

### **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, 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 or Citizens means the entity formed under Section 627.351, F.S., and refers to both Citizens Property Insurance Corporation Coastal 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 or Florida Hurricane Catastrophe Fund Data Call means the annual reporting of insured values Form FHCF-D1A, as adopted and incorporated into Rule 19-8.029, F.A.C.

(g) 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.

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

(i) 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.

(j) 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 were 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.

(k) 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 Section 215.555(5)(b), F.S., 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 2010-2011 Contract Year, the Formula developed by the Board's Independent Consultant, "Florida Hurricane Catastrophe Fund: 2010 Ratemaking Formula Report Presented to the State Board of Administration of Florida, March 18, 2010" is hereby adopted and incorporated by reference into this rule. The basic premium rates developed in accordance with the Premium Formula methodology approved by the Board on April 13, 2010, are hereby adopted and incorporated by reference in Form FHCF-Rates 2010, "Florida Hurricane Catastrophe Fund Proposed 2010 Rates Presented to the State Board of Administration of Florida, March 18, 2010" and is hereby adopted and incorporated by reference into this rule. 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.

(c) For the 2011-2012 Contract Year, the Formula developed by the Board's Independent Consultant, "Florida Hurricane Catastrophe Fund: 2011 Ratemaking Formula Report Presented to the State Board of Administration of Florida, March 17, 2011" is hereby adopted and incorporated by reference into this rule, <http://www.flrules.org/Gateway/reference.asp?No=Ref-00275>. The basic premium rates developed in accordance with the Premium Formula methodology approved by the Board on May 3, 2011, are hereby adopted and incorporated by reference in Form FHCF-Rates 2011, "Florida Hurricane Catastrophe Fund Proposed 2011 Rates Presented to the State Board of Administration of Florida, March 17, 2011" is hereby adopted and incorporated by reference into this rule, <http://www.flrules.org/Gateway/reference.asp?No=Ref-00276> and <http://www.flrules.org/Gateway/reference.asp?No=Ref-00277>. 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.

(d) For the 2012-2013 Contract Year, the Formula developed by the Board's Independent Consultant, "Florida Hurricane Catastrophe Fund: 2012 Ratemaking Formula Report Presented to the State Board of Administration of Florida, March 22, 2012," <http://www.flrules.org/Gateway/reference.asp?No=Ref-01175>, is hereby adopted and incorporated by reference into this rule. The basic premium rates developed in accordance with the Premium Formula methodology approved by the Board on April 24, 2012, are hereby adopted and incorporated by reference in Form FHCF-Rates 2012, "Florida Hurricane Catastrophe Fund Proposed 2012 Rates Presented to the State Board of Administration of Florida, March 22, 2012," <http://www.flrules.org/Gateway/reference.asp?No=Ref-01176>, is hereby adopted and incorporated by reference into this rule. 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.

(e) For the 2013-2014 Contract Year, the Formula developed by the Board's Independent Consultant, "Florida Hurricane Catastrophe Fund: 2013 Ratemaking Formula Report Presented to the State Board of Administration of Florida, March 21, 2013," as approved on April 23, 2013, <http://www.flrules.org/Gateway/reference.asp?No=Ref-02750>, is hereby adopted and incorporated by reference into this rule. The basic premium rates developed in accordance with the Premium Formula methodology approved by the Board on April 23, 2013, are hereby adopted and incorporated by reference in Form FHCF-Rates 2013, "Florida Hurricane Catastrophe Fund Proposed 2013 Rates Presented to the State Board of Administration of Florida, March 21, 2013," as approved on April 23, 2013, <http://www.flrules.org/Gateway/reference.asp?No=Ref-02751>, hereby adopted and incorporated by reference into this rule. 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.

(f) For the 2014-2015 Contract Year, the Formula developed by the Board's Independent Consultant, "Florida Hurricane Catastrophe Fund: 2014 Ratemaking Formula Report Presented to the State Board of Administration of Florida, March 20, 2014," <http://www.flrules.org/Gateway/reference.asp?No=Ref-04160>, is hereby adopted and incorporated by reference into this rule. The basic premium rates developed in accordance with the Premium Formula methodology approved by the Board on April 22, 2014, are hereby adopted and incorporated by reference in Form FHCF-Rates 2014, "Florida Hurricane Catastrophe Fund Proposed 2014 Rates Presented to the State Board of Administration of Florida, March 20, 2014," <http://www.flrules.org/Gateway/reference.asp?No=Ref-04161>, hereby adopted and incorporated by reference into this rule. 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; Insurers Which Do Not Have Exposure For Covered Policies For an Entire Contract Year.

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.

2. 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).

3. 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.

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. For the 2012/2013 and earlier Contract Years, 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 in accordance with the Data Call. For the 2012/2013 Contract Year, New Participants had the option of reporting exposure as of November 30 by February 1 of the Contract Year. The Administrator shall calculate the Company's actual Reimbursement Premium for the applicable Contract Year 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 (or April 1 if the November 30 option was chosen for the 2012/13 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 December 31 exposure (or November if appropriate) and divided in half as described in this sub-subparagraph.

c. For the 2013/2014 and subsequent Contract Years, the Company shall report its actual exposure as of November 30 of the Contract Year in accordance with the Data Call. The Administrator shall calculate the Company's actual Reimbursement Premium for the applicable Contract Year 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 April 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 November 30 exposure and divided in half as described in this sub-subparagraph.

4. This subparagraph applies to Companies writing new business on or after December 1 but up to and including May 31 of the Contract Year. 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) 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 Tower, 5600 West 83rd Street, Suite, 1100, Minneapolis, MN 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, 7-8-10, 7-3-11, 6-25-12, 6-18-13, 6-10-14.*