

**19-8.028 Reimbursement Premium Formula.**

(1) Purpose. The purpose of this rule is to adopt the Premium Formula to determine the Actuarially Indicated Reimbursement Premium to be paid to the Florida Hurricane Catastrophe Fund (FHCF or Fund), as required by Section 215.555(5)(b), F.S.

(2) Definitions. The terms defined below will be capitalized in this rule.

(a) Actuarially Indicated Premium means Premiums which are derived according to or consistent with accepted actuarial standards of practice. Actuarially Indicated means an amount determined according to principles of actuarial science to be adequate, but not excessive, in the aggregate, to pay current and future obligations and expenses of the Fund, and determined according to principles of actuarial science to reflect each insurer's relative exposure to hurricane losses.

(b) Board or SBA means the State Board of Administration of Florida.

(c) Citizens Property Insurance Corporation (Citizens) means the entity formed under Section 627.351, F.S., and refers to both Citizens Property Insurance Corporation High Risk Account and Citizens Property Insurance Corporation Personal Lines and Commercial Lines Accounts.

(d) Contract Year means the time period which begins at 12:00:01 Eastern Time on June 1 of each calendar year and ends at 12:00 p.m. midnight on May 31 of the following calendar year.

(e) Covered Policy is defined in Section 215.555(2)(c), F.S., and the Reimbursement Contract adopted by and incorporated into Rule 19-8.010, F.A.C.

(f) Data Call means the annual reporting of insured values forms. These forms, incorporated into and adopted by Rule 19-8.029, F.A.C., are the FHCF-D1A for Contract Years after the 2002/2003 year and the FHCF-D1A and FHCF-D1B for the Contract Year 2002/2003 and all prior years.

(g) Excess Insurance is defined in the Reimbursement Contract adopted by and incorporated into Rule 19-8.010, F.A.C.

(h) Formula or the Premium Formula means the Formula approved by the SBA for the purpose of determining the Actuarially Indicated Premium to be paid to the FHCF. The Premium Formula is defined as an approach or methodology which leads to the creation of premium rates. The resulting rates are therefore incorporated as part of the Premium Formula, and are the result of the approach or methodology employed.

(i) FHCF or Fund means the Florida Hurricane Catastrophe Fund.

(j) Independent Consultant or Consultant means the independent individual, firm, or organization with which the SBA contracts to prepare the Premium Formula and any other actuarial services for the FHCF, as determined under the contract with the Consultant.

(k) New Participants. The term means all Companies which are granted a certificate of authority by the Department of Financial Services after the beginning of the FHCF's Contract Year on June 1 and which write Covered Policies, or which already have a certificate of authority and begin writing Covered Policies on or after the beginning of the FHCF's Contract Year on June 1 and did not or was not required to enter into a contract on June 1 of the Contract Year. A Company that enters into an assumption agreement with Citizens that includes Covered Policies and is effective on or after June 1 and had written no other Covered Policies on or before June 1 is also considered a New Participant.

(l) Premium means the same as Reimbursement Premium, which is the Premium which is determined by multiplying each \$1,000 of insured value reported by the Company in accordance with paragraph (5)(b) of the statute, by the rate as derived from the Premium Formula.

(3) The Premium Formula.

(a) Because of the diversity of the insurers and the risks they insure which are affected by Section 215.555, F.S., the Premium Formula is adopted in this subsection and special circumstances are addressed in subsection (4), below. The Formula for determining the Actuarially Indicated Premium to be paid to the Fund, as required by Section 215.555(5)(b), F.S., is the rate times the exposure per \$1,000 of insured value and this equals the Premium to be paid in dollars. The rates adopted below were determined by taking into account geographic location by zip code; construction type; policy deductible; type of insurance and other such factors deemed by the Board to be appropriate. The Formula is developed by an Independent Consultant selected by the Board, as required by Section

215.555(5)(b), F.S.

(b) For the 1999-2000 Contract Year, the Formula developed by the Board's Independent Consultant, "Florida Hurricane Catastrophe Fund: 1999 Ratemaking Formula Report to the Florida State Board of Administration, March 5, 1999," which is supplemented by the "Florida Hurricane Catastrophe Fund Addendum to the March 5, 1999 Ratemaking Report, May 26, 1999," both of which are hereby adopted and incorporated by reference. The basic premium rates developed in accordance with the Premium Formula methodology approved by the Board on May 11, 1999, are hereby adopted and incorporated by reference in Form FHCF-Rates 1999, "Florida Hurricane Catastrophe Fund/1999-2000 Rates," rev. 08/99.

(c) For the 2000-2001 Contract Year, the Formula developed by the Board's Independent Consultant, "Florida Hurricane Catastrophe Fund: 2000 Ratemaking Formula Report to the Florida State Board of Administration, March 2, 2000," and the addendum thereto, "Florida Hurricane Catastrophe Fund: Addendum to the March 2, 2000 Ratemaking Report, April 6, 2000," are hereby adopted and incorporated by reference. The basic premium rates developed in accordance with the Premium Formula methodology approved by the Board on April 25, 2000, are hereby adopted and incorporated by reference in Form FHCF-Rates 2000, "Florida Hurricane Catastrophe Fund/2000-2001 Rates," rev. 05/00.

(d) For the 2001-2002 Contract Year, the Formula developed by the Board's Independent Consultant, "Florida Hurricane Catastrophe Fund: 2001 Ratemaking Formula Report to the Florida State Board of Administration, March 15, 2001, as revised May 4, 2001" and the "Addendum to the March 15, 2001 Ratemaking Report," are hereby adopted and incorporated by reference. The basic premium rates developed in accordance with the Premium Formula methodology approved by the Board on May 30, 2001, are hereby adopted and incorporated by reference in Form FHCF-Rates 2001, "Florida Hurricane Catastrophe Fund/2001-2002 Rates," rev. 05/01.

(e) For the 2002-2003 Contract Year, the Formula developed by the Board's Independent Consultant, "Florida Hurricane Catastrophe Fund: 2002 Ratemaking Formula Report to the Florida State Board of Administration, March 28, 2002" is hereby adopted and incorporated by reference. The basic premium rates developed in accordance with the Premium Formula methodology approved by the Board on April 9, 2002, are hereby adopted and incorporated by reference in Form FHCF-Rates 2002, "Florida Hurricane Catastrophe Fund Proposed 2002 Rates, March 28, 2002."

(f) For the 2003-2004 Contract Year, the Formula developed by the Board's Independent Consultant, "Florida Hurricane Catastrophe Fund: 2003 Ratemaking Formula Report to the Florida State Board of Administration, March 18, 2003 (Revised)" is hereby adopted and incorporated by reference. The basic premium rates developed in accordance with the Premium Formula methodology approved by the Board on April 8, 2003, are hereby adopted and incorporated by reference in Form FHCF-Rates 2003, "Florida Hurricane Catastrophe Fund Proposed 2003 Rates, March 18, 2003.

(g) For the 2004-2005 Contract Year, the Formula developed by the Board's Independent Consultant, "Florida Hurricane Catastrophe Fund: 2004 Ratemaking Formula Report to the State Board of Administration of Florida, March 17, 2004, Revised May 11, 2004" is hereby adopted and incorporated by reference. The basic premium rates developed in accordance with the Premium Formula methodology approved by the Board on April 13, 2004 and revised on May 11, 2004, are hereby adopted and incorporated by reference in Form FHCF-Rates 2004, a two-part form titled "Florida Hurricane Catastrophe Fund Proposed 2004 Rates, March 17, 2004, (Revised May 11, 2004) Layer: \$11 Billion xs \$4.866 Billion" and "Florida Hurricane Catastrophe Fund Proposed 2004 Rates, March 17, 2004, (Revised May 11, 2004) Layer: \$15 Billion xs \$4.5 Billion".

(h) For the 2005-2006 Contract Year, the Formula developed by the Board's Independent Consultant, "Florida Hurricane Catastrophe Fund: 2005 Ratemaking Formula Report to the State Board of Administration of Florida, March 16, 2005" is hereby adopted and incorporated by reference. The basic premium rates developed in accordance with the Premium Formula methodology approved by the Board on April 5, 2005, are hereby adopted and incorporated by reference in Form FHCF-Rates 2005, "Florida Hurricane Catastrophe Fund Proposed 2005 Rates, March 16, 2005." The forms may be obtained from the Fund's Administrator at the address stated in subsection (5).

(i) For the 2006-2007 Contract Year, the Formula developed by the Board's Independent Consultant, "Florida

Hurricane Catastrophe Fund: 2006 Ratemaking Formula Report to the State Board of Administration of Florida, March 15, 2006” is hereby adopted and incorporated by reference. The basic premium rates developed in accordance with the Premium Formula methodology approved by the Board on April 4, 2006, are hereby adopted and incorporated by reference in Form FHCF-Rates 2006, “Florida Hurricane Catastrophe Fund Proposed 2006 Rates, March 15, 2006.” The forms may be obtained from the Fund’s Administrator at the address stated in subsection (5).

(j) For the 2007-2008 Contract Year, the Formula developed by the Board’s Independent Consultant, “Florida Hurricane Catastrophe Fund: 2007 Ratemaking Formula Report to the State Board of Administration of Florida, March 20, 2007” is hereby adopted and incorporated by reference. The basic premium rates developed in accordance with the Premium Formula methodology approved by the Board on April 3, 2007, are hereby adopted and incorporated by reference in Form FHCF-Rates 2007, “Florida Hurricane Catastrophe Fund Proposed 2007 Rates, March 20, 2007.” These incorporated documents may be obtained directly from the SBA website, [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf) or by contacting the SBA by mail, P. O. Box 13300, Tallahassee, FL 32317-3300, with a request for the documents.

(k) For the 2008-2009 Contract Year, the Formula developed by the Board’s Independent Consultant, “Florida Hurricane Catastrophe Fund: 2008 Ratemaking Formula Report to the State Board of Administration of Florida, March 26, 2008” is hereby adopted and incorporated by reference. The basic premium rates developed in accordance with the Premium Formula methodology approved by the Board on April 15, 2008, are hereby adopted and incorporated by reference in Form FHCF-Rates 2008, “Florida Hurricane Catastrophe Fund Proposed 2008 Rates, March 26, 2008.” These incorporated documents may be obtained directly from the SBA website, [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf) or by contacting the SBA by mail, P. O. Box 13300, Tallahassee, FL 32317-3300, with a request for the documents.

(l) For the 2009-2010 Contract Year, the Formula developed by the Board’s Independent Consultant, “Florida Hurricane Catastrophe Fund: 2009 Ratemaking Formula Report to the State Board of Administration of Florida, March 20, 2009” and the Addendum to the 2009 Ratemaking Formula Report Dated May 27, 2009 are hereby adopted and incorporated by reference. The basic premium rates developed in accordance with the Premium Formula methodology approved by the Board on April 14, 2009, are hereby adopted and incorporated by reference in Form FHCF-Rates 2009, “Florida Hurricane Catastrophe Fund Proposed 2009 Rates, March 20, 2009, revised May 27, 2009.” The Addendum to the 2009 Ratemaking Formula Report Dated May 27, 2009, was approved by the Board on May 27, 2009, and is hereby adopted and incorporated by reference. These incorporated documents may be obtained directly from the SBA website: [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf) or by contacting the SBA by mail, P. O. Box 13300, Tallahassee, FL 32317-3300, with a request for the documents.

(4)(a) Special Circumstances.

1. Allocation of Premium. Premiums paid to the FHCF with reference to property covered by Quota Share Primary Insurance Arrangements, as that phrase is defined in Section 627.351(6)(c)2.a.(I), F.S., will be allocated by the FHCF between the Insurer and Citizens in accordance with the percentages specified in the Quota Share Primary Insurance Arrangement for the purposes of premium billing, calculating retentions and determining reimbursement payments.

2. Special Rating Circumstances. The Premium Formula for policies that, based upon sound actuarial principles, require individual ratemaking and which are not excluded by rule will be based on the use of computer modeling for each individual Company for which it is applicable, i.e., portfolio modeling. The Independent Consultant will recommend guidelines for individual company portfolio reporting and modeling to estimate individual company FHCF expected losses. Individual company FHCF expected losses for portfolio modeling exposures will be loaded for investments and expenses on the same basis as the FHCF premium rates used for non-portfolio modeling exposures, but will also include a loading for the additional cost of individual company modeling. The minimum exposure threshold for FHCF portfolio modeling rating will be sufficient to generate estimated FHCF premium greater than the cost of modeling and other considerations and will be calculated by the Independent Consultant for the separate coverage levels of 45%, 75%, and 90% using the rates established pursuant to subsection (3) herein. The methodology used by the Independent Consultant will be based on sound actuarial principles to establish greater

actuarial equity in the premium structure.

(b) Forfeiture or Surrender of Certificates of Authority.

1. Insurers which have forfeited their certificates of authority or which have withdrawn from the state or discontinued writing all kinds of insurance in this state after the beginning of the Contract Year shall have their Premiums determined in accordance with subsection (3), above. Special recognition is not given to insurers which do not have exposure for Covered Policies for an entire Contract Year, except for New Participants as described in paragraph (c) of this subsection (4).

2. Any insurer which has forfeited its certificate of authority or which has discontinued writing in accordance with an order issued by the Department of Financial Services effective prior to June 1 of each calendar year shall not be required to execute a Reimbursement Contract with the Board provided that the insurer has no exposure to hurricane loss after June 1.

(c) New Participants.

1. All New Participants shall enter into a Reimbursement Contract with the Fund.

2. All New Participants shall pay a Reimbursement Premium to the Fund in accordance with the applicable subparagraphs below and in accordance with the applicable provisions of the Reimbursement Contract adopted in Rule 19-8.010, F.A.C.

3. This subparagraph applies to Companies writing new business after June 1 but prior to December 1 of the Contract Year.

a. All New Participants writing new business during the period specified above shall pay a provisional Premium of \$1,000 to provide consideration for the contract.

b. On or before March 1 of the Contract Year, the Company shall report its actual exposure as of December 31 of the Contract Year to the Administrator on Form FHCF-D1A, "Florida Hurricane Catastrophe Fund Data Call" which is hereby adopted and incorporated by reference in Rule 19-8.029, F.A.C., and is available from the Administrator as described in subsection (5), below. The Administrator shall calculate the Company's actual Reimbursement Premium for the period specified in subparagraph (c)2. based on its actual exposure. To recognize that New Participants have limited exposure during this period, the actual Premium as determined by processing the Company's exposure data shall then be divided in half, the provisional Premium shall be credited, and the resulting amount shall be the total Premium due for the Company for the remainder of the Contract Year. However, if that amount is less than \$1,000, then the Company shall pay \$1,000. The Premium payment is due no later than May 1 of the Contract Year. The Company's retention and coverage will be determined based on the total Premium due which is the Premium calculated based on the Company's 12/31 exposure and divided in half as described in this subparagraph.

4. This subparagraph applies to Companies writing new business on or after December 1 but up to and including May 31. All New Participants writing new business during this period shall pay a Premium of \$1,000 to provide consideration for the Contract. The Company shall pay no other Premium for the remainder of the Contract Year. The Company shall not report its exposure data for this period to the Board. The Premium shall be paid upon signing the Reimbursement Contract.

5. For purposes of paragraph (4)(c), the requirement that a report is due on a certain date means that the report shall be in the physical possession of the Fund's Administrator in Minneapolis no later than 5:00 p.m., Central Time, on the due date applicable to the particular report. If the applicable due date is a Saturday, Sunday or legal holiday, then the applicable due date will be the day immediately following the applicable due date which is not a Saturday, Sunday or legal holiday. For purposes of the timeliness of the submission, neither the United States Postal Service postmark nor a postage meter date is in any way determinative. Reports sent to the Board in Tallahassee, Florida, will be returned to the sender. Reports not in the physical possession of the Fund's Administrator by 5:00 p.m. (Central Time), on the applicable due date are late.

(d) Specialized Fine Arts Risks. Any policy or endorsement exclusively covering Specialized Fine Arts Risks and not covering any residential structure and/or contents thereof other than such specialized fine arts items covered in the fine arts policy, shall be exempt from the Fund as a risk meeting specialized loss control requirements if the insurer employs underwriting criteria and requires its policyholders to adhere to subparagraphs 1. through 7.,

immediately below. For purposes of the exemption in this paragraph, a “Specialized Fine Arts Risk” is a policy or endorsement which insures paintings, works on paper, etchings, art glass windows, pictures, statuary, sculptures, tapestries, antique furniture, antique silver, antique rugs, rare books, and other bona fide works of art, of rarity, of historic value, or artistic merit; which charges a minimum Premium of \$500; which insures scheduled items valued, in the aggregate, at no less than \$100,000; and which requires an investment by the insured in loss control measures to protect the Fine Arts Risks being insured.

1. The policyholder must demonstrate a willingness and determination to reduce the probability of loss.

2. The insurer must perform a periodic and thorough specialized inspection and must provide a specialized loss prevention service designed to prevent or minimize loss.

3. Insurable values must be sufficient to produce a Premium amount to warrant the furnishing of special inspection and loss prevention service by the insurer. For purposes of this rule, the insurable value of the scheduled items must be, in the aggregate, no less than \$100,000 and the minimum Premium amount must be no less than \$500.

4. The structural design of the residence and the degree of protection, together with efficient specialized inspection and loss protection service, must have the effect of reducing the relative importance of such otherwise applicable rating factors as exposure and quality of public fire protection.

5. The structure in which the fine arts being insured are housed must be fire-resistive or incombustible, made of heavy timber or other approved construction, and in good state of preservation and repair.

6. The structure and its fine arts contents must be provided with satisfactory watchman or alarm service or its equivalent where necessary.

7. The insurer must maintain a force of trained and competent loss prevention specialists, who perform the following tasks:

a. Make complete loss prevention surveys of each Specialized Fine Arts Risk;

b. Make available specialized loss prevention service for the purpose of providing consultation regarding hazards to the fine arts being insured;

c. Confirm through periodic and unannounced inspections that loss prevention devices are properly maintained;

d. Investigate reported losses; and

e. Confer with the policyholder and confirm through periodic and unannounced inspections that recommended safety and loss control improvements are actually made.

(5) All the forms adopted and incorporated by reference in this rule may be obtained from: Administrator, Florida Hurricane Catastrophe Fund, Paragon Strategic Solutions Inc., 8200 Norman Center Drive, Bloomington, Minnesota 55437.

*Rulemaking Authority 215.555(3) FS. Law Implemented 215.555(2), (3), (4), (5), (6), (7) FS. History—New 9-20-99, Amended 7-3-00, 9-17-01, 7-17-02, 7-2-03, 7-29-04, 7-17-05, 7-6-06, 7-17-07, 6-16-08, 8-2-09.*