	X		
Ron Reagan	X		
Curtis Richardson	X		
David Rivera	X		
Yolly Roberson	X		
Dennis Ross	X		
Ron Saunders	X		
John Seiler	X		
Priscilla Taylor	X		
Anthony Traviesa	X		
Baxter Troutman	X		
Shelley Vana	X		
Juan Zapata	X		
Totals:	32	0	0

Committee meeting was reported out: Wednesday, January 17, 2007 12:16:38PM

COUNCIL MEETING REPORT

Policy & Budget Council

1/17/2007 8:00:00AM

Location: 212 Knott Building

CS/HB 1A : Hurricane Preparedness and Insurance

	<input checked="" type="checkbox"/> Favorable	Yea	Nay	No Vote	Absentee Yea	Absentee Nay
Kevin Ambler		X				
Loranne Ausley		X				
Aaron Bean		X				
Ellyn Setnor Bogdanoff		X				
Marsha Bowen		X				
Mary Brandenburg		X				
Donald Brown				X		
Dean Cannon		X				
Joyce Cusack		X				
Charles Dean		X				
Bill Galvano		X				
Andy Gardiner		X				
Michael Grant		X				
Adam Hasner		X				
Will Kendrick		X				
Dick Kravitz		X				
Stan Mayfield				X		
Matthew Meadows		X				
Joe Pickens		X				
Ron Reagan		X				
Curtis Richardson		X				
David Rivera		X				
Yolly Roberson		X				
Dennis Ross		X				
Ron Saunders		X				
John Seiler		X				
Priscilla Taylor		X				
Anthony Traviesa				X		
Baxter Troutman		X				
Shelley Vana		X				
Juan Zapata		X				
Ray Sansom (Chair)		X				
Total Yeas: 29						
			Total Nays: 0			

Appearances:

Arbitration Issue

Reggie Garcia (Lobbyist) (General Public) - Proponent
 Florida Justice Association
 PO Box 11069
 Tallahassee FL 32302
 Phone: (850) 933-7150

Mark Delegal (Lobbyist) (General Public) - Opponent
 State Farm Mutual Automobile Insurance Company

Committee meeting was reported out: Wednesday, January 17, 2007 12:16:38PM

COUNCIL MEETING REPORT

Policy & Budget Council

1/17/2007 8:00:00AM

Location: 212 Knott Building

Insurance

David Foy, Chief of Staff (Lobbyist) (State Employee) (General Public) - Information Only

Office of Insurance Regulation

200 East Gaines Street

Tallahassee Florida 32399

Phone: (850) 413-5100

Committee meeting was reported out: Wednesday, January 17, 2007 12:16:38PM

COUNCIL MEETING REPORT

Policy & Budget Council

1/17/2007 8:00:00AM

Location: 212 Knott Building

CS/HB 3A : Hurricane Preparedness and Insurance

	Yea	Nay	No Vote	Absentee Yea	Absentee Nay
<input checked="" type="checkbox"/> Favorable with Council Substitute					
Kevin Ambler	X				
Loranne Ausley	X				
Aaron Bean	X				
Ellyn Setnor Bogdanoff	X				
Marsha Bowen	X				
Mary Brandenburg	X				
Donald Brown			X		
Dean Cannon	X				
Joyce Cusack	X				
Charles Dean	X				
Bill Galvano	X				
Andy Gardiner			X		
Michael Grant	X				
Adam Hasner	X				
Will Kendrick	X				
Dick Kravitz	X				
Stan Mayfield	X				
Matthew Meadows	X				
Joe Pickens	X				
Ron Reagan	X				
Curtis Richardson	X				
David Rivera	X				
Yolly Roberson	X				
Dennis Ross	X				
Ron Saunders	X				
John Seiler	X				
Priscilla Taylor	X				
Anthony Traviesa	X				
Baxter Troutman	X				
Shelley Vana	X				
Juan Zapata	X				
Ray Sansom (Chair)	X				
Total Yeas: 30					
		Total Nays: 0			

Appearances:

Mark Delegal (Lobbyist) (General Public) - Information Only
 State Farm Mutual Automobile Insurance Company
 Tallahassee Florida

Jack Nicholson, Senior FHCF Officer (Lobbyist) (State Employee) - Information Only
 SBA/FHCF
 Tallahassee Florida 32308
 Phone: (850) 413-1340

Committee meeting was reported out: Wednesday, January 17, 2007 12:16:38PM

COUNCIL MEETING REPORT

Policy & Budget Council

1/17/2007 8:00:00AM

Location: 212 Knott Building

CAT Fund Proposal

Randy Dumm, Associate Professor of Risk Mgt./Insurance (State Employee) (General Public) - Information Only

Florida State University

Tallahassee Florida 32306

Phone: (850) 644-7880

Committee meeting was reported out: Wednesday, January 17, 2007 12:16:38PM

COUNCIL MEETING REPORT

Policy & Budget Council

1/17/2007 8:00:00AM

Location: 212 Knott Building

CS/HB 5A : Hurricane Preparedness and Insurance

<input checked="" type="checkbox"/> Favorable with Council Substitute	Yea	Nay	No Vote	Absentee Yea	Absentee Nay
Kevin Ambler	X				
Loranne Ausley	X				
Aaron Bean	X				
Ellyn Setnor Bogdanoff	X				
Marsha Bowen	X				
Mary Brandenburg	X				
Donald Brown			X		
Dean Cannon	X				
Joyce Cusack	X				
Charles Dean	X				
Bill Galvano	X				
Andy Gardiner	X				
Michael Grant	X				
Adam Hasner	X				
Will Kendrick	X				
Dick Kravitz	X				
Stan Mayfield	X				
Matthew Meadows	X				
Joe Pickens	X				
Ron Reagan	X				
Curtis Richardson	X				
David Rivera	X				
Yolly Roberson	X				
Dennis Ross	X				
Ron Saunders	X				
John Seiler	X				
Priscilla Taylor	X				
Anthony Traviesa	X				
Baxter Troutman	X				
Shelley Vana	X				
Juan Zapata	X				
Ray Sansom (Chair)	X				
Total Yeas: 31		Total Nays: 0			

Appearances:

Mitigation Program
Tami Torres (State Employee) - Information Only
My Safe Florida Home Program
200 East Gaines Street
Tallahassee Florida 32399
Phone: (850) 413-4900

Committee meeting was reported out: Wednesday, January 17, 2007 12:16:38PM

COUNCIL MEETING REPORT

Policy & Budget Council

1/17/2007 8:00:00AM

Location: 212 Knott Building

CS/HB 9A : Hurricane Preparedness and Insurance

<input checked="" type="checkbox"/> Favorable	Yea	Nay	No Vote	Absentee Yea	Absentee Nay
Kevin Ambler	X				
Loranne Ausley	X				
Aaron Bean	X				
Ellyn Setnor Bogdanoff	X				
Marsha Bowen	X				
Mary Brandenburg	X				
Donald Brown			X		
Dean Cannon	X				
Joyce Cusack	X				
Charles Dean	X				
Bill Galvano	X				
Andy Gardiner			X		
Michael Grant	X				
Adam Hasner	X				
Will Kendrick	X				
Dick Kravitz	X				
Stan Mayfield	X				
Matthew Meadows	X				
Joe Pickens	X				
Ron Reagan	X				
Curtis Richardson	X				
David Rivera	X				
Yolly Roberson	X				
Dennis Ross	X				
Ron Saunders	X				
John Seiler	X				
Priscilla Taylor	X				
Anthony Traviesa	X				
Baxter Troutman	X				
Shelley Vana	X				
Juan Zapata	X				
Ray Sansom (Chair)	X				
Total Yeas: 30		Total Nays: 0			

Appearances:

Sinkhole Provision
Reggie Garcia (Lobbyist) (General Public) - Opponent
Florida Justice Association
PO Box 11069
Tallahassee FL 32302
Phone: (850) 933-7150

Committee meeting was reported out: Wednesday, January 17, 2007 12:16:38PM

COUNCIL MEETING REPORT

Policy & Budget Council

1/17/2007 8:00:00AM

Location: 212 Knott Building

Rate Freeze

Colleen Repetto (General Public) - Information Only

FIRM

806 Corte del Sol

Marathon Florida

Committee meeting was reported out: Wednesday, January 17, 2007 12:16:38PM

COUNCIL MEETING REPORT

Policy & Budget Council

1/17/2007 8:00:00AM

Location: 212 Knott Building

Summary:

Policy & Budget Council

Wednesday January 17, 2007 08:00 am

CS/HB 1A	Favorable	Yeas: 29	Nays: 0
CS/HB 3A	Favorable with Council Substitute	Yeas: 30	Nays: 0
CS/HB 5A	Favorable with Council Substitute	Yeas: 31	Nays: 0
CS/HB 9A	Favorable	Yeas: 30	Nays: 0

Committee meeting was reported out: Wednesday, January 17, 2007 12:16:38PM

HOUSE AMENDMENT FOR COUNCIL/COMMITTEE PURPOSES

Amendment No. (for drafter's use only)

Bill No. 0003A

COUNCIL/COMMITTEE ACTION

ADOPTED	—	(Y/N)
ADOPTED AS AMENDED	—	(Y/N)
ADOPTED W/O OBJECTION	✓	(Y/N)
FAILED TO ADOPT	—	(Y/N)
WITHDRAWN	—	(Y/N)
OTHER	—	

*adopted #1
w/o objection*

Council/Committee hearing bill: Policy & Budget Council
Representative(s) Mayfield and Seiler offered the following:

Amendment (with title amendment)

Remove everything after the enacting clause and insert:

Section 1. This act may be cited as the "Homeowners' Rate Reduction Act."

Section 2. Paragraph (b) of subsection (5) and paragraph (a) of subsection (7) of section 215.555, Florida Statutes, are amended, and subsections (16) and (17) are added to that section, to read:

215.555 Florida Hurricane Catastrophe Fund.--

(5) REIMBURSEMENT PREMIUMS.--

(b) The State Board of Administration shall select an independent consultant to develop a formula for determining the actuarially indicated premium to be paid to the fund. The formula shall specify, for each zip code or other limited geographical area, the amount of premium to be paid by an insurer for each \$1,000 of insured value under covered policies in that zip code or other area. In establishing premiums, the board shall consider the coverage elected under paragraph (4) (b) and any factors that tend to enhance the actuarial

HOUSE AMENDMENT FOR COUNCIL/COMMITTEE PURPOSES

Amendment No. (for drafter's use only)

23 sophistication of ratemaking for the fund, including
24 deductibles, type of construction, type of coverage provided,
25 relative concentration of risks, and other such factors deemed
26 by the board to be appropriate. The formula may provide for a
27 procedure to determine the premiums to be paid by new insurers
28 that begin writing covered policies after the beginning of a
29 contract year, taking into consideration when the insurer starts
30 writing covered policies, the potential exposure of the insurer,
31 the potential exposure of the fund, the administrative costs to
32 the insurer and to the fund, and any other factors deemed
33 appropriate by the board. ~~The formula shall include a factor of~~
34 ~~25 percent of the fund's actuarially indicated premium in order~~
35 ~~to provide for more rapid cash buildup in the fund.~~ The formula
36 must be approved by unanimous vote of the board. The board may,
37 at any time, revise the formula pursuant to the procedure
38 provided in this paragraph.

39 (7) ADDITIONAL POWERS AND DUTIES.--

40 (a) The board may procure reinsurance from reinsurers
41 acceptable to the Office of Insurance Regulation for the purpose
42 of maximizing the capacity of the fund and may enter into
43 capital market transactions, including, but not limited to,
44 industry loss warranties, catastrophe bonds, side-car
45 arrangements, or financial contracts permissible for the board's
46 usage under s. 215.47(10) and (11), consistent with prudent
47 management of the fund.

48 (16) TEMPORARY EMERGENCY OPTIONS FOR ADDITIONAL
49 COVERAGE.--

50 (a) Findings and intent.--

51 1. The Legislature finds that:

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

HOUSE AMENDMENT FOR COUNCIL/COMMITTEE PURPOSES

Amendment No. (for drafter's use only)

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

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

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

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

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

75 (c) Optional coverage.--For the contract year commencing
76 June 1, 2007, and ending May 31, 2008, or the contract year
77 commencing June 1, 2008, and ending May 31, 2009, the board may
78 offer the optional coverage as provided in this subsection
79 subject to the approval of the Legislative Budget Commission.

80 (d) Additional definitions.--As used in this subsection,
81 the term:

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

HOUSE AMENDMENT FOR COUNCIL/COMMITTEE PURPOSES

Amendment No. (for drafter's use only)

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

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

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

94 a. The board shall calculate and report to each TEACO
95 insurer the TEACO retention multiples. There shall be three
96 TEACO retention multiples for defining coverage. Each multiple
97 shall be calculated by dividing \$3 billion, \$4 billion, or \$5
98 billion by the total estimated TEACO reimbursement premium
99 assuming all insurers selected that option. Total estimated
100 TEACO reimbursement premium for purposes of the calculation
101 under this sub-subparagraph shall be calculated using the
102 assumption that all insurers have selected a specific TEACO
103 retention multiple option and have selected the 90-percent
104 coverage level.

105 b. The TEACO retention multiples as determined under sub-
106 subparagraph a. shall be adjusted to reflect the coverage level
107 elected by the insurer. For insurers electing the 90-percent
108 coverage level, the adjusted retention multiple is 100 percent
109 of the amount determined under sub-subparagraph a. For insurers
110 electing the 75-percent coverage level, the retention multiple
111 is 120 percent of the amount determined under sub-subparagraph
112 a. For insurers electing the 45-percent coverage level, the
113 adjusted retention multiple is 200 percent of the amount
114 determined under sub-subparagraph a.

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115 c. An insurer shall determine its provisional TEACO
116 retention by multiplying its provisional TEACO reimbursement
117 premium by the applicable adjusted TEACO retention multiple and
118 shall determine its actual TEACO retention by multiplying its
119 actual TEACO reimbursement premium by the applicable adjusted
120 TEACO retention multiple.

121 d. For TEACO insurers who experience multiple covered
122 events causing loss during the contract term beginning June 1,
123 2007, and ending May 31, 2008, or the contract year beginning
124 June 1, 2008, the insurer's full TEACO retention shall be
125 applied to each of the covered events causing the two largest
126 losses for that insurer. For other covered events resulting in
127 losses, the TEACO option does not apply and the insurer's
128 retention shall be one-third of the full retention as calculated
129 under paragraph (2) (e).

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

133 (e) TEACO addendum.--

134 1. The TEACO addendum shall provide for reimbursement of
135 TEACO insurers for covered events occurring between June 1,
136 2007, and May 31, 2008, and between June 1, 2008, and May 31,
137 2009, in exchange for the TEACO reimbursement premium paid into
138 the fund under paragraph (f). Any insurer writing covered
139 policies has the option of choosing to accept the TEACO
140 addendum.

141 2. The TEACO addendum shall contain a promise by the board
142 to reimburse the TEACO insurer for 45 percent, 75 percent, or 90
143 percent of its losses from each covered event in excess of the
144 insurer's TEACO retention, plus 5 percent of the reimbursed
145 losses to cover loss adjustment expenses. The percentage shall

HOUSE AMENDMENT FOR COUNCIL/COMMITTEE PURPOSES

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146 be the same as the coverage level selected by the insurer under
147 paragraph (4) (b).

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

151 4. The TEACO addendum shall also provide that the
152 obligation of the board with respect to all TEACO addenda shall
153 not exceed an amount equal to two times the difference between
154 the industry retention level calculated under paragraph (2) (e)
155 and the \$3 billion, \$4 billion, or \$5 billion industry TEACO
156 retention level options actually selected, but in no event may
157 the board's obligation exceed the actual claims-paying capacity
158 of the fund plus the additional capacity created in paragraph
159 (g). If the actual claims-paying capacity and the additional
160 capacity created under paragraph (g) fall short of the board's
161 obligations under the reimbursement contract, each insurer's
162 share of the fund's capacity shall be pro rated based on the
163 premium an insurer pays for its normal reimbursement coverage
164 and the premium paid for its optional TEACO coverage as each
165 such premium bears to the total premiums paid to the fund times
166 the available capacity.

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

170 6. A TEACO insurer's maximum reimbursement under the TEACO
171 addendum shall be calculated by multiplying the insurer's share
172 of the estimated total TEACO reimbursement premium as calculated
173 under sub-subparagraph (d)4.a. by an amount equal to two times
174 the difference between the industry retention level calculated
175 under paragraph (2) (e) and the \$3 billion, \$4 billion, or \$5

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176 billion industry TEACO retention level specified in sub-
177 subparagraph (d)4.a. as selected by the TEACO insurer.

178 (f) TEACO reimbursement premiums.--

179 1. Each TEACO insurer shall pay to the fund, in the manner
180 and at the time provided in the reimbursement contract for
181 payment of reimbursement premiums, a TEACO reimbursement premium
182 calculated as specified in this paragraph.

183 2. The TEACO reimbursement premiums shall be calculated
184 based on the assumption that, if all insurers entering into
185 reimbursement contracts under subsection (4) also accepted the
186 TEACO option:

187 a. The industry TEACO reimbursement premium associated
188 with the \$3 billion retention option would be equal to 85
189 percent of the difference between the industry retention level
190 calculated under paragraph (2)(e) and the \$3 billion industry
191 TEACO retention level.

192 b. The TEACO reimbursement premium associated with the \$4
193 billion retention option would be equal to 80 percent of the
194 difference between the industry retention level calculated under
195 paragraph (2)(e) and the \$4 billion industry TEACO retention
196 level.

197 c. The TEACO premium associated with the \$5 billion
198 retention option would be equal to 75 percent of the difference
199 between the industry retention level calculated under paragraph
200 (2)(e) and the \$5 billion industry TEACO retention level.

201 3. Each insurer's TEACO premium shall be calculated based
202 on its share of the total TEACO reimbursement premiums based on
203 its coverage selection under the TEACO addendum.

204 (g) Effect on claims-paying capacity of the fund.--For the
205 contract term commencing June 1, 2007, and the contract year
206 commencing June 1, 2008, the program created by this subsection

HOUSE AMENDMENT FOR COUNCIL/COMMITTEE PURPOSES

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207 shall increase the claims-paying capacity of the fund as
208 provided in subparagraph (4)(c)1. by an amount equal to two
209 times the difference between the industry retention level
210 calculated under paragraph (2)(e) and the \$3 billion industry
211 TEACO retention level specified in sub-subparagraph (d)4.a. The
212 additional capacity shall apply only to the additional coverage
213 provided by the TEACO option and shall not otherwise affect any
214 insurer's reimbursement from the fund.

215 (17) TEMPORARY INCREASE IN COVERAGE LIMIT OPTIONS.--

216 (a) Findings and intent.--

217 1. The Legislature finds that:

218 a. Because of temporary disruptions in the market for
219 catastrophic reinsurance, many property insurers were unable to
220 procure sufficient amounts of reinsurance for the 2006 hurricane
221 season or were able to procure such reinsurance only by
222 incurring substantially higher costs than in prior years.

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

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

229 2. It is the intent of the Legislature to create options
230 for insurers to purchase a temporary increased coverage limit
231 above the statutorily determined limit in subparagraph (4)(c)1.,
232 applicable for the 2007 and 2008 hurricane seasons, to address
233 market disruptions and enable insurers, at their option, to
234 procure additional coverage from the Florida Hurricane
235 Catastrophe Fund.

236 (b) Applicability of other provisions of this
237 section.--All provisions of this section and the rules adopted

HOUSE AMENDMENT FOR COUNCIL/COMMITTEE PURPOSES

Amendment No. (for drafter's use only)

238 under this section apply to the coverage created by this
239 subsection unless specifically superseded by provisions in this
240 subsection.

241 (c) Additional definitions.--As used in this subsection,
242 the term:

243 1. "FHCF" means Florida Hurricane Catastrophe Fund.

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

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

253 4. "TICL" means the temporary increase in coverage limit.

254 5. "TICL options" means the temporary increase in coverage
255 options created under this subsection.

256 6. "TICL insurer" means an insurer that has opted to
257 obtain coverage under the TICL options addendum in addition to
258 the coverage provided to the insurer under its FHCF
259 reimbursement contract.

260 7. "TICL reimbursement premium" means the premium charged
261 by the fund for coverage provided under the TICL option.

262 8. "TICL coverage multiple" means the coverage multiple
263 when multiplied by an insurer's reimbursement premium that
264 defines the temporary increase in coverage limit.

265 9. "TICL coverage" means the coverage for an insurer's
266 losses above the insurer's statutorily determined claims-paying
267 capacity based on the claims-paying limit in subparagraph
268 (4) (c)1., which an insurer selects as its temporary increase in

HOUSE AMENDMENT FOR COUNCIL/COMMITTEE PURPOSES

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269 coverage from the fund under the TICL options selected. A TICL
270 insurer's increased coverage limit options shall be calculated
271 as follows:

272 a. The board shall calculate and report to each TICL
273 insurer the TICL coverage multiples based on twelve options for
274 increasing the insurer's FHCF coverage limit. Each TICL coverage
275 multiple shall be calculated by dividing \$1 billion, \$2 billion,
276 \$3 billion, \$4 billion, \$5 billion, \$6 billion, \$7 billion, \$8
277 billion, \$9 billion, \$10 billion, \$11 billion, and \$12 billion
278 by the total estimated aggregate FHCF reimbursement premiums for
279 the 2007-2008 reimbursement contract year and for the 2008-2009
280 reimbursement contract year.

281 b. The TICL insurer's increased coverage shall be the FHCF
282 reimbursement premium multiplied by the TICL coverage multiple.
283 In order to determine an insurer's total limit of coverage, an
284 insurer shall add its TICL coverage multiple to its payout
285 multiple. The total shall represent a number that, when
286 multiplied by an insurer's FHCF reimbursement premium for a
287 given reimbursement contract year, defines an insurer's total
288 limit of FHCF reimbursement coverage for that reimbursement
289 contract year.

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

294 (d) TICL options addendum.--

295 1. The TICL options addendum shall provide for
296 reimbursement of TICL insurers for covered events occurring
297 between June 1, 2007, and May 31, 2008, and between June 1,
298 2008, and May 31, 2009, in exchange for the TICL reimbursement
299 premium paid into the fund under paragraph (e). Any insurer

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Amendment No. (for drafter's use only)

300 writing covered policies has the option of selecting an
301 increased limit of coverage under the TICL options addendum and
302 shall select such coverage at the time that it executes the FHCF
303 reimbursement contract.

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

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

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

317 (e) TICL reimbursement premiums.--

318 1. Each TICL insurer shall pay to the fund, in the manner
319 and at the time provided in the reimbursement contract for
320 payment of reimbursement premiums, a TICL reimbursement premium
321 calculated as specified in this paragraph.

322 2. Each insurer's TICL premium shall be calculated based
323 on the additional limit of increased coverage that it selects.
324 Such limit is determined by multiplying the TICL multiple
325 associated with one of the twelve options times the insurer's
326 FHCF reimbursement premium. For the amount of increased coverage
327 based on the option of using \$1 billion to derive the TICL
328 multiple, the rate-on-line for such coverage shall be 20
329 percent. For the option using \$2 billion, the rate-on-line shall
330 be 19 percent; for the option using \$3 billion, the rate-on-line

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331 shall be 18 percent; for the option using \$4 billion, the rate-
332 on-line shall be 17 percent; for the option using \$5 billion,
333 the rate-on-line shall be 16 percent; for the option using \$6
334 billion, the rate-on-line shall be 15 percent; for the option
335 using \$7 billion, the rate-on-line shall be 14 percent; for the
336 option using \$8 billion, the rate-on-line shall be 13 percent;
337 for the option using \$9 billion, the rate-on-line shall be 12
338 percent; for the option using \$10 billion, the rate-on-line
339 shall be 11 percent; for the option using \$11 billion, the rate-
340 on-line shall be 10 percent; and for the option using \$12
341 billion, the rate-on-line shall be 9 percent.

342 (f) Effect on claims-paying capacity of the fund.--For the
343 contract terms commencing June 1, 2007, and June 1, 2008, the
344 program created by this subsection shall increase the claims-
345 paying capacity of the fund as provided in subparagraph (4)(c)1.
346 by an amount not to exceed \$12 billion dollars and shall depend
347 on the TICL coverage options selected and the number of insurers
348 that select the TICL optional coverage. The additional capacity
349 shall apply only to the additional coverage provided under the
350 TICL options and shall not otherwise affect any insurer's
351 reimbursement from the fund if the insurer chooses not to select
352 the temporary option to increase its limit of coverage under the
353 FHCF.

354 (g) Setting of reimbursement premiums of the
355 fund.--Notwithstanding subparagraph (e)2., for the contract
356 years commencing June 1, 2007, and June 1, 2008, the board may
357 set the TICL reimbursement premiums, consistent with prudent
358 management of the fund and subject to the approval of the
359 Legislative Budget Commission; however, the board shall not
360 lower the rate-on-line below 10 percent per option.

HOUSE AMENDMENT FOR COUNCIL/COMMITTEE PURPOSES

Amendment No. (for drafter's use only)

361 (h) Increasing the claims-paying capacity of the
362 fund.--For the contract years commencing June 1, 2007, and June
363 1, 2008, the board may increase the claims-paying capacity of
364 the fund as provided in paragraph (f) by an amount not to exceed
365 \$2 billion in two \$1 billion options and shall depend on the
366 TICL coverage options selected and the number of insurers that
367 select the TICL optional coverage. Each insurer's TICL premium
368 shall be calculated based upon the additional limit of increased
369 coverage that the insurer selects. Such limit is determined by
370 multiplying the TICL multiple associated with one of the two
371 options times the insurer's FHCH reimbursement premium. The
372 board may set the reimbursement premium associated with the
373 additional coverage provided in this paragraph; however, the
374 rate-on-line for such coverage shall be no lower than 10
375 percent.

376 Section 3. An insurer that elects the TEACO or TICL
377 coverage option required to be offered by the Florida Hurricane
378 Catastrophe Fund under s. 215.555(16) and (17), Florida
379 Statutes, must make a rate filing with the Office of Insurance
380 Regulation which reflects 100 percent of the savings or the
381 reduction in loss exposure to the insurer. At a minimum, the
382 insurer must provide a 25-percent reduction in premium based on
383 the savings obtained under the TEACO or TICL coverage option.
384 The Financial Services Commission may grant a waiver of the 25-
385 percent reduction requirement for good cause and if the insurer
386 has made best efforts to meet the 25 percent reduction
387 requirement. The office shall specify, by order, the date or
388 dates on which such filings must be made, in order to provide
389 rate relief to policyholders as soon as practicable.

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

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HOUSE AMENDMENT FOR COUNCIL/COMMITTEE PURPOSES

Amendment No. (for drafter's use only)

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

Remove the entire title and insert:

A bill to be entitled

An act relating to hurricane preparedness and insurance; providing a short title; amending s. 215.555, F.S.; deleting a rapid cash buildup requirement from a reimbursement premium formula factor; expanding the State Board of Administration's reinsurance procurement powers and duties for certain purposes; providing for temporary emergency options for additional coverage and for temporary increase in coverage limit options; providing legislative findings and intent; providing for application of certain provisions; providing additional definitions; providing for a reimbursement contract addendum for certain insurers; providing requirements and procedures under the addendum; providing for certain reimbursement premiums for such insurers; providing for calculation of such premiums; providing for effect on claims-paying capacity of fund; requiring insurers electing optional coverages offered by the Florida Hurricane Catastrophe Fund to make rate filings that reflect savings or reduction in loss exposure; requiring that the Office of Insurance Regulation specify, by order, the dates on which such filings must be made; requiring certain insurers to make additional rate filings; specifying rate filing requirements; authorizing the Financial Services Commission to grant certain waivers; specifying duties of the office; providing an effective date.

HOUSE AMENDMENT FOR COUNCIL/COMMITTEE PURPOSES

Amendment No. (for drafter's use only)

Bill No. CS/HB5A

COUNCIL/COMMITTEE ACTION

ADOPTED	<input type="checkbox"/>	(Y/N)
ADOPTED AS AMENDED	<input type="checkbox"/>	(Y/N)
ADOPTED W/O OBJECTION	<input checked="" type="checkbox"/>	(Y/N)
FAILED TO ADOPT	<input type="checkbox"/>	(Y/N)
WITHDRAWN	<input type="checkbox"/>	(Y/N)
OTHER	<input type="checkbox"/>	

#1
adopted w/o objection

1 Council/Committee hearing bill: Policy and Budget Council
2 Representative Traviesa offered the following:

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Amendment (with directory and title amendments)

Remove line(s) 97 and 98 and insert:

2. Be a dwelling with an insured value of \$500,000 or less. Low income homeowners, as defined in s. 420.0004(10), shall be exempt from this requirement.

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Amendment No. (for drafter's use only)

Bill No. CS/HB 5A

COUNCIL/COMMITTEE ACTION

ADOPTED _____ (Y/N)
 ADOPTED AS AMENDED _____ (Y/N)
 ADOPTED W/O OBJECTION _____ (Y/N)
 FAILED TO ADOPT _____ (Y/N)
 WITHDRAWN (Y/N)
 OTHER _____

w/p

1 Council/Committee hearing bill: Policy & Budget Council
 2 Representative(s) Needelman offered the following:

Amendment

Remove line 340 and insert:

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 6 initiatives for mitigating windstorm damage. Such
 7 recommendations shall include alternatives under which insurers
 8 would be required to provide a clear schedule of coverages
 9 offered, deductible amounts, credits received for protective
 10 devices, and clear formulas to easily calculate the costs per
 11 \$1,000 of coverage and a homeowner would be able to choose his
 12 or her own package of coverage and calculate the costs of
 13 coverage. Such alternatives shall also provide for selectively
 14 insuring the dwelling for only the amount of the mortgage rather
 15 than full value of the structure, if so desired, and an option
 16 to allow the consumer to self-insure if sufficient equity exists
 17 in the property to allow self-insurance contingent upon a
 18 determination that an acceptable ratio of equity to mortgage
 19 exists.

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HOUSE AMENDMENT FOR COUNCIL/COMMITTEE PURPOSES

#3

Amendment No. (for drafter's use only)

Bill No. CS/HB 5A

COUNCIL/COMMITTEE ACTION

ADOPTED	<u> </u>	(Y/N)
ADOPTED AS AMENDED	<u> </u>	(Y/N)
ADOPTED W/O OBJECTION	<u> </u>	(Y/N)
FAILED TO ADOPT	<u> </u>	(Y/N)
WITHDRAWN	<u> </u>	(Y/N)
OTHER	<u> </u>	

W/D

1 Council/Committee hearing bill: Policy & Budget Council
 2 Representative Needelman offered the following:

Amendment

5 Between lines 340 and 341 insert:

6 (7) The committee shall provide recommendations concerning
 7 legislation to allow the formation of private placements,
 8 investment trusts, funds, or pass-through securities for the
 9 purposes of reinsuring or insuring specific buildings or
 10 portfolios of geographically diverse structures.

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**Some Preliminary Results of the My Safe Florida Home Inspection Program
(as of January 8, 2007)**

My Safe Florida Home Inspection Sample Statistics

1/8/2007

	Current Condition	Improvement Plan		
		A	B	C
Average Improvement Cost (\$)	\$ -	\$ 3,704	\$ 5,694	\$ 9,181
Average Hurricane Resistance Rating (0-100)	47.5	58.0	63.3	68.9
Average Discount (%)	18.4	25.8	28.4	31.5

Sample Size = 1,923 homes in 16 Counties
 Average Coverage A Amount = \$ 204,053
 Average Windstorm Premium Amount = \$ 1,529
 Average Discount Amount = \$ 282 \$ 394 \$ 434 \$ 481

- The Department of Financial Services has contracted with the not-for-profit Federal Alliance for Safe Homes (FLASH) to complete the mitigation inspection program.
- FLASH reports that of the 1,923 final reports for homes across 16 counties inspected under the program thus far, the insurance savings were evident.
- Based on the inspections alone, FLASH determined that even prior to undertaking any mitigation action, homeowners were entitled to an average savings of 18.4 percent, or \$282, in insurance premium savings.
- FLASH also found the average total cost of the most aggressive improvement plan (Plan C) was less than \$10,000, and the average discount for homes in their current condition is about twice the typical cost of an inspection.

Whip's Policy Brief

The Office of the Majority Whip
Representative Ellen Bogdanoff
825 The Capitol
850-487-0536

The Mayfield-Seiler Amendment to HB 3A, the Homeowners Rate Reduction Act

(Policy and Budget Council, 1/17/07)

HB 3A by Representatives Kravitz, Seiler and Taylor would lower homeowners premiums in Florida by providing lower cost reinsurance through the Florida Hurricane Catastrophe Fund (CAT Fund) to the private market. HB 3A originally proposed to lower the retention (deductible) of the CAT Fund to \$2 billion and raise the capacity to \$20 billion.

The **Mayfield-Seiler Amendment** builds on the general approach of HB 3A but takes it in a slightly different direction by offering reinsurance at near-market rates below the CAT Fund (the retention level) to address the *availability* of private reinsurance while offering reinsurance in the layers above the CAT Fund to address the *affordability* of private reinsurance.

Proposed Changes

- Maintains the current CAT Fund retention level at \$6 billion.
- Empowers the State Board of Administration [the Governor and the Cabinet] (SBA), with approval by the Legislative Budget Commission (LBC), to allow the CAT Fund to sell reinsurance below the retention level.
 - The SBA may sell reinsurance at \$1 billion below, \$2 billion below or \$3 billion below the CAT Fund retention level. For 2007, this would allow the SBA to sell reinsurance at retention levels of \$5 billion, \$4 billion or \$3 billion.
 - The price for this reinsurance product would be set in statute at 75% rate-on-line, 80% rate-on-line and 85% rate-on-line. By comparison, the rate-on-line under HB 3A for the below-retention layers would have been around 50% rate-on-line. Rate-on-line refers to the number of cents paid by an insurer for a dollar of coverage.
 - The reinsurance product below the \$6 billion retention would ensure that companies that cannot purchase reinsurance in the private market have access to reinsurance. Expanding the *availability* of reinsurance improves the financial solvency of insurance companies and allows them to write more business.
 - The almost-market rates of this reinsurance product ensure that the CAT Fund will be collecting sufficient premium to offset any risk associated with the additional exposure.

- The SBA will have discretion as to whether or not to offer this below-retention reinsurance product.
- Authorizes the CAT Fund to sell reinsurance product in layers up to **\$12 billion on top** of the current CAT Fund capacity, which would mean, effectively, raising the CAT Fund capacity to **\$28 billion**.
 - The product will be priced significantly below market to produce substantial savings for insurance companies and address the problem of the **affordability** of insurance but will not be priced so low as to threaten the integrity of the CAT Fund.
 - As in the private marketplace, the price of the reinsurance product will decrease with each additional layer of coverage.
 - The SBA, with LBC approval, will be empowered to offer reinsurance product for an **additional \$2 billion on top** of the statutorily created \$12 billion additional capacity.
 - The SBA will be given the ability to set the pricing for the \$12 billion/\$14 billion layer on top of the CAT Fund. However, the SBA will not have authority to reduce the prices below the statutorily prescribed minimums.
 - The reinsurance product offered above the CAT Fund's existing capacity will substantially reduce the pressure in the private market caused by the dramatic increases in global reinsurance premiums.
 - Initial estimates place the savings from this proposal at **33% total premium reduction**, which would work out, on average and in the aggregate, to a **60% reduction in windstorm premiums**.¹
 - By concentrating on obtaining premium savings from the top layer of the CAT Fund, the Mayfield-Seiler Amendment substantially diminishes the exposure the CAT Fund would have at the \$2 billion retention level/50% rate-on-line approach found in HB 3A.
 - Unlike the proposals contained in Senate Bill 4A, insurance companies would be charged a premium for the coverage provided at this top layer and the exposure would have a ceiling that can be reached within the CAT Fund's bonding capacity.
- The adjustments to the top and the bottom of the CAT Fund will expire in two years.

¹ The pricing model assumes an average 20% ROL savings by insurers spread across the top layer.

Policy Rationale

The Mayfield-Seiler Amendment addresses the policy goals of HB 3A by:

- Providing greater rate relief for policyholders by expanding the scope of savings available above the current CAT Fund capacity.
- Ensuring continued broad availability of reinsurance by building in an optional system that the SBA can use to provide smaller insurers access to reinsurance.
- Preventing the State from smothering the private reinsurance market by limiting the timetable for the program to two years and keeping the State from undercutting the prices in the below-retention level reinsurance market.
- Protecting the taxpayers from taking on excessive liability by reducing the likelihood of triggering the CAT Fund and ensuring that, should the SBA authorize the sale of reinsurance in the much-easier to trigger layers below the retention level, the CAT Fund will have collected sufficient premium to meet that increased risk.

Provisions in HB 3A Unaffected by Amendment

- Insurance companies will be required to pass through 100% of their savings to their consumers.
- Insurance companies will be required to provide a minimum of 25% savings on their policyholders' windstorm premium in order to participate in the program, or, in the alternative receive a waiver from the SBA.
- The Rapid Cash Build Up from SB 1980 will be repealed.
- The SBA will be authorized to use alternative capital market products to capitalize the CAT Fund.