

MEETING OF THE STATE BOARD OF ADMINISTRATION

**GOVERNOR CRIST AS CHAIRMAN
CHIEF FINANCIAL OFFICER SINK AS TREASURER
ATTORNEY GENERAL MCCOLLUM AS SECRETARY**

MAY 11, 2010

To View Agenda Items, Click on the Following Link:

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AGENDA

ITEM 1. Request approval of minutes of the March 23, 2010 meeting.

(See Attachment 1)

ACTION REQUIRED

ITEM 2. Request approval of a fiscal sufficiency of an amount not exceeding \$265,000,000 State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2010 Series (To Be Determined).

(See Attachment 2)

ACTION REQUIRED

ITEM 3. Request approval of a fiscal sufficiency of an amount not exceeding \$40,000,000 State of Florida, Board of Governors, Florida State University Health and Wellness Center Revenue Bonds, Series 2010A.

(See Attachment 3)

ACTION REQUIRED

ITEM 4. Request approval of a fiscal sufficiency of an amount not exceeding \$31,600,000 State of Florida, Department of Education, Community College Capital Improvement Revenue Bonds, Series (To Be Determined).

(See Attachment 4)

ACTION REQUIRED

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ITEM 5. Request approval of, and authority to file, five emergency rules, along with incorporated documents for adoption. These five rules implement CS/SB1460, which became law on April 15, 2010, and are as follows:

- 19ER10-1 (19-8.010) Reimbursement Contract
- 19ER10-2 (19-8.012) Procedures to Determine Ineligibility for Participation in the Florida Hurricane Catastrophe Fund and to Determine Exemption from Participation in the Florida Hurricane Catastrophe Fund due to Limited Exposure
- 19ER10-3 (19-8.013) Revenue Bonds Issued Pursuant to Section 215.555(6), F.S.
- 19ER10-4 (19-8.029) Insurer Reporting Requirements
- 19ER10-5 (19-8.030) Insurer Responsibilities

(See Attachments 5 through 5-H)

ACTION REQUIRED

ITEM 6. Request approval of, and authority to file, a Notice of Proposed Rulemaking for Rule 19-8.028, F.A.C., Reimbursement Premium Formula. If no member of the public requests a rule hearing, request approval to file this Rule, along with the forms incorporated therein, for adoption.

A Notice of Proposed Rulemaking for Rule 19-8.028, F.A.C., Reimbursement Premium Formula, was brought before the State Board of Administration Trustees (Board) on April 13, 2010, and approved. However, before the Notice was filed, CS/SB 1460 became law. This necessitated changes to the Notice, the Rule, and the Incorporated Forms.

(See Attachments 6 and 6-A)

ACTION REQUIRED

T H E C A B I N E T
S T A T E O F F L O R I D A

Representing:

DIVISION OF BOND FINANCE
FINANCIAL SERVICES COMMISSION, OFFICE OF
INSURANCE REGULATION
DEPARTMENT OF REVENUE
BOARD OF TRUSTEES, INTERNAL IMPROVEMENT TRUST FUND
STATE BOARD OF ADMINISTRATION

The above agencies came to be heard before
THE FLORIDA CABINET, Honorable Governor Crist
presiding, in the Cabinet Meeting Room, LL-03,
The Capitol, Tallahassee, Florida, on Tuesday,
March 23, 2010, commencing at 2:05 p.m.

Reported by:
JO LANGSTON
Registered Professional Reporter
Notary Public

ACCURATE STENOGRAPHY REPORTERS, INC.
2894 REMINGTON GREEN LANE
TALLAHASSEE, FLORIDA 32308
(850) 878-2221

APPEARANCES:

Representing the Florida Cabinet:

CHARLIE CRIST
Governor

CHARLES H. BRONSON
Commissioner of Agriculture

BILL McCOLLUM
Attorney General

ALEX SINK
Chief Financial Officer

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DIVISION OF BOND FINANCE
(Presented by BEN WATKINS)

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INSURANCE REGULATION
(Presented by KEVIN McCARTY)

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DEPARTMENT OF REVENUE
(Presented by LISA ECHEVERRI)

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(Presented by MICHAEL SOLE)

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STATE BOARD OF ADMINISTRATION
(Presented by ASH WILLIAMS)

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CERTIFICATE OF REPORTER 53

1 GOVERNOR CRIST: Board of Administration, Ash
2 Williams. Ash, you have the floor.

3 MR. WILLIAMS: Good afternoon, Governor,
4 Trustees.

5 GOVERNOR CRIST: Good afternoon.

6 MR. WILLIAMS: That's a very, very difficult
7 act to follow.

8 GOVERNOR CRIST: Indeed.

9 MR. WILLIAMS: I do have a little good news,
10 however. We have the Florida Retirement System
11 Trust Fund back up to a level, as of last night's
12 close, of \$116.4 billion. Puts us up over 20
13 percent fiscal year to date, which is 156 basis
14 points ahead of target.

15 We have two items this afternoon. Item 1 is a
16 fiscal sufficiency. We request approval for a
17 fiscal sufficiency of an amount not exceeding \$337
18 million State of Florida, Department of
19 Environmental Protection Florida Forever Revenue
20 Refunding Bonds.

21 GOVERNOR CRIST: Motion on Item 1?

22 CFO SINK: Move it.

23 ATTORNEY GENERAL McCOLLUM: Second.

24 GOVERNOR CRIST: Show it approved without
25 objection.

1 MR. WILLIAMS: Thank you. Item 2, we request
2 approval for a fiscal sufficiency of an amount not
3 exceeding \$50 million State of Florida, DOT Turnpike
4 Revenue Refunding Bonds.

5 ATTORNEY GENERAL McCOLLUM: Move Item 2.

6 CFO SINK: Second.

7 GOVERNOR CRIST: Moved and seconded. Show it
8 approved without objection. Thank you very much,
9 Ash, good job.

10 MR. WILLIAMS: Thank you.

11 ATTORNEY GENERAL McCOLLUM: That's pretty fast,
12 Ash, for you.

13 (Whereupon, the meeting was concluded at 3:50
14 p.m.)

**A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION
APPROVING THE FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING
\$265,000,000 STATE OF FLORIDA, FULL FAITH AND CREDIT, STATE BOARD OF
EDUCATION PUBLIC EDUCATION CAPITAL OUTLAY REFUNDING BONDS,
2010 SERIES (TO BE DETERMINED)**

WHEREAS, the State Board of Education of Florida proposes to issue an amount not exceeding \$265,000,000 State of Florida, Full Faith and Credit State Board of Education Public Education Capital Outlay Refunding Bonds, 2010 Series (to be determined) (the "Bonds") for the purpose of refunding all or a portion of the callable 1989 Series A, 1999 Series E and 2001 Series C Bonds; provided, however, that none of the said Bonds shall be issued in excess of the amount which can be issued in full compliance with the State Bond Act and other applicable provisions of law, and pursuant to Section 9(a)(2), Article XII of the Constitution of Florida, as amended; and,

WHEREAS, the Bonds will be issued in one or more series pursuant to an authorizing resolution adopted by the State Board of Education on July 21, 1992; the Forty-seventh Supplemental Authorizing Resolution and a sale resolution, both of which were adopted by the State Board of Education on September 15, 2009; and,

WHEREAS, the proposed Bonds shall be secured by a lien upon the Gross Receipts Taxes which are required to be deposited in the Public Education Capital Outlay and Debt Service Trust Fund administered by the State Board of Education of Florida (the "Gross Receipts Taxes"), and the Bonds are additionally secured by a pledge of the full faith and credit of the State of Florida; and,

WHEREAS, the State Board of Education has heretofore issued Public Education Capital Outlay and Public Education Capital Outlay Refunding Bonds, Series 1985 through 2009 Series F; and,

WHEREAS, the State Board of Administration has approved the fiscal sufficiency of an amount not exceeding \$540,000,000 Public Education Capital Outlay Refunding Bonds, 2009 Series (to be determined) (the "2009 Series Refunding Bonds") at its September 15, 2009, meeting, of which \$239,225,000 remains unissued; and,

WHEREAS, the State Board of Administration has approved the fiscal sufficiency of an amount not exceeding \$320,000,000 Public Education Capital Outlay Refunding Bonds, 2008 Series C (the "2008 Series C Refunding Bonds") at its January 12, 2010 meeting, of which \$98,695,000 remains unissued; and,

WHEREAS, the Division of Bond Finance of the State Board of Administration has requested the State Board of Administration to rescind its approval of fiscal sufficiency with respect to the \$98,695,000 remaining portion of the 2008 Series C Refunding Bonds; and,

WHEREAS, the proposed Bonds shall be junior, inferior, and subordinate to the outstanding and unpaid Public Education Capital Outlay and Public Education Capital Outlay Refunding Bonds, Series 1985 through 1989-A, as to lien on and source and security for payment from the Gross Receipts Taxes; and,

WHEREAS, the proposed Bonds shall be issued on a parity as to lien on and source and security for payment from the Gross Receipts Taxes with the outstanding and unpaid Public Education Capital Outlay and Public Education Capital Outlay Refunding Bonds, 1993 Series A through 2009 Series F, and if and when issued, the remaining portion of the 2009 Series Refunding Bonds; and,

WHEREAS, the Division of Bond Finance has furnished sufficient information to enable the State Board of Administration to fulfill its duties pursuant to Section 215.73, Florida Statutes; and,

WHEREAS, the State Board of Administration has relied upon information from others but has not independently verified the accuracy or completeness of such information; and,

WHEREAS, the State Board of Administration does not approve or disapprove the Bonds as an investment and has not passed upon the accuracy or adequacy of the Official Statement; **Now, Therefore,**

BE IT RESOLVED, by the State Board of Administration of Florida, a constitutional body created by Section 4 of Article IV of the Constitution of the State of Florida, as revised in 1968 and subsequently amended, that pursuant to the requirements of Section 215.73, Florida Statutes, that the proposal of the State Board of Education of Florida to issue an amount not exceeding \$265,000,000 State of Florida, Full Faith and Credit State Board of Education Public Education Capital Outlay Refunding Bonds, 2010 Series (to be determined), is hereby approved as to fiscal sufficiency. In addition, the approval of fiscal sufficiency with respect to the \$98,695,000 remaining portion of the State of Florida, Full Faith and Credit, State Board of Education, Public Education Capital Outlay Refunding Bonds, 2008 Series C Bonds is hereby rescinded.

ADOPTED May 11, 2010

**STATE BOARD OF ADMINISTRATION
1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308**

TO: Ash Williams
FROM: Robert Copeland
SUBJECT: Fiscal Sufficiency
DATE: April 28, 2010

APPROVAL OF FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING \$265,000,000 STATE OF FLORIDA, FULL FAITH AND CREDIT, STATE BOARD OF EDUCATION PUBLIC EDUCATION CAPITAL OUTLAY REFUNDING BONDS, 2010 SERIES (TO BE DETERMINED):

The Division of Bond Finance of the State Board of Administration (the "Division"), on behalf of the State Board of Education, has submitted for approval as to fiscal sufficiency a proposal to issue an amount not exceeding \$265,000,000 State of Florida, Full Faith and Credit State Board of Education Public Education Capital Outlay Refunding Bonds, 2010 Series (to be determined) (the "Bonds") for the purpose of refunding all or a portion of the callable 1989 Series A, 1999 Series E and 2001 Series C Bonds; provided, however, that none of the said Bonds shall be issued in excess of the amount which can be issued in full compliance with the State Bond Act and other applicable provisions of law, and pursuant to Section 9(a)(2), Article XII of the Constitution of Florida, as amended. The Bonds will be issued in one or more series pursuant to an authorizing resolution adopted by the State Board of Education on July 21, 1992; the Forty-seventh Supplemental Authorizing Resolution and a sale resolution, both of which were adopted by the State Board of Education on September 15, 2009. In addition, the Division of Bond Finance of the State Board of Administration has requested the State Board of Administration to rescind its approval of fiscal sufficiency with respect to the \$98,695,000 remaining portion of the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2008 Series C.

The State Board of Education has heretofore issued Public Education Capital Outlay and Public Education Capital Outlay Refunding Bonds, Series 1985 through 2009 Series F. The State Board of Administration has approved the fiscal sufficiency of an amount not exceeding \$540,000,000 Public Education Capital Outlay Refunding Bonds, 2009 Series (to be determined) (the "2009 Series Refunding Bonds") at its September 15, 2009, meeting, of which \$239,225,000 remains unissued. The State Board of Administration has approved the fiscal sufficiency of an amount not exceeding \$320,000,000 Public Education Capital Outlay Refunding Bonds, 2008 Series C (the "2008 Series C Refunding Bonds") at its January 12, 2010 meeting, of which \$98,695,000 remains unissued. The proposed Bonds shall be junior, inferior, and subordinate to the outstanding and unpaid Public Education Capital Outlay and Public Education Capital Outlay Refunding Bonds Series 1985 through 1989-A, as to lien on and source and security for payment from the Gross Receipts Taxes. The proposed Bonds shall be issued on a parity as to lien on and source and security for payment from the Gross Receipts Taxes with the outstanding and unpaid Public Education Capital Outlay and Public Education Capital Outlay Refunding Bonds, 1993 Series A through 2009 Series F, and if and when issued, the remaining portion of the 2009 Series Refunding Bonds.

A study of this proposal and the estimates of revenue expected to accrue indicate that the proposed Bonds are fiscally sufficient and that the proposal will be executed pursuant to the applicable provisions of law.

RECOMMENDATION: It is recommended that the Board approve the proposal outlined above.

cc: Janie Knight

**A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION
APPROVING THE FISCAL SUFFICIENCY OF AN AMOUNT NOT
EXCEEDING \$40,000,000 STATE OF FLORIDA, BOARD OF GOVERNORS,
FLORIDA STATE UNIVERSITY HEALTH AND WELLNESS CENTER
REVENUE BONDS, SERIES 2010A**

WHEREAS, the Division of Bond Finance of the State Board of Administration (the "Division") proposes to issue an amount not exceeding \$40,000,000 State of Florida, Board of Governors, Florida State University Health and Wellness Center Revenue Bonds, Series 2010A (the "Bonds"), for the purpose of financing the construction of a health and wellness center on the main campus of the Florida State University, funding a reserve account, and paying costs associated with the issuance and sale of the Bonds; and,

WHEREAS, the Division has requested the State Board of Administration to approve the fiscal sufficiency of the proposed issue as required by Section 215.73, Florida Statutes; and,

WHEREAS, the Bonds will be issued pursuant to the Authorizing Resolution and a sale resolution, both of which are anticipated to be adopted by the Governor and Cabinet on May 11, 2010 (together, the "Resolution"); and,

WHEREAS, the principal of and interest due on the Bonds shall be secured by student health fee revenues, as described in the Resolution; and,

WHEREAS, the Bonds do not constitute an obligation, either general or special, of the State of Florida or any of its units of local government and shall not be a debt of the State or of any unit of local government, and neither the State nor any unit of local government shall be liable thereon; and,

WHEREAS, the Florida State University shall not have the power to pledge the credit, the revenues, or the taxing power of the State or of any unit of local government, and neither the credit, the revenues, nor the taxing power of the State or of any unit of local government shall be deemed to be pledged to the payment of the Bonds; and,

WHEREAS, the proceeds of the Bonds shall be and constitute trust funds and shall be used and applied solely in the manner and for the purposes provided in the Resolution; and,

WHEREAS, the estimate of funds pledged to the issue indicates that in no State fiscal year will the debt service requirements of the Bonds exceed the Pledged Revenues available for payment of such debt service requirements and that in no State fiscal year will the moneys pledged for the debt service requirements be less than the required coverage amount; and,

WHEREAS, the Division, has furnished sufficient information to enable the State Board of Administration to fulfill its duties pursuant to Section 215.73, Florida Statutes; and,

WHEREAS, the State Board of Administration has relied upon information from others but has not independently verified the accuracy or completeness of such information; and,

WHEREAS, the State Board of Administration does not approve or disapprove the Bonds as an investment and has not passed upon the accuracy or adequacy of the Official Statement; **Now, Therefore,**

BE IT RESOLVED, by the State Board of Administration of Florida, a constitutional body created by Section 4 of Article IV of the Constitution of the State of Florida, as revised in 1968 and subsequently amended, that pursuant to the requirements of Section 215.73, Florida Statutes, the proposal of the Division of Bond Finance of the State Board of Administration to issue an amount not exceeding \$40,000,000 State of Florida, Board of Governors, Florida State University Health and Wellness Center Revenue Bonds, Series 2010A for the uses and purposes hereinabove set forth, is hereby approved as to fiscal sufficiency.

ADOPTED May 11, 2010

**STATE BOARD OF ADMINISTRATION
1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308**

TO: Ash Williams
FROM: Robert Copeland
SUBJECT: Fiscal Sufficiency
DATE: April 28, 2010

APPROVAL OF FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING \$40,000,000 STATE OF FLORIDA, BOARD OF GOVERNORS, FLORIDA STATE UNIVERSITY HEALTH AND WELLNESS CENTER REVENUE BONDS, SERIES 2010A:

The Division of Bond Finance of the State Board of Administration (the "Division") has submitted for approval as to fiscal sufficiency a proposal to issue an amount not exceeding \$40,000,000 State of Florida, Board of Governors, Florida State University Health and Wellness Center Revenue Bonds, Series 2010A (the "Bonds"), for the purpose of financing the construction of a health and wellness center on the main campus of the Florida State University, funding a reserve account, and paying costs associated with the issuance and sale of the Bonds.

The Bonds will be issued pursuant to the Authorizing Resolution and a sale resolution, both of which are anticipated to be adopted by the Governor and Cabinet on May 11, 2010 (together, the "Resolution"). The principal of and interest due on the Bonds shall be secured by student health fee revenues, as described in the Resolution.

A study of this proposal and the estimates of revenue expected to accrue indicate that the proposed Bonds are fiscally sufficient and that the proposal will be executed pursuant to the applicable provisions of law.

RECOMMENDATION: It is recommended that the Board approve the proposal outlined above.

cc: Janie Knight

**A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION
APPROVING THE FISCAL SUFFICIENCY OF AN AMOUNT NOT
EXCEEDING \$31,600,000 STATE OF FLORIDA, DEPARTMENT OF EDUCATION,
COMMUNITY COLLEGE CAPITAL IMPROVEMENT REVENUE BONDS,
SERIES (TO BE DETERMINED)**

WHEREAS, the Division of Bond Finance of the State Board of Administration (the "Division") proposes to issue an amount not exceeding \$31,600,000 State of Florida, Department of Education, Community College Capital Improvement Revenue Bonds, Series (to be determined) (the "Bonds"), on behalf of Edison State College, Gulf Coast Community College and St. Petersburg College (together, the "2010 Participating Community Colleges") and the Department of Education of the State of Florida for the purpose of providing funding for capital projects at the 2010 Participating Community Colleges; and,

WHEREAS, the Division has requested the State Board of Administration to approve the fiscal sufficiency of the proposed issue as required by Section 215.73, Florida Statutes; and,

WHEREAS, the Bonds will be issued pursuant to the Master Authorizing Resolution for the Bonds which was adopted by the Governor and Cabinet on August 1, 2006, and the Third Supplemental Resolution which is anticipated to be adopted by the Governor and Cabinet on May 11, 2010; and,

WHEREAS, the Department of Education has heretofore issued Community College Capital Outlay Improvement Revenue Bonds, Series 2006A and Series 2008A (together, the "Previous Bonds"), and;

WHEREAS, the proposed Bonds shall be issued on a parity with the Previous Bonds; and,

WHEREAS, the principal of and interest due on the Bonds shall be paid solely out of revenues and other amounts pledged therefore, as described in the resolution; and,

WHEREAS, the Bonds do not constitute an obligation, either general or special, of the State of Florida or any of its units of local government and shall not be a debt of the State or of any unit of local government, and neither the State nor any unit of local government shall be liable thereon; and,

WHEREAS, the proceeds of the Bonds shall be and constitute trust funds and shall be used and applied solely in the manner and for the purposes provided in the Master Authorizing Resolution; and,

WHEREAS, it appears and the Board so finds that this financing will be executed pursuant to the applicable provisions of law, and that the revenue to be used in servicing and liquidating the indebtedness to be created thereby may be expected to accrue in amounts sufficient to accomplish this purpose; and,

WHEREAS, the Division, on behalf of the 2010 Participating Community Colleges and the Department of Education of the State of Florida, has furnished sufficient information to enable the State Board of Administration to fulfill its duties pursuant to Section 215.73, Florida Statutes; and,

WHEREAS, the State Board of Administration has relied upon information from others but has not independently verified the accuracy or completeness of such information; and,

WHEREAS, the State Board of Administration does not approve or disapprove the Bonds as an investment and has not passed upon the accuracy or adequacy of the Official Statement; Now, Therefore,

BE IT RESOLVED, by the State Board of Administration of Florida, a constitutional body created by Section 4 of Article IV of the Constitution of the State of Florida, as revised in 1968 and subsequently amended, that pursuant to the requirements of Section 215.73, Florida Statutes, the proposal of the Division of Bond Finance of the State Board of Administration to issue not exceeding \$31,600,000 State of Florida, Department of Education, Community College Capital Improvement Revenue Bonds, Series (to be determined), for the uses and purposes hereinabove set forth, is hereby approved as to fiscal sufficiency.

ADOPTED May 11, 2010

**STATE BOARD OF ADMINISTRATION
1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308**

TO: Ash Williams
FROM: Robert Copeland
SUBJECT: Fiscal Sufficiency
DATE: April 28, 2010

APPROVAL OF FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING \$31,600,000 STATE OF FLORIDA, DEPARTMENT OF EDUCATION, COMMUNITY COLLEGE CAPITAL IMPROVEMENT REVENUE BONDS, SERIES (TO BE DETERMINED):

The Division of Bond Finance of the State Board of Administration (the "Division"), on behalf of Edison State College, Gulf Coast Community College and St. Petersburg College (together, the "2010 Participating Community Colleges") and the Department of Education of the State of Florida, has submitted for approval as to fiscal sufficiency a proposal to issue an amount not exceeding \$31,600,000 State of Florida, Department of Education, Community College Capital Improvement Revenue Bonds, Series (to be determined) (the "Bonds"), for the purpose of providing funding for capital projects at the 2010 Participating Community Colleges. The Bonds will be issued pursuant to the Master Authorizing Resolution for the Bonds which was adopted by the Governor and Cabinet on August 1, 2006, and the Third Supplemental Resolution which is anticipated to be adopted by the Governor and Cabinet on May 11, 2010.

The Department of Education has heretofore issued Community College Capital Outlay Improvement Revenue Bonds, Series 2006A and Series 2008A (together, the "Previous Bonds"). The proposed Bonds shall be issued on a parity with the Previous Bonds. The principal of and interest due on the Bonds shall be paid solely out of revenues and other amounts pledged therefore, as described in the Master Authorizing Resolution. The Bonds shall not be secured by a pledge of the full faith and credit or the taxing power of the State of Florida or any political subdivision thereof.

A study of this proposal and the estimates of revenue expected to accrue from the Pledged Revenues indicate that the proposed Bonds are fiscally sufficient and that the proposal will be executed pursuant to the applicable provisions of law.

RECOMMENDATION: It is recommended that the Board approve the fiscal sufficiency of the proposal outlined above.

cc: Janie Knight

Memo

TO: Ashbel C. Williams, Executive Director & CIO

THRU: Jack E. Nicholson, Chief Operating Officer, FHCF

FROM: Tracy Allen, Senior Attorney, FHCF

DATE: April 29, 2010

SUBJECT: Cabinet Agenda – May 11, 2010, Florida Hurricane Catastrophe Fund:
Emergency Rules
Notice of Proposed Rulemaking and Adoption for
Rule 19-8.028, F.A.C., Reimbursement Premium Formula

ITEM 5. – EMERGENCY RULES: Request approval of and authority to file the following emergency rules to implement CS/SB 1460, which became law on April 15, 2010:

19ER10-1 (19-8.010)	Reimbursement Contract;
19ER10-2 (19-8.012)	Procedures to Determine Ineligibility for Participation in the Florida Hurricane Catastrophe Fund and to Determine Exemption from Participation in the Florida Hurricane Catastrophe Fund due to Limited Exposure;
19ER10-3 (19-8.013)	Revenue Bonds Issued Pursuant to Section 215.555(6), F.S.;
19ER10-4 (19-8.029)	Insurer Reporting Requirements;
19ER10-5 (19-8.030)	Insurer Responsibilities

During the 2009 Legislative session the Florida Hurricane Catastrophe Fund (FHCF) Contract Year was changed as follows: The 2010 Contract Year would begin on June 1 and end on December 31st and all years thereafter would begin on January 1 and end on December 31. This was done to assist insurers in providing better estimates of FHCF coverage and for timing purposes so that insurers know what additional reinsurance they need and can obtain it on a timely basis. It was determined that the 2009 changes did not accomplish these purposes; therefore, the 2010 Legislature passed CS/SB 1460. One change made by this bill was to change the Contract Year back to June 1 through May 31. This bill became law on April 15, 2010. In order to implement the changes made by this bill before the June 1, 2010 start of the hurricane season, emergency rules are necessary.

ITEM 6. - NOTICE OF PROPOSED RULEMAKING: Request approval of and authority to file a Notice of Proposed Rulemaking for Rule 19-8.028, F.A.C., Reimbursement Premium Formula. If no member of the public requests a rule hearing, request approval to file this rule for adoption.

A Notice of Proposed Rulemaking for Rule 19-8.028, F.A.C., Reimbursement Premium Formula, was brought before the State Board of Administration Trustees (Board) on April 13, 2010, and approved. However, before the Notice was filed, CS/SB 1460 became law. This necessitated changes to the Notice, the Rule and the Incorporated Forms. Therefore, we are returning to the Board for approval of and authority to file a Notice of Proposed Rulemaking for Rule 19-8.028, F.A.C., and approval of and authority to file this Rule for adoption if no member of the public requests a rule hearing. A rule development workshop was held on January 11, 2010. Representatives of the FHCF attended and presented the rule and engaged in discussion with members of the public who attended. The rulemaking notice was published in the *Florida Administrative Weekly* on December 24, 2009, Vol. 35, No. 51.

It is requested that the proposed amendments to Rule 19-8.028, F.A.C., Reimbursement Premium Formula, be presented to the Cabinet Aides on May 5, 2010, and to the Board on May 11, 2010, with a request to approve the filing of this rule for Notice of Proposed Rulemaking and to approve filing for adoption with the Department of State if no member of the public timely requests a rule hearing. A notice of the meeting of the Board will be published in the *Florida Administrative Weekly* on April 30, 2010, Vol. 36, No. 17.

ACTIONS REQUESTED:

Item 5. Request approval of, and authority to file, five Emergency Rules to implement the changes to the law made by CS/SB 1460, which became law on April 15, 2010.

Item 6. Request approval of, and authority to file, a Notice of Proposed Rulemaking for Rule 19-8.028, F.A.C., Reimbursement Premium Formula. If no member of the public requests a rule hearing, request approval to file this rule for adoption.

Attached are copies of:

Attachments for Item 1:

- 5.a. 19ER10-1 (19-8.010), Reimbursement Contract;
- 5.b. 19ER10-2 (19-8.012), Procedures to Determine Ineligibility for Participation in the Florida Hurricane Catastrophe Fund and to Determine Exemption from Participation in the Florida Hurricane Catastrophe Fund due to Limited Exposure;
- 5.c. 19ER10-3 (19-8.013), Revenue Bonds Issued Pursuant to Section 215.555(6), F.S.;
- 5.d. 19ER10-4 (19-8.029), Insurer Reporting Requirements;
- 5.e. 19ER10-5 (19-8.030), Insurer Responsibilities.

Incorporated Documents:

- 5.f. FHCF-2010K, Reimbursement Contract
- 5.g. FHCF-2010K-1, Addendum No. 1
- 5.h. FHCF-2010K-2, Addendum No. 2

Attachments for Item 6:

- 6.a. Notice of Proposed Rulemaking, Rule 19-8.028, F.A.C., Reimbursement Premium Formula
- 6.b. Rule 19-8.028, F.A.C., Reimbursement Premium Formula, black-lined copy

19ER10-1 “19-8.010 Reimbursement Contract.”

(1) The reimbursement contract for the 1995-1996 contract year required by Section 215.555(4), F.S., which is called Form FHCF-1995K – “Reimbursement Agreement (“Agreement”) between (name of insurer) (the “Company”)/NAIC # () and The State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“Fund”), rev. 07/95, is hereby adopted and incorporated by reference into this rule.

(2) The reimbursement contract for the 1996-1997 contract year required by Section 215.555(4), F.S., which is called Form FHCF-1996K – “Reimbursement Agreement (“Agreement”) between (name of insurer) (the “Company”)/NAIC # () and The State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“Fund”), rev. 05/96, is hereby adopted and incorporated by reference into this rule.

(3) The reimbursement contract for the 1997-1998 contract year required by Section 215.555(4), F.S., which is called Form FHCF-1997K – “Reimbursement Contract (“Contract”) between (name of insurer) (the “Company”)/NAIC # () and The State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“Fund”), rev. 05/97, is hereby adopted and incorporated by reference into this rule.

(4) The reimbursement contract for the 1998-1999 contract year required by Section 215.555(4), F.S., which is called Form FHCF-1998K – “Reimbursement Contract (“Contract”) between (name of insurer) (the “Company”)/NAIC # () and The State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“Fund”), rev. 05/98, is hereby adopted and incorporated by reference into this rule.

(5) The reimbursement contract for the 1999-2000 contract year required by Section 215.555(4), F.S., which is called Form FHCF-1999K – “Reimbursement Contract (“Contract”) between (name of insurer) (the “Company”)/NAIC#() and The State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“FHCF”), rev. 05/99, is hereby adopted and incorporated by reference into this rule. Addendum No. 1 to the 1999-2000 reimbursement contract, which is called Form FHCF-1999K-1, – “Reimbursement Contract (“Contract”) between (name of insurer) (the “Company”)/NAIC # () and The State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“FHCF”), rev. 08/99, is hereby adopted and incorporated by reference into this rule.

(6) The reimbursement contract for the 2000-2001 contract year required by Section 215.555(4), F.S., which is called Form FHCF-2000K – “Reimbursement Contract (“Contract”) between (name of insurer) (the “Company”)/NAIC # () and The State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“FHCF”), rev. 05/00, is hereby adopted and incorporated by reference into this rule.

(7) The reimbursement contract for the 2001-2002 contract year required by Section 215.555(4), F.S., which is called Form FHCF-2001K – “Reimbursement Contract” or “Contract” between (name of insurer) (the “Company”)/NAIC # () and The State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“FHCF”), rev. 05/01, is hereby adopted and incorporated by reference into this rule.

(8) The amended reimbursement contract for the 2002-2003 contract year required by Section 215.555(4), F.S., which is called Form FHCF-2002K – “Reimbursement Contract” or “Contract” between (name of insurer) (the “Company”)/NAIC # () and The State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“FHCF”), rev. 05/02, is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2002 through May 31, 2003.

(9) The reimbursement contract for the 2003-2004 contract year required by Section 215.555(4), F.S., which is called Form FHCF-2003K – “Reimbursement Contract” or “Contract” between (name of insurer) (the “Company”)/NAIC # () and The State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“FHCF”), rev. 05/03, is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2003 through May 31, 2004.

(10) The amended reimbursement contract for the 2004-2005 contract year required by Section 215.555(4), F.S., which is called Form FHCF-2004K – “Reimbursement Contract” or “Contract” between (name of insurer) (the “Company”)/NAIC # () and The State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“FHCF”), rev. 05/04, is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2004 through May 31, 2005.

(11) The reimbursement contract for the 2005-2006 contract year required by Section 215.555(4), F.S., which is called Form FHCF-2005K – “Reimbursement Contract” or “Contract” between (name of insurer) (the “Company”)/NAIC # () and the State

Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“FHCF”), rev. 05/05, is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2005 through May 31, 2006. Addendum No. 1 to the 2005-2006 Reimbursement Contract, which is called Form FHCF-2005K-1, “Reimbursement Contract (Contract) between (name of insurer) (the Company)/NAIC # () and the State Board of Administration of the State of Florida (SBA) which administers the Florida Hurricane Catastrophe Fund (FHCF)”, rev. 06/05, is hereby adopted and incorporated by reference into this rule.

(12) The reimbursement contract for the 2006-2007 contract year, as amended by Addendums 1., 2., and 3., required by Section 215.555(4), F.S., which is called Form FHCF-2006K – “Reimbursement Contract” or “Contract” between (name of insurer) (the “Company”)/NAIC # () and the State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“FHCF”), rev. 05/06, is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2006 through May 31, 2007.

(13) The reimbursement contract for the 2007-2008 contract year, including Addendum required by Section 215.555(4), F.S., which is called Form FHCF-2007K – “Reimbursement Contract” or “Contract” between (name of insurer) (the “Company”)/NAIC # () and the State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“FHCF”), rev. 05/07, is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2007 through May 31, 2008.

(14) The reimbursement contract for the 2008-2009 contract year, including all Addenda, required by Section 215.555(4), F.S., which is called Form FHCF-2008K – “Reimbursement Contract” or “Contract” between (name of insurer) (the “Company”)/NAIC # () and The State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“FHCF”), rev. 05/08, is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2008 through May 31, 2009.

(15) The reimbursement contract for the 2009-2010 contract year, including all Addenda, required by Section 215.555(4), F.S., which is called Form FHCF-2009K-“Reimbursement Contract” or “Contract” between (name of insurer) (the “Company”)/NAIC # () and The State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“FHCF”), rev. 05/09, as amended, is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2009 through May 31, 2010.

(16) The reimbursement contract for the 2010-2011 contract year, including all Addenda, required by Section 215.555(4), F.S., which is called Form FHCF-2010K-“Reimbursement Contract” or “Contract” between (name of insurer) (the “Company”)/NAIC # () and The State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“FHCF”), rev. 05/10, as amended, is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2010 through May 31, 2011 ~~December 31, 2010~~.

(17) Copies of the reimbursement contract may be obtained from the FHCF website, www.sbafla.com/fhcf or by contacting the State Board of Administration. The mailing address is P.O. Box 13300, Tallahassee, Florida 32317-3300. The street address is 1801 Hermitage Blvd., Tallahassee, Florida 32308 and the telephone number is (850) 413-1341.

Rulemaking Authority 215.555(3) FS. Law Implemented 215.555 FS. History—New 5-31-94, Amended 8-29-95, 5-19-96, 6-19-97, 5-28-98, 5-17-99, 9-13-99, 6-19-00, 6-3-01, 6-2-02, 11-12-02, 5-13-03, 5-19-04, 8-29-04, 5-29-05, 11-13-05, 5-10-06, 9-5-06, 5-8-07, 8-13-07, 6-8-08, 9-2-08, 3-30-09, 8-23-09, 3-30-10, _-_-10.

19ER10-2 “19-8.012 Procedures to Determine Ineligibility for Participation in the Florida Hurricane Catastrophe Fund and to Determine Exemption from Participation in the Florida Hurricane Catastrophe Fund due to Limited Exposure.”

(1) Purpose. The purpose of this rule is to establish procedures to determine ineligibility for participation in the Florida Hurricane Catastrophe Fund (“the Fund”) and to establish procedures to determine whether an insurer may be exempted from subsections (4) and (5) of Section 215.555, F.S., because it has less than \$10 million in aggregate exposure for covered policies.

(2) Procedures to Determine Ineligibility for Participation in the Fund.

(a) An insurer must apply for ineligibility from participation in the Fund if it has surrendered its certificate of authority to write insurance in Florida. To apply, the insurer shall submit a written request for ineligibility stating that it will have no covered policies, as that term is defined in Section 215.555(2)(c), F.S., after May 31 of the year for which the ineligibility is sought and provide a copy of the Office of Insurance Regulation Order, if any, revoking the insurer’s authority to write insurance in Florida. The request shall be sent to the Fund’s Administrator, Paragon Strategic Solutions Inc., at 8200 Tower, 5600 West 83rd Street, Suite 1100, Minneapolis, MN 55437.

(b) An insurer which is not surrendering its certificate to write insurance in Florida must apply for ineligibility from participation in the Fund if it no longer has any covered policies in force, as that term is defined in Section 215.555(2)(c), F.S. To apply, the insurer shall submit a written request for a determination regarding its ineligibility for participation. The request shall be sent, no later than September 1 of the current contract year, to the Fund’s Administrator, Paragon Strategic Solutions Inc., at 8200 Tower, 5600 West 83rd Street, Suite 1100, Minneapolis, MN 55437, and shall contain the following information:

1. A detailed explanation of any premium appearing on the insurer’s Florida Exhibit of Premiums and Losses of the National Association of Insurance Commissioners annual statement for lines of business which may contain covered policies. These lines are: Fire, Allied Lines, Homeowners Multiple Peril, Commercial Multiple Peril (non-liability portion), Inland Marine, Farmowners Multiple Peril.

2. A copy of the insurer’s Exhibit of Premiums and Losses of the annual statement, required by Section 624.424, F.S., and any rules adopted thereunder, for the State of Florida for the applicable year.

3. Form FHCF-E1, “Statement related to Covered Policies as defined in Section 215.555(2)(c), F.S.,” rev. 05/08, signed by two executive officers attesting to the fact that the insurer writes no covered policies. Form FHCF-E1 is hereby adopted and incorporated by reference into this rule. The form may be obtained from the Fund’s Administrator at the address stated in this paragraph.

(c) The State Board of Administration of Florida (“Board”) shall review the information received pursuant to paragraph (a) or (b) above.

1. If the Board determines that the insurer writes covered policies, as defined in Section 215.555(2)(c), F.S., and in Article V of the reimbursement contract, as adopted and incorporated by reference in Rule 19-8.010, F.A.C., and must therefore participate in the Fund as required by Section 215.555(4)(a), F.S., the Board will notify the insurer that its request has been denied. All insurers determined to be participants in the Fund will be required to enter into a reimbursement contract with the Board and will be subject to all premium payments and interest thereon, as well as fees for inadequate exposure data.

2. If the Board determines that the insurer does not write covered policies, as defined in Section 215.555(2)(c), F.S., and in Article V of the reimbursement contract, as adopted and incorporated by reference in Rule 19-8.010, F.A.C., the Board will notify the insurer that its request has been approved. This ineligibility continues until the insurer once again begins writing covered policies. The insurer must immediately notify the Board if it begins writing covered policies.

(d) Any Company granted ineligibility status which fails to execute and return the reimbursement contract to the Fund within thirty days of writing its first covered policy following the grant of ineligibility status shall not be eligible for reimbursement for any covered losses from a covered event occurring prior to the receipt by the Fund of the executed reimbursement contract.

(3) Procedures to Determine Exemption from the Fund Due to Limited Exposure.

(a) A current participant requesting exemption from participation in the Fund because its exposure for covered policies, as defined in Section 215.555(2)(c), F.S., and in Article V of the reimbursement contract, as adopted and incorporated by reference in Rule 19-8.010, F.A.C., is less than \$10 million in the aggregate shall submit a written request for a determination regarding such an exemption no later than September 1 of the current contract year.

(b) If requested within thirty days of writing its first covered policy, a new participant, as defined in Article V of the reimbursement contract, may request exemption if its exposure is less than \$10 million in the aggregate and is expected to remain less than \$10 million in the aggregate for the remainder of the contract year.

(c) The request shall be sent to the Fund’s Administrator, Paragon Strategic Solutions Inc., at 8200 Tower, 5600 West 83rd

Street, Suite 1100, Minneapolis, MN 55437. The insurer shall submit the following information no later than September 1 of the current contract year:

1. A detailed explanation of any premium appearing on the insurer's Florida Exhibit of Premiums and Losses of the National Association of Insurance Commissioners annual statement for lines of business which may contain covered policies. These lines are: Fire, Allied Lines, Homeowners Multiple Peril, Commercial Multiple Peril (non-liability portion), Inland Marine, Farmowners Multiple Peril.

2. A copy of the insurer's Exhibit of Premiums and Losses of the annual statement, required by Section 624.424, F.S., and any rules adopted thereunder, for the State of Florida for the applicable year.

3. Form FHCF-E2, "Information regarding De Minimis FHCF Covered Policies In-force at June 30, _____," rev. 05/09. Form FHCF-E2 is hereby adopted and incorporated by reference into this rule. The form may be obtained from the Fund's Administrator at the address stated in this paragraph.

4. Form FHCF-E3, "Statement related to De Minimis Aggregate Exposure for Covered Policies as defined in Section 215.555(2)(c), F.S., on behalf of _____," rev. 05/08, signed by two executive officers attesting to the fact that the insurer writes no covered policies with an aggregate exposure of \$10 million or more. Form FHCF-E3 rev. 05/08, is hereby adopted and incorporated by reference into this rule. The form may be obtained from the Fund's Administrator at the address stated in this paragraph.

(d) The Board shall review the information received pursuant to paragraph (c) above.

1. If the Board determines that the insurer has an aggregate exposure of \$10 million or more for covered policies, as defined in Section 215.555(2)(c), F.S., and in Article V of the reimbursement contract, as adopted and incorporated by reference in Rule 19-8.010, F.A.C., and must therefore participate in the Fund as required by Section 215.555(4)(a), F.S., because it does not qualify for the exemption permitted by Section 215.555(3), F.S., the Board will notify the insurer that its request has been denied. All insurers determined to be participants in the Fund will be required to enter into a reimbursement contract with the Board and will be subject to all premium payments and interest thereon, as well as fees for inadequate exposure data.

2. If the Board determines that the insurer has an aggregate exposure of less than \$10 million for covered policies, as defined in Section 215.555(2)(c), F.S., and in Article V of the reimbursement contract, as adopted and incorporated by reference in Rule 19-8.010, F.A.C., and that granting the exemption will not adversely affect the actuarial soundness of the Fund, the Board will notify the insurer that its request has been approved and note that the insurer must immediately notify the Board if its exposure becomes \$10 million or more in the aggregate. If this occurs, the insurer will be treated as a "new participant" and will be subject to the provisions of subparagraph 19-8.028(4)(c)3., F.A.C., if its exposure becomes \$10 million or more during the period from June 1 through November 30 or will be subject to the provisions of subparagraph 19-8.028(4)(c)4., F.A.C., if its exposure becomes \$10 million or more during the period from December 1 through May 31 of the contract year. ~~for contract years prior to the 2010 contract year, or if its exposure becomes \$10 million or more during the period from December 1 through December 31 beginning with the 2010 contract year.~~

(e) The exemption for minimal exposure permitted by Section 215.555(3), F.S., is optional for the insurer but, once the exemption is requested, cannot be withdrawn by the insurer. An insurer with less than \$10 million in aggregate exposure for covered policies is not required to ask for an exemption from the Fund. Such an insurer may continue to participate in the Fund if it so desires. An insurer which has been granted an exemption from the Fund may request to be reinstated in the Fund as a participating member. However, such a request must be made prior to June 1 of a contract year. No insurer which has been granted an exemption under this subsection shall be reinstated during the Atlantic Hurricane Season, which begins June 1 and ends November 30 of each year, so long as its aggregate exposure remains below \$10 million.

(f) The exemptions for minimal exposure permitted by Section 215.555(3), F.S., shall not be granted by the Board if the aggregate number of anticipated exemptions adversely affects the actuarial soundness of the Fund.

(g) Any Company granted de minimis exempt status which fails to execute and return the reimbursement contract to the Fund within thirty days of writing a covered policy that results in the insurers aggregate covered exposure exceeding \$10 million dollars shall not be eligible for reimbursement for any covered losses occurring from a covered event prior to the receipt by the Fund of the executed reimbursement contract.

Rulemaking Authority 215.555(3) FS. Law Implemented 215.555(2)(c), (3), (4), (5) FS. History—New 2-17-97, Amended 6-2-02, 5-13-03, 5-19-04, 5-29-05, 5-10-06, 6-8-08, 3-30-09, 3-30-10, _-_-10.

19ER10-3 “19-8.013 Revenue Bonds Issued Pursuant to Section 215.555(6), F.S.”

(1) Purpose. This rule establishes the Board’s policy regarding the issuance of revenue bonds pursuant to Section 215.555(6), F.S. The rule provides definitions; interprets certain terms in Section 215.555, F.S.; establishes factors for determining when to issue revenue bonds, the amount of any such revenue bonds, and the source for repayment of any such revenue bonds; and establishes procedures for levying Emergency Assessments pursuant to Section 215.555(6)(b), F.S.

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

(a) Assessable Insurer means Authorized Insurers writing property and casualty business in this state and any entity created pursuant to Section 627.351, F.S. Surplus lines insurers are not Assessable Insurers. Reinsurers are not Assessable Insurers.

(b) Assessable Insured means each insured procuring property and casualty coverage from surplus lines insurers regulated under Part VIII of Chapter 626, F.S.

(c) Assessable Lines are those lines of property and casualty business subject to assessment under Section 215.555(6)(b)1., F.S., and as more fully described in subsection (5), below.

(d) Authorized Insurer means an insurer as defined in Section 624.09(1), F.S. For purposes of this rule, Authorized Insurer includes Citizens Property Insurance Corporation and any joint underwriting association or similar entity created pursuant to Section 627.351, F.S.

(e) Balance of the Fund and Fund Balance have the same meaning given to Balance of the Fund as of December 31 in Article V of the Reimbursement Contract adopted and incorporated by reference into Rule 19-8.010, F.A.C.

(f) Board means the State Board of Administration of Florida.

(g) Contract Year, ~~prior to June 1, 2010~~, 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. ~~The period of time which begins at 12:00:01 Eastern Time on June 1, 2010 and ends at 12:00 p.m. midnight on December 31, 2010 shall be considered the 2010 Contract Year. All Contract Years beginning after December 31, 2010 shall begin at 12:00:01 Eastern Time on January 1 of each calendar year and end at 12:00 p.m. midnight on December 31 of that calendar year.~~

(h) Corporation means the Florida Hurricane Catastrophe Fund Finance Corporation created by Section 215.555(6)(d), F.S.

(i) Covered Event means a hurricane as defined in Section 215.555(2)(b), F.S., and in Article V of the Reimbursement Contract adopted and incorporated by reference in Rule 19-8.010, F.A.C.

(j) Covered Policies means an insurance policy covering residential property, as defined in Section 215.555(2)(c), F.S., and in Article V of the Reimbursement Contract adopted and incorporated by reference in Rule 19-8.010, F.A.C.

(k) Department means the Florida Department of Financial Services, which was created pursuant to Section 20.121, F.S., and which is charged with regulating the Florida insurance market and administering the Florida Insurance Code.

(l) Emergency Assessment means the assessment levied by the Office of Insurance Regulation at the direction of the Board on direct written premiums for all Assessable Lines pursuant to and subject to the exceptions in Section 215.555(6)(b), F.S., and as more fully described in subsection (5) of this rule.

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

(n) Office of Insurance Regulation means that office within the Department which was created in Section 20.121(3), F.S.

(o) Participating Insurer means an insurer which writes Covered Policies in this state and which has entered into a Reimbursement Contract with the Board, pursuant to Section 215.555(4)(a), F.S.

(p) Reimbursement Contract means the annual contract required pursuant to Section 215.555(4)(a), F.S., which provides coverage to Participating Insurers for losses to covered property during a Covered Event.

(q) Reimbursement Premium means the premium determined by multiplying each \$1,000 of insured value reported by the Participating Insurer in accordance with Section 215.555(5), F.S., by the rate as derived from the premium formula as described in Rule 19-8.028, F.A.C.

(3) Limitations on the Fund’s Liability. The Fund’s liability under the Reimbursement Contracts for Covered Events in a Contract Year is determined pursuant to Sections 215.555(4)(c)1., 215.555(16)(e)4., (g) and 215.555(17)(g), (h), F.S.

(4) Determinations Regarding Bond Issuance.

(a) General Factors for Use in Determining Whether to Issue Bonds. Based on the requirements of Section 215.555, F.S., on all rules adopted pursuant thereto, and on the foregoing interpretations, the Board determines that the Legislature intended the Fund to be a sustainable, permanent, and continuing trust fund established within the meaning of Article III, s. 19 of the Florida Constitution which is available to pay reimbursable losses for Covered Events in more than one year. The Board further determines that the

Legislature deliberately and purposefully limited the Fund's liability as to Covered Events in any one Contract Year in order to provide for an on-going Fund. The Board determines that in its fiduciary capacity regarding the Fund, it is prudent to adopt the interpretations set out in this rule and to conform all its other policies, rules, and methods of operation to those fiduciary responsibilities and interpretations.

(b) Quality of Bonds to be Issued. The Board finds that in order to fulfill its fiduciary responsibilities to maintain and enhance the on-going viability and credibility of the Fund and to operate in the most cost-efficient manner, all revenue bonds issued to pay reimbursable losses shall be investment grade bonds, except to the extent that revenue bonds other than investment grade are needed to pay a small amount of legitimate but unexpected reimbursable losses. Upon the occurrence of such an exception, any revenue bonds issued will be issued only after a determination by the Board that the issuance of such bonds is fiscally responsible, in light of the Board's fiduciary responsibilities.

(c) Emergency Assessments.

1. If the Board determines that the amount of revenue produced under Section 215.555(5), F.S., is insufficient to fund the obligations, costs, and expenses of the Fund and the Corporation, including repayment of revenue bonds and that portion of debt service coverage not met by Reimbursement Premiums, the Board shall direct the Office of Insurance Regulation to levy an Emergency Assessment on direct written premiums for all Assessable Lines. In making this determination, the Board may consider the projected Balance of the Fund; anticipated additional Fund revenues; the meteorological severity and geographical area impacted by each Covered Event; estimates of losses from the insurance industry, from individual insurers, from federal, state, and local emergency response entities, from loss reports submitted to the Board by Participating Insurers, from reviews of loss reports by the Fund's Administrator, from information provided by modeling companies, from claims development patterns derived from known historical events, from an analysis of market shares of Participating Insurers in the impacted area, and any other credible sources of loss information; and any other information determined by the Board to be relevant.

2. Except as required by Section 215.555(7)(c), F.S., or as described in the following two sentences, Reimbursement Premiums, together with earnings thereon, received in a given Contract Year will be used only to pay for losses attributable to Covered Events occurring in that Contract Year or for losses attributable to Covered Events in subsequent Contract Years and will not be used to pay for past losses or for debt service on tax-exempt post-event revenue bonds. Amounts collected during the Contract Year 2006/2007 as part of the premium that are attributable to the required 25% rapid cash buildup factor, pursuant to by Section 215.555(5)(b), F.S., may be used to pay for losses attributable to prior Contract Years. Pursuant to Section 215.555(6)(a)1., F.S., Reimbursement Premiums, and earnings thereon may be used for payments relating to tax-exempt post-event revenue bonds in the event Emergency Assessments are insufficient. If Reimbursement Premiums are used for debt service on tax-exempt post-event revenue bonds, then the amount of the Reimbursement Premiums, or earnings thereon so used shall be returned, without interest, to the Fund when Emergency Assessments or other legally available funds remain available after making payments relating to such revenue bonds and any other purposes for which Emergency Assessments were levied.

(d) Specific Procedures Regarding Issuance of Bonds, Notes, Debentures or Other Evidences of Financial Indebtedness on a Pre-Event Basis. In making a determination to authorize the issuance of revenue bonds on a Pre-event basis ("in the absence of a hurricane"), pursuant to Section 215.555(6)(a), F.S., the Board shall consider the following factors: the projected Fund Balance; reserves for mitigation appropriations; estimated amounts needed for administration of the Fund; projected amounts of future Reimbursement Premiums; projected amounts of earnings on collected Reimbursement Premiums; the projected frequency and magnitude of future Covered Events; current and projected interest rates on revenue bonds; current and projected market conditions for the sale of revenue bonds; projected credit ratings for the Fund and for revenue bonds issued on behalf of the Fund; current and projected availability of bond insurance or other credit enhancement for revenue bonds; the costs of issuance of revenue bonds; the debt service requirements of the revenue bonds; the estimated value, both monetary and non-monetary, of the issuance of Pre-event bonds on the costs of Post-event bonds in terms of benchmark pricing, secondary market trading, investor education, confidence of insurers and reinsurers in the Fund's ability to issue revenue bonds Post-event, market education, and document preparation; and any other factors relevant to the determination at the time such determination is made.

(e) Specific Procedures for Issuance of Revenue Bonds on a Post-Covered Event Basis. Upon the occurrence of a Covered Event for which the Board determines that moneys in the Fund are or will be insufficient to pay reimbursement at the levels promised in the Reimbursement Contracts:

1. The Board will determine the projected reimbursable losses of Participating Insurers, whether or not the Fund has or will have sufficient funds to reimburse Participating Insurers for their reimbursable losses, and the estimated shortfall which shall be

covered by the issuance of revenue bonds or through incurrence of other indebtedness.

2. Based on the amount of the shortfall determined in accordance with subparagraph 1., above, the Board will determine the needed percentage of direct premium written for Assessable Lines. The Emergency Assessment percentage will be determined as follows:

a. The Board will review available information, from the Office of Insurance Regulation, the Florida Surplus Lines Service Office and the National Association of Insurance Commissioners, regarding direct premiums written for Assessable Lines in Florida, reportable pursuant to Section 624.424, F.S., or pursuant to Part VIII of Chapter 626, F.S.

b. The Board will review and assess existing market conditions regarding the issuance and sale of bonds or the incurrence of other indebtedness to determine the amount of revenues which will be required to pay debt service on any bonds issued or other indebtedness incurred.

c. Based on the specific information described above and on any other information determined by the Board to be relevant, the Board will determine the Emergency Assessment percentage necessary to fund the obligations, costs, and expenses of the Fund and the Corporation including repayment of revenue bonds and that portion of the debt service coverage not met by Reimbursement Premiums, and shall adopt a resolution directing the Office of Insurance Regulation to levy the Emergency Assessment on all Assessable Lines.

3. The Emergency Assessment is subject to interest on delinquent remittances at the average rate earned by the Board for the FHCF for the first four months of the Contract Year for which such information is available plus 5%. The Emergency Assessment is also subject to annual adjustments by the Board in order to meet debt obligations.

(5) Procedures regarding Levying Emergency Assessments Pursuant to Section 215.555(6)(b), F.S.

(a) If the Board directs the Office of Insurance Regulation to levy Emergency Assessments, then the Office of Insurance Regulation shall issue Orders to the Florida Surplus Lines Service Office and to each Assessable Insurer levying an Emergency Assessment for the Assessable Lines set out in paragraph (d), below.

(b) Pursuant to the Order issued by the Office of Insurance Regulation levying the Emergency Assessment, each Assessable Insurer shall remit to the entity identified in the Order, an amount equal to the required percentage of its direct written premium for the preceding calendar quarter from all Assessable Lines. Medical malpractice is an Assessable Line of business but only as to covered events occurring on or after June 1, 2010. In addition, policies issued as part of the National Flood Insurance Program are not subject to the Emergency Assessment. The required percentage will be determined in accordance with Section 215.555(6)(b), F.S., and the procedures set out in subsection (4) of this rule.

(c) Pursuant to the Order issued by the Office of Insurance Regulation levying the Emergency Assessment, each Assessable Insured shall remit and each surplus lines agent shall collect an amount equal to the required percentage of its direct written premium from all Assessable Lines. Surplus lines agents shall collect the Emergency Assessment at the same time as the surplus lines agent collects the surplus lines tax required by Section 626.932, F.S., and remit to the Florida Surplus Lines Service Office at the same time as the agent remits the surplus lines tax to that Office. The Emergency Assessment on each insured procuring coverage and filing under Section 626.938, F.S., shall be an amount equal to the required percentage of its direct written premium from all Assessable Lines and shall be remitted by the insured to the Florida Surplus Lines Service Office at the time the insured pays the surplus lines tax to that Office. The Florida Surplus Lines Service Office shall remit the Emergency Assessments received as directed by the Office of Insurance Regulation.

(d) Lines of Business Subject to Assessment.

1. The lines of business described in subparagraph 2., below, are the lines of business subject to the Emergency Assessment under Section 215.555(6)(b)1., F.S. For ease of reference, the lines of business are written and listed as they appear on the Exhibit of Premiums and Losses in the property and casualty annual statement of the National Association of Insurance Commissioners required to be filed by authorized insurers pursuant to Section 624.424, F.S., whether or not the insurer is required to file such exhibit.

2. Assessable Lines. Note that the numbers below preceding the names of the lines of business do not correspond to the line numbers of the property and casualty annual statement referenced in subparagraph 1., immediately above.

- a. Fire.
- b. Allied Lines.
- c. Multiple Peril Crop.
- d. Farmowners Multiple Peril.

- e. Homeowners Multiple Peril.
- f. Commercial Multiple Peril (non-liability).
- g. Commercial Multiple Peril (liability).
- h. Mortgage Guaranty.
- i. Ocean Marine.
- j. Inland Marine.
- k. Financial Guaranty.
- l. Medical Malpractice (Medical Malpractice insurance premiums are not subject to Emergency Assessments attributable to covered events occurring prior to the Contract Year that begins on June 1, 2010).
- m. Earthquake.
- n. Other Liability.
- o. Products Liability.
- p. Private Passenger Auto No-Fault.
- q. Other Private Passenger Auto Liability.
- r. Commercial Auto No-Fault.
- s. Other Commercial Auto Liability.
- t. Private Passenger Auto Physical Damage.
- u. Commercial Auto Physical Damage.
- v. Aircraft (all perils).
- w. Fidelity.
- x. Surety.
- y. Burglary and Theft.
- z. Boiler and Machinery.
- aa. Credit.
- bb. Warranty.
- cc. Aggregate Write Ins for Other Lines of Business.

Rulemaking Authority 215.555(3) FS. Law Implemented 215.555(2), (3), (4), (5), (6), (7) FS. History--New 9-18-97, Amended 12-3-98, 9-12-00, 6-1-03, 5-19-04, 5-29-05, 5-10-06, 9-5-06, 6-8-08, 3-30-09, 3-30-10, _-_-10.

19ER10-4 “19-8.029 Insurer Reporting Requirements.”

(1) Purpose. The purpose of this rule is to incorporate and adopt the annual reporting of insured values and the Loss Reporting Forms, to provide the time and place for submission of this required information and to address confidentiality of information provided to the Florida Hurricane Catastrophe Fund (FHCF or Fund).

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

(a) Citizens Property Insurance Corporation or Citizens means the entity formed under Section 627.351(6), F.S., and includes both the High Risk Account and the Personal Lines and Commercial Lines Accounts.

(b) Commutation means that period of time which is not less than 36 months or more than 60 months after the end of the Contract Year during which the loss occurrence took place. The Reimbursement Contract, adopted and incorporated into Rule 19-8.010, F.A.C., may provide for voluntary commutation earlier than the 36 month period under certain circumstances.

(c) Contract Year, ~~prior to June 1, 2010~~, 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. ~~The period of time which begins at 12:00:01 Eastern Time on June 1, 2010 and ends at 12:00 p.m. midnight on December 31, 2010 shall be considered the 2010 Contract Year. All Contract Years beginning after December 31, 2010 shall begin at 12:00:01 Eastern Time on January 1 of each calendar year and end at 12:00 p.m. midnight on December 31 of that calendar year.~~

(d) 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.

(e) Data Call means the annual reporting of insured values forms. These forms 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.

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

(g) Independent Consultant means the independent individual, firm, or organization with which the State Board of Administration of Florida (Board) contracts to prepare the premium formula and any other actuarial services for the FHCF, as determined under the contract with the consultant.

(h) Loss Reporting Forms mean the FHCF-L1A and FHCF-L1B for Contract Years after the 2002/2003 Contract Year and means the FHCF-L1A, FHCF-L1B and FHCF-L1C for the Contract Years 2002/2003 and all prior years.

(i) Office of Insurance Regulation means that office within the Department of Financial Services and which was created in Section 20.121(3), F.S.

(3) Reporting of Insurer Exposure Data.

(a) No later than September 1 of each Contract Year, authorized insurers and Citizens pursuant to Sections 215.555(5) and 627.351(6), F.S., shall report insured values reflecting wind exposure under Covered Policies by zip code and other relevant factors required to reflect each insurer’s relative exposure to hurricane loss, valued as of June 30 of the current Contract Year. Such other relevant factors shall be determined by the Independent Consultant consistent with principles of actuarial science and in conjunction with the development of the premium formula.

(b) Confidentiality of reports containing insured values under Covered Policies. Section 215.557, F.S., enacted for the express purpose of protecting trade secret and proprietary information submitted to the FHCF by participating insurers, protects the confidentiality of information of the type submitted in the Data Call (FHCF-D1A), examination workpapers, examination reports, or loss reports (FHCF-L1A, FHCF-L1B) and such information is not subject to the provisions of Section 119.07(1), F.S., or Section 24(a), Article I of the Florida State Constitution.

(c) Reporting Regarding Insurers Withdrawing from the State or Discontinuing the Writing of All Kinds of Insurance Prior to June 30 of Each Year. Insurers which discontinue writing insurance in Florida and have no remaining Covered Policy exposure as of June 30 of each Contract Year are required to petition for exemption from the Fund pursuant to Rule 19-8.012, F.A.C. Insurers which withdraw from the Florida insurance market prior to June 30 and have no remaining Covered Policy exposure as of that date shall not participate in the Fund. The affected insurer shall provide written evidence obtained from the Office of Insurance Regulation that it has surrendered its certificate of authority and currently has no outstanding Covered Policies in force. Nothing in this rule shall be construed to conflict with the requirements of Section 624.430(1), F.S.

(d) The requirement that the report is due by September 1 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 September 1. If September 1 is a Saturday, Sunday or legal holiday, then the applicable due date will be the day immediately following September 1 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.

(4)(a) For the 1999/2000 Contract Year, the reporting shall be in accordance with the following: Form FHCF-D1A, "Florida Hurricane Catastrophe Fund 1999 Data Call," rev. 05/99; Form FHCF-MOD, "CLASIC DATA FORMAT (tm) for Excess Insurance, Version 1.1," rev. 12/22/94; and the FHCF computer validation software provided on diskette and called "FHCF Preliminary Validation Software Version 5.0," with its instructions. The two forms and the software with its instructions identified in the immediately preceding sentence are hereby adopted and incorporated by reference.

(b) For the 2000/2001 Contract Year, the reporting shall be in accordance with the following: Form FHCF-D1A, "Florida Hurricane Catastrophe Fund 2000 Data Call," rev. 05/00; Form FHCF-MOD, "CLASIC DATA FORMAT (tm) for Excess Insurance, Version 1.1," rev. 12/22/94; and the FHCF computer validation software provided on diskette and called "FHCF Preliminary Validation Software Version 6.0," with its instructions. The two forms and the software with its instructions identified in the immediately preceding sentence are hereby adopted and incorporated by reference. For new companies, the company shall report its actual exposure as of December 31 of the Contract Year on or before March 1 of the Contract Year, to the Administrator on Form FHCF-D1B, "Florida Hurricane Catastrophe Fund 2000 Data Call for Newly Licensed Companies," rev. 05/00; Form FHCF-MOD, "CLASIC DATA FORMAT (tm) for Excess Insurance, Version 1.1," rev. 12/22/94; and the FHCF computer validation software provided on diskette and called "FHCF Preliminary Validation Software Version 6.0," with its instructions. The two forms and the software with its instructions identified in the immediately preceding sentence are hereby adopted and incorporated by reference.

(c) For the 2001/2002 Contract Year, the reporting shall be in accordance with the following: Form FHCF-D1A, "Florida Hurricane Catastrophe Fund 2001 Data Call," rev. 05/01; Form FHCF-MOD, "CLASIC DATA FORMAT (tm) for Excess Insurance, Version 1.1," rev. 12/22/94; and the FHCF computer validation software provided on diskette and called "FHCF Preliminary Validation Software Version 7.0," with its instructions. The two forms and the software with its instructions identified in the immediately preceding sentence are hereby adopted and incorporated by reference. For new companies, the company shall report its actual exposure as of December 31 of the Contract Year on or before March 1 of the Contract Year, to the Administrator on Form FHCF-D1B, "Florida Hurricane Catastrophe Fund 2001 Data Call for Newly Licensed Companies," rev. 05/01; Form FHCF-MOD, "CLASIC DATA FORMAT (tm) for Excess Insurance, Version 1.1," rev. 12/22/94; and the FHCF computer validation software provided on diskette and called "FHCF Preliminary Validation Software Version 7.0," with its instructions. The two forms and the software with its instructions identified in the immediately preceding sentence are hereby adopted and incorporated by reference.

(d) For the 2002/2003 Contract Year, the reporting shall be in accordance with the following: Form FHCF-D1A, "Amended Florida Hurricane Catastrophe Fund 2002 Data Call," rev. 05/02 and Form FHCF-MOD, "CLASIC DATA FORMAT (tm) for Excess Insurance, Version 1.1," rev. 3/27/01. The two forms identified in the immediately preceding sentence are hereby adopted and incorporated by reference. For new companies, the company shall report its actual exposure as of December 31 of the Contract Year on or before March 1 of the Contract Year, to the Administrator on Form FHCF-D1B, "Amended Florida Hurricane Catastrophe Fund 2002 Data Call for Newly Licensed Companies," rev. 05/02; and Form FHCF-MOD "CLASIC DATA FORMAT (tm) for Excess Insurance, Version 1.1," rev. 3/27/01. The two forms identified in the immediately preceding sentence are hereby adopted and incorporated by reference.

(e) For the 2003/2004 Contract Year, the reporting shall be in accordance with the following: Form FHCF-D1A, "Florida Hurricane Catastrophe Fund 2003 Data Call," rev. 05/03 and UNICEDE®/PX Data Exchange Format, Version 4.0.0." The two forms identified in the immediately preceding sentence are hereby adopted and incorporated by reference. A new participant shall report its actual exposure as of December 31 of the Contract Year on or before March 1 of the Contract Year, to the Administrator. NOTE: Form FHCF-D1B, "Amended Florida Hurricane Catastrophe Fund 2002 Data Call for Newly Licensed Companies," rev. 05/02 used in past years by new participants is no longer being used. The information new participants must submit is now incorporated into Form FHCF-D1A.

(f) For the 2004/2005 Contract Year, the reporting shall be in accordance with the following: Form FHCF-D1A, "Amended Florida Hurricane Catastrophe Fund 2004 Data Call," rev. 05/11/04 and UNICEDE®/PX Data Exchange Format, Version 4.0.0." The two forms identified in the immediately preceding sentence are hereby adopted and incorporated by reference. A new participant shall report its actual exposure as of December 31 of the Contract Year on or before March 1 of the Contract Year, to the Administrator.

(g) For the 2005/2006 Contract Year, the reporting shall be in accordance with the following: Form FHCF-D1A, "Florida Hurricane Catastrophe Fund 2005 Data Call," rev. 05/05 and "UNICEDE@/PX Data Exchange Format, Version 4.0.0." The two forms identified in the immediately preceding sentence are hereby adopted and incorporated by reference. The forms may be obtained from the Fund's Administrator at the address stated in subsection (6) below. A new participant writing covered policies after June 1 but prior to December 1, shall report its actual exposure as of December 31 of the Contract Year on or before March 1 of the Contract Year, to the Administrator.

(h) For the 2006/2007 Contract Year, the reporting shall be in accordance with Form FHCF-D1A, "Florida Hurricane Catastrophe Fund 2006 Data Call," rev. 05/06, hereby adopted and incorporated by reference. The form may be obtained from the Fund's Administrator at the address stated in subsection (6) below. A new participant writing covered policies on or after June 1 but prior to December 1, shall report its actual exposure as of December 31 of the Contract Year on or before March 1 of the Contract Year, to the Administrator.

(i) For the 2007/2008 Contract Year, the reporting shall be in accordance with Form FHCF-D1A, "Florida Hurricane Catastrophe Fund 2007 Data Call," rev. 05/07, hereby adopted and incorporated by reference. The form may be obtained from the Fund's Administrator at the address stated in subsection (6) below. A new participant writing covered policies on or after June 1 but prior to December 1, shall report its actual exposure as of December 31 of the Contract Year on or before March 1 of the Contract Year, to the Administrator.

(j) For the 2008/2009 Contract Year, the reporting shall be in accordance with Form FHCF-D1A, "Florida Hurricane Catastrophe Fund 2008 Data Call," rev. 05/08, hereby adopted and incorporated by reference. The form may be obtained from the Fund's Administrator at the address stated in subsection (6) below. A new participant writing covered policies on or after June 1 but prior to December 1, shall report its actual exposure as of December 31 of the Contract Year on or before March 1 of the Contract Year, to the Administrator.

(k) For the 2009/2010 Contract Year, the reporting shall be in accordance with Form FHCF-D1A, "Florida Hurricane Catastrophe Fund 2009 Data Call," rev. 05/09, hereby adopted and incorporated by reference. The form may be obtained from the Fund's Administrator at the address stated in subsection (6) below. A new participant writing covered policies on or after June 1 but prior to December 1, shall report its actual exposure as of December 31 of the Contract Year on or before March 1 of the Contract Year, to the Administrator.

(l) For the 2010/2011 Contract Year, the reporting shall be in accordance with Form FHCF-D1A, "Florida Hurricane Catastrophe Fund 2010 Data Call," rev. 05/10, hereby adopted and incorporated by reference into this rule. The form may be obtained from the Fund's Administrator at the address stated in subsection (6) below. A new participant writing covered policies on or after June 1 but prior to December 1, shall report its actual exposure as of December 31 of the Contract Year on or before March 1 of the Contract Year ~~following calendar year~~, to the Administrator.

(5) Loss Reimbursement Reporting Requirements.

(a) As directed by the Board, after a covered event occurs, insurers shall report all their estimated ultimate net losses (as defined in the Reimbursement Contract, adopted and incorporated into Rule 19-8.010, F.A.C.) for Covered Policies on the Form FHCF-L1A, "Florida Hurricane Catastrophe Fund Interim Loss Report," for the applicable Contract Year, as specified in subsection (7) herein, in no less than fourteen days from the date of the notice from the Board that such a report is required. The Board may request subsequent Interim Loss Reports. To obtain copies of this form, see subsection (6), below. Prompt reporting in the format requested will aid the Board in determining whether to seek additional sources of funds to pay for reimbursable losses. The losses reported on the Interim Loss Report are expected to result from a good faith effort, using best business practices for the insurance industry, on the part of the insurer to report as accurately as possible. Preliminary reports will not be binding. Reimbursements by the Fund will be made on the basis of the Proof of Loss Report, adopted in subsection (b) below.

(b) Insurers shall report their ultimate net losses (as defined in the Reimbursement Contract, adopted and incorporated into Rule 19-8.010, F.A.C.) for each loss occurrence on the Form FHCF-L1B, "Florida Hurricane Catastrophe Fund Proof of Loss Report," for the applicable Contract Year, as specified in subsection (7) herein. To obtain copies of this form, see subsection (6), below. To qualify for reimbursement, the Proof of Loss Report must have the original signatures of two executive officers authorized by the Company to sign the report. Proof of Loss Reports may be faxed only if the Company does not qualify for a reimbursement. While a Company may submit a Proof of Loss Report requesting reimbursement at any time following a loss occurrence, all Companies shall submit a mandatory Proof of Loss Report for each loss occurrence no earlier than December 1 and no later than December 31 of the Contract Year during which the Covered Event(s) occurs using the most current data available, regardless of the amount of Ultimate

Net Loss or the amount of loss reimbursements or advances already received. After the mandatory December Proof of Loss Report, quarterly Proof of Loss Reports are required. For purposes of this rule, quarterly Proof of Loss Reports shall be those reports submitted at each quarter end date after December 31 of the Contract Year in which the loss occurrence occurs and continuing until all claims and losses resulting from loss occurrences commencing during the Contract Year are fully discharged, including any adjustments to such losses due to salvage or other recoveries, in accordance with the reporting requirements in this paragraph. "Fully Discharged" means the earlier of the date on which the insurer has paid its policyholders in full or the commutation clause, in Article X of the Reimbursement Contract, adopted in Rule 19-8.010, F.A.C., takes effect. For the quarterly report due on March 31, any insurer whose losses exceed 50% of its FHCF retention for a specific loss occurrence shall submit a Proof of Loss Report for that loss occurrence. For the quarterly report due on June 30, any insurer whose losses exceed 75% of its FHCF retention for a specific loss occurrence shall submit a Proof of Loss Report for that loss occurrence. For the quarterly reports due on September 30 and thereafter, any insurer which anticipates that its losses will exceed its FHCF retention for a specific loss occurrence shall submit quarterly Proof of Loss Reports until all its losses are paid to its policyholders and the insurer has received reimbursement from the Fund. Annually, all Companies shall submit a mandatory year-end Proof of Loss Report for each loss occurrence, using the most current data available. This Proof of Loss Report shall be filed no earlier than December 1 and no later than December 31 of each year and shall continue until the earlier of the expiration of the commutation period or until all claims and losses resulting from the loss occurrence are fully discharged including any adjustments to such losses due to salvage or other recoveries.

(c) As a result of reports submitted on Form FHCF-L1B, reimbursements to insurers shall be adjusted in accordance with Section 215.555(4)(d)1., F.S., which requires the Fund to pay additional amounts to insurers and insurers to return overpayments to the Fund, based on the most recent calculation of losses.

(6) 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.

(7)(a) For the 2005/2006 and earlier Contract Years the applicable Interim Loss Report is that form that was in effect for the Contract Year as reflected by the revision date on the form. For example, the applicable Interim Loss Report for the Contract Year 2004-2005 is the FHCF-L1A, with the revision date of 05/05.

(b) For the 2006/2007 Contract Year, the applicable Interim Loss Report is the "Contract Year 2006 Interim Loss Report, Florida Hurricane Catastrophe Fund (FHCF)", FHCF-L1A, rev. 05/06, which is hereby adopted and incorporated by reference. The applicable Proof of Loss Report is the "Contract Year 2006 Proof of Loss Report, Florida Hurricane Catastrophe Fund (FHCF)," FHCF-L1B, rev. 05/06, which is hereby adopted and incorporated by reference.

(c) For the 2007/2008 Contract Year, the applicable Interim Loss Report is the "Contract Year 2007 Interim Loss Report, Florida Hurricane Catastrophe Fund (FHCF)", FHCF-L1A, rev. 05/07, which is hereby adopted and incorporated by reference. The applicable Proof of Loss Report is the "Contract Year 2007 Proof of Loss Report, Florida Hurricane Catastrophe Fund (FHCF)," FHCF-L1B, rev.05/07, which is hereby adopted and incorporated by reference.

(d) For the 2008/2009 Contract Year, the applicable Interim Loss Report is the "Contract Year 2008 Interim Loss Report, Florida Hurricane Catastrophe Fund (FHCF)", FHCF-L1A, rev. 05/08, which is hereby adopted and incorporated by reference. The applicable Proof of Loss Report is the "Contract Year 2008 Proof of Loss Report, Florida Hurricane Catastrophe Fund (FHCF)," FHCF-L1B, rev. 05/08, which is hereby adopted and incorporated by reference. The forms may be obtained from the Fund's Administrator at the address stated in subsection (6) above.

(e) For the 2009/2010 Contract Year, the applicable Interim Loss Report is the "Contract Year 2009 Interim Loss Report, Florida Hurricane Catastrophe Fund (FHCF)", FHCF-L1A, rev. 05/09, which is hereby adopted and incorporated by reference. The applicable Proof of Loss Report is the "Contract Year 2009 Proof of Loss Report, Florida Hurricane Catastrophe Fund (FHCF)," FHCF-L1B, rev. 05/09, which is hereby adopted and incorporated by reference. The forms may be obtained from the Fund's Administrator at the address stated in subsection (6) above.

(f) For the 2010/2011 Contract Year, the applicable Interim Loss Report is the "Contract Year 2010 Interim Loss Report, Florida Hurricane Catastrophe Fund (FHCF)", FHCF-L1A, rev. 05/10, which is hereby adopted and incorporated by reference into this rule. The applicable Proof of Loss Report is the "Contract Year 2010 Proof of Loss Report, Florida Hurricane Catastrophe Fund (FHCF)," FHCF-L1B, rev. 05/10, which is hereby adopted and incorporated by reference into this rule. The forms may be obtained from the Fund's Administrator at the address stated in subsection (6) above.

(8) Company Contact Information: Companies must submit Form FHCF C-1, Company Contact Information, rev. 05/10, by June 1 of each Contract Year. This form must be updated by the Company as the information provided thereon changes. The FHCF shall have the right to rely upon the information provided by the Company to the FHCF on this form until receipt by the FHCF of a new properly completed and notarized FHCF C-1 from the Company. The form may be obtained from the Fund's Administrator at the address stated in subsection (6) above.

Rulemaking Authority 215.555(3) FS. Law Implemented 215.555(2), (3), (4), (5), (6), (7), (15) FS. History--New 5-17-99, Amended 6-19-00, 6-3-01, 6-2-02, 11-12-02, 5-13-03, 5-19-04, 8-29-04, 5-29-05, 5-10-06, 5-8-07, 6-8-08, 3-30-09, 8-2-09, 3-30-10, ___-10.

19ER10-5 “19-8.030 Insurer Responsibilities.”

(1) Section 215.555(10), F.S., provides that any violation of any provision of Section 215.555, F.S., or of any rule adopted under Section 215.555, F.S., constitutes a violation of the Florida Insurance Code.

(2) Purpose. The purpose of this rule is to clearly establish certain deadlines and other requirements for insurers required to participate in the Florida Hurricane Catastrophe Fund (Fund or FHCF). It is not the intent or purpose of this rule to address every requirement of Participating Insurers which could result in a referral to the Florida Department of Financial Services.

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

(a) Authorized Insurer means an insurer as defined in Section 624.09(1), F.S. and includes Citizens Property Insurance Corporation and any joint underwriting association or similar entity created pursuant to Section 627.351, F.S.

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

(c) Fund or FHCF means the Florida Hurricane Catastrophe Fund established pursuant to Section 215.555, F.S.

(d) Citizens Property Insurance Corporation or Citizens means the entity formed under Section 627.351(6), F.S., and includes both the High Risk Account and the Personal Lines and Commercial Lines Accounts.

(e) Contract Year, ~~prior to June 1, 2010,~~ 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. ~~The period of time which begins at 12:00:01 Eastern Time on June 1, 2010 and ends at 12:00 p.m. midnight on December 31, 2010 shall be considered the 2010 Contract Year. All Contract Years beginning after December 31, 2010 shall begin at 12:00:01 eastern Time on January 1 of each calendar year and end at 12:00 p.m. midnight on December 31 of that calendar year.~~

(f) A Covered Event or Event is a hurricane as defined in Section 215.555(2)(b), F.S., and in Article V of the Reimbursement Contract adopted and incorporated by reference in Rule 19-8.010, F.A.C.

(g) Covered Policy. This term 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.

(h) Department means the Florida Department of Financial Services.

(i) Data Call means the annual reporting of insured values forms. These forms, as adopted and incorporated into 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 Contract Year 2002/2003 and prior years.

(j) Office of Insurance Regulation means that office within the Department of Financial Services and which was created in Section 20.121(3), F.S.

(k) Participating Insurer, Insurer or Company means an insurer which writes Covered Policies in this state and which has entered into a Reimbursement Contract with the Board, pursuant to Section 215.555(4)(a), F.S.

(l) Reimbursement Contract or Contract means the statutorily required annual contract which provides coverage to Participating Insurers for losses to covered property during a Covered Event.

(m) Reimbursement Premium or Premium means the premium determined by multiplying each \$1,000 of insured value reported by the Company in accordance with Section 215.555(5), F.S., by the rate as derived from the premium formula as described in Rule 19-8.028, F.A.C.

(n) Quota Share Primary Insurance Arrangement is defined in Section 627.351(6)(c)2.a.(I), F.S.

(4) Reimbursement Contract.

(a) Current Participants: The Reimbursement Contracts are annual contracts. Each Insurer required to participate in the FHCF must designate a coverage level in the annual Reimbursement Contract, make any required selections therein and execute the Reimbursement Contract and applicable Addenda so that the Contract, including the schedules and applicable Addenda, have been received by June 1 of each Contract Year.

(b) New Participants during the period of June 1 through November 30: Those Insurers that first begin writing Covered Policies from June 1 through November 30 of a Contract Year are “New Participants.” New Participants must designate a coverage level in the annual Reimbursement Contract, make any required selections therein, and execute the Contract and applicable Addenda simultaneously with issuing the first Covered Policy. The completed and executed Reimbursement Contract, including all required selections, schedules and applicable Addenda, must be returned no later than 30 days after the effective date of the first Covered Policy.

(c) ~~1. For Contract Years prior to the 2010 Contract Year,~~ New Participants during the period of December 1 through May 31: Those Insurers that first begin writing Covered Policies from December 1 through May 31 of a Contract Year, along with the

Insurers described in paragraph (b) immediately above, are New Participants. However, these Insurers shall not complete and submit the Data Call (Form FHCF-D1A) but shall meet all other requirements for New Participants.~~2. For Contract Years 2010 and later, New Participants during the period of December 1 through December 31: Those Insurers that first begin writing Covered Policies from December 1 through December 31 of a Contract Year, along with the Insurers described in paragraph (b) above, are New Participants. However, these Insurers shall not complete and submit the Data Call (Form FHCF-D1A) but shall meet all other requirements for New Participants.~~

(d) Optional coverages authorized by law must be chosen by current participants by executing and returning the applicable Addenda to the Reimbursement Contract by June 1 of the relevant Contract Year. New Participants choosing optional coverage must execute and return the applicable Addenda to the Reimbursement Contract for the relevant Contract Year prior to the time in which a covered loss occurs and within 30 days of writing its first covered policy. Any current or New Participant failing to meet these deadlines shall not be eligible for such optional coverage.

(5) Exposure Reporting Requirements.

(a) Quota Share Primary Insurance: Citizens and Authorized Insurers may enter into Quota Share Primary Insurance Arrangements with respect to the High Risk Account policies. The statute also provides, in Section 627.351(6)(c)2.a.(II), F.S., that Citizens shall be responsible for the annual reporting of insured values to the FHCF for both Citizens and the Insurer participating with Citizens in the Quota Share Arrangement. Citizens shall report the insured values covered by the Quota Share Primary Insurance Arrangements in the same manner that all other current participants, as described in paragraph (b) below, report their insured values. Please note that both Citizens and the Quota Share Primary Insurer must keep complete and accurate records, including copies of policy declaration pages and supporting claims documents, for the purpose of exposure and loss reimbursement examinations by the FHCF.

(b) Current Participants: Each Insurer, with Covered Policies as of June 1 of a Contract Year must participate in the FHCF and must complete and submit the Data Call. The Data Call is incorporated into Rule 19-8.029, F.A.C., and is due, correctly completed, no later than September 1 of the Contract Year.

(c) New Participants during the period of June 1 through November 30: Those Insurers that first begin writing Covered Policies from June 1 through November 30 of a Contract Year must complete and submit the Data Call. The Data Call is incorporated into Rule 19-8.029, F.A.C., and is due, correctly completed, by March 1 of the Contract Year.

(d) Resubmissions of Data: With one exception noted below, any Insurer which submits a Data Call, Form FHCF-D1A, with incorrect data, incomplete data, or data in the wrong format and is required to resubmit will be given 30 days from the date on the letter from the FHCF notifying the Insurer of the need to resubmit. An extension of 30 days will be granted if the Insurer can show that the need for the additional time is due to circumstances beyond the reasonable control of the participant. Exception: If the Insurer, at the time it receives notice of the need to resubmit, has already been issued a notice of examinations, the usual 30 day time limitation (measured from the date of the letter giving notice of the need to resubmit) does not apply. In this situation, the time period in which the Insurer must resubmit is measured by counting backwards 30 days from the date that the examinations are scheduled to begin as reflected on the notice of examinations letter. The FHCF needs the information prior to the examinations; thus, no extensions can be granted.

(6) Premiums.

(a) Current Participants: Premium installments for Current Participants are due on August 1, October 1, and December 1. Premium adjustments are due as indicated on the invoice sent to the Insurer. Premiums paid to the FHCF with reference to property covered by Quota Share Primary Insurance Arrangements, as authorized and 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.

(b) New Participants during the period of June 1 through November 30: Those Insurers that first begin writing Covered Policies from June 1 through November 30 of a Contract Year must submit a payment of \$1,000 on or before the date indicated on the invoice. Once a New Participant's Data Call, which is filed on or before March 1 of the Contract Year, has been reviewed by the Administrator and the company's actual Reimbursement Premium has been determined on its actual exposure, an invoice with the amount due, if any, will be sent to the Company by the Administrator. Payment, if any amounts are shown as due on the invoice, is due within 30 days from the date on the invoice. In no event will the Premium be less than the \$1,000.~~1. For Contract Years prior to the 2010 Contract Year, the New Participant's Data Call is due on or before March 1 of the Contract Year.~~

~~2. For Contract Years 2010 and later, the New Participant's Data Call is due on or before March 1 of the following calendar~~

year.

(c) New Participants during the period of December 1 through May 31:

~~Those 1. For Contract Years prior to the 2010 Contract Year, those Insurers that first begin writing Covered Policies from December 1 through May 31 of a Contract Year shall pay a \$1,000 Premium within 30 days from the date on the invoice sent to the Insurer by the FHCF.~~

~~2. For Contract Years 2010 and later, those Insurers that first begin writing Covered Policies from December 1 through December 31 of a Contract Year shall pay a \$1,000 Premium within 30 days from the date on the invoice sent to the Insurer by the FHCF.~~

(d) With respect to any Company where control of the Company has been transferred through any legal or regulatory proceeding to a state regulator or court appointed receiver or rehabilitator, or the Company has been placed under regulatory supervision, prior to December 1 of the Contract Year, the full annual provisional Reimbursement Premium as billed and any outstanding balances will be due on August 1, or the date that control is transferred if after August 1.

(7) Examination Requirements. A Company is required to prepare and retain an examination file in accordance with the specifications outlined in the Data Call instructions and a detailed claims listing to support losses reported on the Proof of Loss Report. Such records must be retained until the FHCF has completed its examination of a Company's exposure submission and any loss reports applicable to the Data Call Contract Year. The records provided for examination must be from the examination file as originally prepared unless a subsequent resubmission was sent to the FHCF. Note that both Citizens and Insurers participating in Quota Share Primary Insurance Arrangements must keep complete and accurate records, including copies of policy declaration pages and supporting claims documents, for the purpose of exposure and loss reimbursement examinations by the FHCF.

(a) Advance Examination Record Requirements: Within 30 days from the date on the letter from the FHCF, Companies are required to provide the FHCF with the records indicated in the applicable Contract Year's "Exposure Examination Advance Preparation Instructions" or in the applicable Contract Year's "Loss Reimbursement Examination Advance Preparation Instructions". An extension of 30 days may be granted if the Insurer can show that the need for the additional time is due to circumstances beyond the reasonable control of the participant.

1. For Contract Years prior to the 2003/2004 Contract Year, Form FHCF-API as revised for each Contract Year, is the applicable Exposure Examination Advance Preparation Instructions form to use.

2. For the 2004/2005 Contract Year, the applicable exposure examination instructions form is the "Florida Hurricane Catastrophe Fund (FHCF) Exposure Audit – Contract Year 2004 Advance Preparation Instructions," FHCF-API, rev. 5/04. The applicable loss examination instructions form is the "Florida Hurricane Catastrophe Fund (FHCF) Loss Reimbursement Examination – Contract Year 2004 Advance Preparation Instructions," FHCF-LAP1, rev. 05/06.

3. For the 2005/2006 Contract Year, the applicable exposure examination instructions form is the "Florida Hurricane Catastrophe Fund (FHCF) Exposure Examination – Contract Year 2005 Advance Preparation Instructions," FHCF-API, rev. 5/05. The applicable loss examination instructions form is the "Florida Hurricane Catastrophe Fund (FHCF) Loss Reimbursement Examination – Contract Year 2005 Advance Preparation Instructions," FHCF-LAP1, rev. 05/07.

4. For the 2006/2007 Contract Year, the applicable exposure examination instructions form is the "Florida Hurricane Catastrophe Fund (FHCF) Exposure Examination – Contract Year 2006 Advance Preparation Instructions," FHCF-EAP1, rev. 5/06. The applicable loss examination instructions form is the "Florida Hurricane Catastrophe Fund (FHCF) Loss Reimbursement Examination – Contract Year XXXX Advance Preparation Instructions," FHCF-LAP1, new 05/06.

5. For the 2007/2008 Contract Year, the applicable exposure examination instructions form is the "Florida Hurricane Catastrophe Fund (FHCF) Exposure Examination – Contract Year 2007 Advance Preparation Instructions," FHCF-EAP1, rev. 05/07. The applicable loss examination instructions form is the "Florida Hurricane Catastrophe Fund (FHCF) Loss Reimbursement Examination – Contract Year XXXX Advance Preparation Instructions," FHCF-LAP1, rev. 05/07.

6. For the 2008/2009 Contract Year, the applicable exposure examination instructions form is the "Florida Hurricane Catastrophe Fund (FHCF) Exposure Examination – Contract Year 2008 Advance Preparation Instructions," FHCF-EAP1, rev. 05/08. The applicable loss examination instructions form is the "Florida Hurricane Catastrophe Fund (FHCF) Loss Reimbursement Examination – Contract Year XXXX Advance Preparation Instructions," FHCF-LAP1, rev. 05/08.

7. For the 2009/2010 Contract Year, the applicable exposure examination instructions form is the "Florida Hurricane Catastrophe Fund (FHCF) Exposure Examination – Contract Year 2009 Advance Preparation Instructions," FHCF-EAP1, rev. 05/09. The applicable loss examination instructions form is the "Florida Hurricane Catastrophe Fund (FHCF) Loss Reimbursement

Examination – Contract Year XXXX Advance Preparation Instructions,” FHCF-LAP1, rev. 05/09.

8. For the 2010/2011 Contract Year, the applicable exposure examination instructions form is the “Florida Hurricane Catastrophe Fund (FHCF) Exposure Examination – Contract Year 2010 Advance Preparation Instructions,” FHCF-EAP1, rev. 05/10. The applicable loss examination instructions form is the “Florida Hurricane Catastrophe Fund (FHCF) Loss Reimbursement Examination – Contract Year 2010 Advance Preparation Instructions,” FHCF-LAP1, rev. 05/10.

These forms are hereby adopted and incorporated by reference into this rule. Copies of these forms may be obtained from the FHCF website, www.sbafla.com/fhcf or by contacting the State Board of Administration. The mailing address is P. O. Box 13300, Tallahassee, Florida 32317-3300. The street address is 1801 Hermitage Blvd., Tallahassee, Florida 32308.

(b) On-site Examination Record Requirements: The FHCF-EAP1, “Exposure Examination Advance Preparation Instructions” form and the FHCF-LAP1, “Loss Reimbursement Examination Advance Preparation Instructions” form each contain a list of the information that the Companies must have available, on-site, on the date the exposure or loss examination is to begin. These records must be made available to the FHCF examiner upon request.

(c) Response to the FHCF Examination Report: Within 30 days from the date of the letter accompanying the examination report, a Company must provide a written response to the FHCF. The response must indicate whether the Company agrees with the recommendation of the examination report. If the Company disagrees with the examination findings, the reason for the disagreement will be outlined in the response and the Company will provide supporting information to support its objection. An extension of 30 days will be granted if the Company can show that the need for additional time is due to circumstances beyond the reasonable control of the Company.

(d) Resubmissions as a Result of a Completed Examination: A Company required to resubmit exposure data as a result of the examination must do so within 30 days of the date on the letter from the FHCF notifying the Company of the need to resubmit. An extension of 30 days will be granted if the Company can show that the need for additional time is due to circumstances beyond the reasonable control of the Company.

(8) Loss Reporting. Participating Insurers are required to file the following two types of loss reports at the times prescribed in Rule 19-8.029, F.A.C. Form FHCF-L1A, “Florida Hurricane Catastrophe Fund Interim Loss Report,” for the applicable Contract Year and Form FHCF-L1B, “Florida Hurricane Catastrophe Fund Proof of Loss Report,” for the applicable Contract Year.

(a) For the Contract Year 2006-2007, the applicable “Florida Hurricane Catastrophe Fund Interim Loss Report,” is the FHCF-L1A rev. 05/06 and the applicable “Florida Hurricane Catastrophe Fund Proof of Loss Report,” is the FHCF-L1B rev. 05/06.

(b) For the Contract Year 2007-2008, the applicable “Florida Hurricane Catastrophe Fund Interim Loss Report,” is the FHCF-L1A rev. 05/07 and the applicable “Florida Hurricane Catastrophe Fund Proof of Loss Report,” is the FHCF-L1B rev. 05/07.

(c) For the Contract Year 2008-2009, the applicable “Florida Hurricane Catastrophe Fund Interim Loss Report,” is the FHCF-L1A rev. 05/08 and the applicable “Florida Hurricane Catastrophe Fund Proof of Loss Report,” is the FHCF-L1B rev. 05/08.

(d) For the Contract Year 2009-2010, the applicable “Florida Hurricane Catastrophe Fund Interim Loss Report,” is the FHCF-L1A rev. 05/09 and the applicable “Florida Hurricane Catastrophe Fund Proof of Loss Report,” is the FHCF-L1B rev. 05/09. These forms are hereby adopted and incorporated by reference into this rule.

(e) For the Contract Year 2010-2011, the applicable “Florida Hurricane Catastrophe Fund Interim Loss Report,” is the FHCF-L1A rev. 05/10 and the applicable “Florida Hurricane Catastrophe Fund Proof of Loss Report,” is the FHCF-L1B rev. 05/10. These forms are hereby adopted and incorporated by reference into this rule.

These forms are hereby adopted and incorporated by reference into this rule and may be obtained from the Fund’s Administrator, Paragon Strategic Solutions Inc., 8200 Tower, 5600 West 83rd Street, Suite 1100, Minneapolis, Minnesota 55437. Companies must submit a detailed claims listing (in a delimited ASCII format) to support the losses reported in the FHCF-L1B, Proof of Loss Report, at the same time it submits its first Proof of Loss Report for a specific Covered Event that qualifies the company for reimbursement under that Covered Event, and should be prepared to supply a detailed claims listing for any subsequent Proof of Loss Report upon request. Refer to Form FHCF-LAP1 for the required file layout. The Proof of Loss Report and the detailed claims listing are required to be sent to the FHCF Administrator, Paragon Strategic Solutions Inc., at the address listed above. If your company submits its Proof of Loss Reports electronically through the FHCF’s Online Claims System at www.sbafla.com/fhcf, the detailed claims listing may be attached to the Company’s submission.

(9) Penalties and Additional Charges. The Participating Insurers’ responsibilities outlined in this rule are not an exhaustive list and Section 215.555, F.S., and other rules promulgated under that section may outline additional responsibilities or deadlines. The failure by a Participating Insurer to meet any of the deadlines or responsibilities outlined in this rule, Section 215.555, F.S., or any

other rule applicable to the FHCF constitute a violation of the Florida Insurance Code. In the event of a violation, in addition to the consequences outlined below, the FHCF may notify the Office of Insurance Regulation of the violation. The Office of Insurance Regulation may take whatever action it deems appropriate in addressing the violation.

(a) Resubmissions of Data: A \$1,000 resubmission fee (for resubmissions that are not the result of an examination by the SBA) will be invoiced by the FHCF for each submission. If a resubmission is necessary as a result of an examination report issued by the SBA, the resubmission fee will be \$2,000. If a company's examination-required resubmission is inadequate and the SBA requires an additional resubmission(s), the resubmission fee for each subsequent resubmission shall be \$2,000.

(b) Premiums and Other Payments: All late payments of Premium, including Premium adjustments, due to the FHCF from an Insurer are subject to interest.

(c) Consequences for Failure to meet the requirements contained in the FHCF-EAP1, "Exposure Examination Advance Preparation Instructions," the FHCF-LAP1, "Loss Reimbursement Examination Advance Preparation Instructions," or the on-site examination record requirements in a timely manner: In addition to other penalties or consequences, the FHCF has the authority, pursuant to Section 215.555(4)(f), F.S., to require that the Insurer pay for the following services under the circumstances outlined below:

1. If an examination is delayed, cannot be conducted as scheduled or cannot be completed and the insurer is responsible for such, the Insurer shall be required to reimburse the FHCF for all the usual and customary expenses connected to such delay, cancellation or incompleteness.

2. If the FHCF finds any Insurer's records or other necessary information to be inadequate or inadequately posted, recorded, or maintained, the FHCF may employ experts to reconstruct, rewrite, record, post, or maintain such records or information, at the expense of the Insurer being examined.

3. An Insurer required to reimburse the FHCF for costs as outlined in subparagraphs 1. and 2. immediately above, will owe interest on the amount owed to the FHCF from the date the FHCF pays such expenses until the date payment from the Insurer is received. The applicable interest rate will be the average rate earned by the SBA for the FHCF for the first five months of the current Contract Year plus 5%. Also, the payment of reimbursements or refunds by the FHCF to any Insurer will be offset by any amounts owed by that Insurer to the FHCF.

(10) Time Deadlines: If any deadline provided for herein falls on a Saturday, Sunday or on a legal holiday, then the applicable due date will be the first business day immediately following the Saturday, Sunday or legal holiday.

(11) Optional Coverage Programs: Except as provided in this subsection, this rule applies to the Temporary Emergency Additional Coverage Option ("TEACO") created in Section 215.555(16), F.S., and the Temporary Increase in Coverage Limit option created in Section 215.555(17), F.S. ("TICL"). The definition of Premium in paragraph (3)(m), above, does not apply to TEACO. With respect to this Option, the word "Premium" when used in this rule shall refer to the amount payable under Section 215.555(16)(f), F.S., for this optional coverage.

(12) Company Contact Information: Companies must submit Form FHCF-C1, Company Contact Information, by June 1 of each Contract Year to the FHCF Administrator, Paragon Strategic Solutions Inc., 8200 Tower, 5600 West 83rd Street, Suite 1100, Minneapolis, Minnesota 55437. This form must be updated by the Company as the information provided thereon changes. The FHCF shall have the right to rely upon the information provided by the Company to the FHCF on this form until receipt by the FHCF of a new properly completed and notarized FHCF C-1 from the Company.

Rulemaking Authority 215.555(3) FS. Law Implemented 215.555 FS. History—New 5-13-03, Amended 5-19-04, 5-29-05, 5-10-06, 5-8-07, 8-13-07, 6-8-08, 3-30-09, 3-30-10, -- --10.

REIMBURSEMENT CONTRACT

**Effective: June 1, 2010
(Contract)**

between

**«Legal_Name»
«Last_Line»
(Company)**

NAIC # «NAIC_»

and

**THE STATE BOARD OF ADMINISTRATION OF THE STATE OF FLORIDA (SBA)
WHICH ADMINISTERS THE FLORIDA HURRICANE CATASTROPHE FUND (FHCF)**

PREAMBLE

The Legislature of the State of Florida has enacted Section 215.555, Florida Statutes “Statute”, which directs the SBA to administer the FHCF. This Contract, consisting of the principal document entitled Reimbursement Contract, addressing the mandatory FHCF coverage, and Addenda, is subject to the Statute and to any administrative rule adopted pursuant thereto, and is not intended to be in conflict therewith. All provisions in the principle document are equally applicable to each Addenda unless specifically superseded by one of the Addenda.

In consideration of the promises set forth in this Contract, the parties agree as follows:

ARTICLE I - SCOPE OF AGREEMENT

As a condition precedent to the SBA’s obligations under this Contract, the Company, an Authorized Insurer or an entity writing Covered Policies under Section 627.351, Florida Statutes, in the State of Florida, shall report to the SBA in a specified format the business it writes which is described in this Contract as Covered Policies.

The terms of this Contract shall determine the rights and obligations of the parties. This Contract provides reimbursement to the Company under certain circumstances, as described herein, and does not provide or extend insurance or reinsurance coverage to any person, firm, corporation or other entity. The SBA shall reimburse the Company for its Ultimate Net Loss on Covered Policies, which were in force and in effect at the time of the loss, in excess of the Company’s Retention as a result of each Loss

Occurrence commencing during the Contract Year, to the extent funds are available, all as hereinafter defined.

ARTICLE II - PARTIES TO THE CONTRACT

This Contract is solely between the Company and the SBA which administers the FHCF. In no instance shall any insured of the Company or any claimant against an insured of the Company, or any other third party, have any rights under this Contract, except as provided in Article XIV. The SBA will only disburse funds to the Company, except as provided for in Article XIV of this Contract. The Company shall not, without the prior approval of the Office of Insurance Regulation, sell, assign, or transfer to any third party, in return for a fee or other consideration any sums the FHCF pays under this Contract or the right to receive such sums.

ARTICLE III - TERM

This Contract shall apply to Loss Occurrences which commence during the period from 12:00:01 a.m., Eastern Time, June 1, 2010, to 12:00 midnight Eastern Time, ~~December 31, 2010~~ May 31, 2011 (Contract Year).

The Company must designate a coverage level, make the required selections, and return this fully executed Contract (two originals) to the FHCF Administrator so that the Contract is received by the FHCF Administrator no later than 5 p.m., Central Time, June 1, 2010. Failure to do so may result in a referral to the Office of Insurance Regulation within the Department of Financial Services for administrative action. Furthermore, the Company's coverage level under this Contract will be deemed as follows:

- (1) For Companies that are a member of a National Association of Insurance Commissioners (NAIC) group, the same coverage level selected by the other Companies of the same NAIC group shall be deemed. If executed Contracts for none of the members of an NAIC group have been received by the FHCF Administrator, the coverage level from the prior Contract Year shall be deemed.
- (2) For Companies that are not a member of an NAIC group under which other Companies are active participants in the FHCF, the coverage level from the prior Contract Year shall be deemed.
- (3) For New Participants, as that term is defined in Article V(21), that are a member of an NAIC group, the same coverage level selected by the other Companies of the same NAIC group shall be deemed.
- (4) For New Participants that are not a member of an NAIC group under which other Companies are active participants in the FHCF, the 45%, 75% or 90% coverage levels may be selected providing that the FHCF Administrator receives executed Contracts within 30 calendar days of the effective date of the first Covered Policy, otherwise, the 45% coverage level shall be deemed.

Pursuant to the terms of this Contract, the SBA shall not be liable for Loss Occurrences which commence after the effective time and date of expiration or termination. Should this Contract expire or terminate while a Loss Occurrence covered hereunder is in progress, the SBA shall be responsible for such Loss Occurrence in progress in the same manner and to the same extent it would have been responsible had the Contract expired the day following the conclusion of the Loss Occurrence in progress.

ARTICLE IV - LIABILITY OF THE FHCF

- (1) The SBA shall reimburse the Company, with respect to each Loss Occurrence commencing during the Contract Year for the "Reimbursement Percentage" elected, this percentage times the amount of Ultimate Net Loss paid by the Company in excess of the Company's Retention, as adjusted pursuant to Article V(28), plus 5% of the reimbursed losses for Loss Adjustment Expense Reimbursement.
- (2) The Reimbursement Percentage will be 45% or 75% or 90%, at the Company's option as elected under Article XVIII.

- (3) The aggregate liability of the FHCF with respect to all Reimbursement Contracts covering this Contract Year shall not exceed the limit set forth under Section 215.555(4)(c)1., Florida Statutes. For specifics regarding loss reimbursement calculations, see section (3)(c) of Article X herein.
- (4) Upon the occurrence of a Covered Event, the SBA shall evaluate the potential losses to the FHCF and the FHCF's capacity at the time of the event. The initial Projected Payout Multiple used to reimburse the Company for its losses shall not exceed the Projected Payout Multiple as calculated based on the capacity needed to provide the FHCF's mandatory coverage and the Additional Coverage Option (up to \$10 million) pursuant to Section 215.555(4)(b)4., Florida Statutes, as provided under Addendum No. 1. to this Contract. The SBA shall make adjustments to the Projected Payout Multiple in order to reimburse the optional Temporary Coverage Limit (TICL) Options coverage based on the SBA's ongoing evaluation of potential losses and capacity. If it appears that the Estimated Claims-Paying Capacity may be exceeded, the SBA shall reduce the published projected payout factors or multiples for determining each participating insurer's projected payout uniformly among all insurers to reflect the Estimated Claims-Paying Capacity.
- (5) Reimbursement amounts shall not be reduced by reinsurance paid or payable to the Company from other sources.
- (6) After the end of the calendar year, the SBA shall notify insurers of the estimated Borrowing Capacity and the Balance of the Fund as of December 31. In May and October of each year, the SBA shall publish in the *Florida Administrative Weekly* a statement of the FHCF's estimated Borrowing Capacity, estimated Claims-Paying Capacity, and the projected Balance of the Fund as of December 31.
- (7) The obligation of the SBA with respect to all Contracts covering a particular Contract Year shall not exceed the Balance of the Fund as of December 31 of that Contract Year, together with the maximum amount the SBA is able to raise through the issuance of revenue bonds or through other means available to the SBA under Section 215.555, Florida Statutes, up to the limit in accordance with Section 215.555(4)(c)1., Florida Statutes. The obligations and the liability of the SBA are more fully described in Rule 19-8.013, Florida Administrative Code (F.A.C.).

ARTICLE V - DEFINITIONS

- (1) **Actual Claims-Paying Capacity of the FHCF**
This term means the sum of the Balance of the Fund as of December 31 of a Contract Year, plus any reinsurance purchased by the FHCF, plus the amount the SBA is able to raise through the issuance of revenue bonds, or through other means available by law to the SBA, up to the limit in accordance with Section 215.555(4)(c)1. and (6), Florida Statutes.
- (2) **Actuarially Indicated**
This term means, with respect to Premiums paid by Companies for reimbursement provided by the FHCF, an amount determined in accordance with the definition provided in Section 215.555(2)(a), Florida Statutes.
- (3) **Additional Living Expense (ALE)**
ALE losses covered by the FHCF are not to exceed 40 percent of the insured value of a Residential Structure or its contents based on the coverage provided in the policy. Fair rental value, loss of rents, or business interruption losses are not covered by the FHCF.
- (4) **Administrator**
This term means the entity with which the SBA contracts to perform administrative tasks associated with the operations of the FHCF. The Administrator is Paragon Strategic Solutions Inc., 8200 Tower, 5600 West 83rd Street, Suite 1100, Minneapolis, Minnesota 55437. The telephone number is (800) 689-3863, and the facsimile number is (800) 264-0492.

- (5) **Authorized Insurer**
This term is defined in Section 624.09(1), Florida Statutes.
- (6) **Borrowing Capacity**
This term means the amount of funds which are able to be raised by the issuance of revenue bonds or through other financing mechanisms, less bond issuance expenses and reserves.
- (7) **Citizens Property Insurance Corporation (Citizens)**
This term means the entity formed under Section 627.351(6), Florida Statutes and refers to both Citizens Property Insurance Corporation High Risk Account and Citizens Property Insurance Corporation Personal Lines and Commercial Lines Accounts.
- (8) **Contract**
This term means this Reimbursement Contract for the current Contract Year.
- (9) **Covered Event**
This term means any one storm declared to be a hurricane by the National Hurricane Center which causes insured losses in Florida. A Covered Event begins when a hurricane causes damage in Florida while it is a hurricane and continues throughout any subsequent downgrades in storm status by the National Hurricane Center regardless of whether the hurricane makes landfall. Any storm, including a tropical storm, which does not become a hurricane is not a Covered Event.
- (10) **Covered Policy or Covered Policies**
- (a) Covered Policy, as defined in Section 215.555(2)(c), Florida Statutes, is further clarified to mean only that portion of a binder, policy or contract of insurance that insures real or personal property located in the State of Florida to the extent such policy insures a Residential Structure, as defined in definition (27) herein, or the contents of a Residential Structure, located in the State of Florida.
- (b) Due to the specialized nature of the definition of Covered Policies, Covered Policies are not limited to only one line of business in the Company's annual statement required to be filed by Section 624.424, Florida Statutes. Instead, Covered Policies are found in several lines of business on the Company's annual statement. Covered Policies will at a minimum be reported in the Company's statutory annual statement as:
1. Fire
 2. Allied Lines
 3. Farmowners Multiple Peril
 4. Homeowners Multiple Peril
 5. Commercial Multiple Peril (non liability portion, covering condominiums and apartments)
 6. Inland Marine
- Note that where particular insurance exposures, e.g. mobile homes, are reported on an annual statement is not dispositive of whether or not the exposure is a Covered Policy.
- (c) This definition applies only to the first-party property section of a policy pertaining strictly to the structure, its contents, appurtenant structures, or ALE coverage.
- (d) Covered Policy also includes any collateral protection insurance policy covering personal residences which protects both the borrower's and the lender's financial interest, in an amount at least equal to the coverage for the dwelling in place under the lapsed homeowner's policy, if such policy can be accurately reported as required in Section 215.555(5), Florida Statutes. A Company will be deemed to be able to accurately report data if the required data, as specified in the Premium Formula adopted in Section 215.555(5), Florida Statutes, is available.
- (e) See Article VI of this Contract for specific exclusions.
- (11) **Deductible Buy-Back Policies**
This term means a specific policy that provides coverage to a policyholder for some portion of the policyholder's deductible under a policy issued by another insurer.

- (12) **Estimated Claims-Paying Capacity of the FHCF**
This term means the sum of the projected Balance of the Fund as of December 31 of a Contract Year, plus any reinsurance purchased by the FHCF, plus the most recent estimate of the Borrowing Capacity of the FHCF, determined pursuant to Section 215.555(4)(c), Florida Statutes.
- (13) **Excess Policies**
This term, for the purposes of this Contract, means a policy that provides insurance protection for large commercial property risks that provides a layer of coverage above a primary layer (which is insured by a different insurer) that acts much the same as a very large deductible.
- (14) **Florida Department of Financial Services (Department)**
This term means the Florida regulatory agency, created pursuant to Section 20.121, Florida Statutes, which is charged with regulating the Florida insurance market and administering the Florida Insurance Code.
- (15) **Florida Insurance Code**
This term means those chapters identified in Section 624.01, Florida Statutes, which are designated as the Florida Insurance Code.
- (16) **Formula or the Premium Formula**
This term 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. The formula, shall, pursuant to Section 215.555(5)(b), Florida Statutes, include a cash build-up factor in the amount specified therein.
- (17) **Fund Balance or Balance of the Fund as of December 31**
These terms mean the amount of assets available to pay claims, not including any bonding proceeds, resulting from Covered Events which occurred during the Contract Year.
- (18) **Insurer Group**
For purposes of the coverage option election in Section 215.555(4)(b), Florida Statutes, Insurer Group means the group designation assigned by the National Association of Insurance Commissioners (NAIC) for purposes of filing consolidated financial statements. A Company is a member of a group as designated by the NAIC until such Company is assigned another group designation or is no longer a member of a group recognized by the NAIC.
- (19) **Loss Occurrence**
This term means the sum of individual insured losses incurred under Covered Policies resulting from the same Covered Event. "Losses" means direct incurred losses under Covered Policies and excludes Loss Adjustment Expenses.
- (20) **Loss Adjustment Expense Reimbursement**
(a) Loss Adjustment Expense Reimbursement shall be 5% of the reimbursed losses under this Contract as provided in Article IV, pursuant to Section 215.555(4)(b)1., Florida Statutes.
(b) To the extent that loss reimbursements are limited to the Payout Multiple applied to each Company, the 5% Loss Adjustment Expense is included in the total Payout Multiple applied to each Company.
- (21) **New Participant(s)**
This term means all Companies which begin writing Covered Policies on or after the beginning of the Contract Year. A Company that removes exposure from either Citizens entity, as that term is defined in (7) above, pursuant to an assumption agreement effective on or after June 1 and had written no other Covered Policies before June 1 is also considered a New Participant.
- (22) **Office of Insurance Regulation**
This term means that office within the Department of Financial Services and which was created in Section 20.121(3), Florida Statutes.
- (23) **Payout Multiple**
This term means the multiple as calculated in accordance with Section 215.555(4)(c), Florida Statutes, which is derived by dividing the single season Claims-Paying Capacity of the FHCF by

the total aggregate industry Reimbursement Premium for the FHCF for the Contract Year billed as of December 31 of the Contract Year. The final Payout Multiple is determined once Reimbursement Premiums have been billed as of December 31 and the amount of bond proceeds has been determined.

(24) **Premium**

This term means the same as Reimbursement Premium.

(25) **Projected Payout Multiple**

The Projected Payout Multiple is used to calculate a Company's projected payout pursuant to Section 215.555(4)(d)2., Florida Statutes. The Projected Payout Multiple is derived by dividing the estimated single season Claims-Paying Capacity of the FHCF by the estimated total aggregate industry Reimbursement Premium for the FHCF for the Contract Year. The Company's Reimbursement Premium as paid to the SBA for the Contract Year is multiplied by the Projected Payout Multiple to estimate the Company's coverage from the FHCF for the Contract Year.

(26) **Reimbursement Premium**

This term means the Premium determined by multiplying each \$1,000 of insured value reported by the Company in accordance with Section 215.555(5)(b), Florida Statutes, by the rate as derived from the Premium Formula, as described in Rule 19-8.028, F.A.C.

(27) **Residential Structures**

This term means dwelling units, including the primary structure and appurtenant structures insured under the same policy and any other structures covered under endorsements associated with a policy covering a residential structure. *Covered Residential Structures do not include* any structures listed under Article VI herein or structures used solely for non-residential purposes.

(28) **Retention**

The Company's Retention means the amount of hurricane losses under Covered Policies which must be incurred by the Company before it is eligible for reimbursement from the FHCF.

(a) When the Company experiences covered losses from one or two Covered Events during the Contract Year, the Company's full Retention shall be applied to each of the Covered Events.

(b) When the Company experiences covered losses from more than two Covered Events during the Contract Year, the Company's full Retention shall be applied to each of the two Covered Events causing the largest covered losses for the Company. For each other Covered Event resulting in covered losses, the Company's Retention shall be reduced to one-third of its full Retention and applied to all other Covered Events.

1. All reimbursement of covered losses for each Covered Event shall be based on the Company's full Retention until December 31 of the Contract Year. Adjustments to reflect a reduction to one-third of the full Retention shall be made on or after December 31 of the Contract Year provided the Company reports its losses as specified in this Contract.

2. Adjustments to the Company's Retention shall be based upon its paid and outstanding losses as reported on the Company's Proof of Loss Reports but shall not include incurred but not reported losses. The Company's Proof of Loss Reports shall be used to determine which Covered Events constitute the Company's two largest Covered Events, and the reduction to one-third of the full Retention shall be applied to all other Covered Events for the Contract Year. After this initial determination, any subsequent adjustments shall be made by the SBA only if the quarterly loss reports reveal that loss development patterns have resulted in a change in the order of Covered Events entitled to the reduction to one-third of the full Retention.

(c) The Company's full Retention is established in accordance with the provisions of Section 215.555(2)(e), Florida Statutes, and shall be determined by multiplying the Retention Multiple by the Company's Reimbursement Premium for the Contract Year.

(d) Once the Company's limit of coverage has been exhausted, the Company will not be entitled to further reimbursements.

(29) **Retention Multiple**

- (a) The Retention Multiple is applied to the Company's Reimbursement Premium to determine the Company's Retention. The Retention Multiple for the 2010/~~2011~~ Contract Year shall be equal to \$4.5 billion, adjusted based upon the reported exposure for the ~~2009/2010~~-2008/2009 Contract Year to reflect the percentage growth in exposure to the FHCF since 2004, divided by the estimated total industry Reimbursement Premium at the 90% reimbursement percentage level for the Contract Year as determined by the SBA.
- (b) The Retention Multiple as determined under (29)(a) above shall be adjusted to reflect the reimbursement percentage elected by the Company under this Contract as follows:
 1. If the Company elects a 90% reimbursement percentage, the adjusted Retention Multiple is 100% of the amount determined under (29)(a) above;
 2. If the Company elects a 75% reimbursement percentage, the adjusted Retention Multiple is 120% of the amount determined under (29)(a) above; or
 3. If the Company elects a 45% reimbursement percentage, the adjusted Retention Multiple is 200% of the amount determined under (29)(a) above.

(30) **Ultimate Net Loss**

- (a) This term means all losses of the Company under Covered Policies in force at the time of a Covered Event, as defined under (9) above, prior to the application of the Company's FHCF Retention, as defined under (28) above, and reimbursement percentage, and excluding loss adjustment expense, arising from each Loss Occurrence during the Contract Year, provided, however, that the Company's loss shall be determined in accordance with the deductible level written under the policy sustaining the loss.
- (b) Salvages and all other recoveries, excluding reinsurance recoveries, shall be first deducted from such loss to arrive at the amount of liability attaching hereunder.
- (c) All salvages, recoveries or payments recovered or received subsequent to a loss settlement under this Contract shall be applied as if recovered or received prior to the aforesaid settlement and all necessary adjustments shall be made by the parties hereto.
- (d) Nothing in this clause shall be construed to mean that losses under this Contract are not recoverable until the Company's Ultimate Net Loss has been ascertained.
- (e) The SBA shall be subrogated to the rights of the Company to the extent of its reimbursement of the Company. The Company agrees to assist and cooperate with the SBA in all respects as regards such subrogation. The Company further agrees to undertake such actions as may be necessary to enforce its rights of salvage and subrogation, and its rights, if any, against other insurers as respects any claim, loss, or payment arising out of a Covered Event.

ARTICLE VI – EXCLUSIONS

This Contract does not provide reimbursement for:

- (1) Any losses not defined as being within the scope of a Covered Policy.
- (2) Any policy which excludes wind or hurricane coverage.
- (3) Any Excess Policy or Deductible Buy-Back Policy that requires individual ratemaking.
- (4) Any policy for Residential Structures, as defined in Article V(27) herein, that provides a layer of coverage underneath an Excess Policy, as defined in Article V(13) herein, issued by a different insurer.
- (5) Any liability of the Company attributable to losses for fair rental value, loss of rent or rental income, or business interruption.
- (6) Any collateral protection policy that does not meet the definition of Covered Policy as defined in Article V(10)(d) herein.
- (7) Any reinsurance assumed by the Company.
- (8) Any exposure for hotels, motels, timeshares, shelters, camps, retreats, and any other rental property used solely for commercial purposes.

- (9) Any exposure for homeowner associations if no habitational structures are insured under the policy.
- (10) Any exposure for homes and condominium structures or units that are non-owner occupied and rented for six (6) or more rental periods by different parties during the course of a twelve (12) month period.
- (11) Commercial healthcare facilities and nursing homes; however, a nursing home which is an integral part of a retirement community consisting primarily of habitational structures that are not nursing homes will not be subject to this exclusion.
- (12) Any exposure under commercial policies covering only appurtenant structures or structures that do not function as a habitational structure (e.g. a policy covering only the pool of an apartment complex).
- (13) Personal contents in a commercial storage facility (including jewelry in an off-premises vault) covered under a policy that covers only those personal contents.
- (14) Policies covering only Additional Living Expense.
- (15) Any exposure for barns or barns with apartments.
- (16) Any exposure for builders risk coverage or new residential structures still under construction.
- (17) Any exposure for recreational vehicles, golf carts, or boats (including boat related equipment) requiring licensing and written on a separate policy or endorsement.
- (18) Any liability of the Company for extra contractual obligations or liabilities in excess of original policy limits.
- (19) Any losses paid in excess of a policy's hurricane limit in force at the time of each Covered Event, including individual coverage limits (i.e., building, appurtenant structures, contents, and additional living expense). This exclusion includes overpayments of a specific individual coverage limit even if total payments under the policy are within the aggregate policy limit.
- (20) Any losses paid under a policy for Additional Living Expense, written as a time element coverage, in excess of the Additional Living Expense exposure reported for that policy under the Data Call for the applicable Contract Year (unless policy limits have changed effective after June 30th of the Contract Year).
- (21) Any losses for which the Company's claims files do not adequately support. Claim file support shall be deemed adequate if in compliance with the Records Retention Requirements outlined on the Form FHCF-L1B (Proof of Loss Report) applicable to the Contract Year.
- (22) Any exposure for, or losses attributable to, loss assessment coverage.
- (23) Losses in excess of the sum of the Balance of the Fund as of December 31 of the Contract Year and the amount the SBA is able to raise through the issuance of revenue bonds or by the use of other financing mechanisms, up to the limit pursuant to Section 215.555(4)(c), Florida Statutes.
- (24) Any liability assumed by the Company from Pools, Associations, and Syndicates. Exception: Covered Policies assumed from Citizens under the terms and conditions of an executed assumption agreement between the Authorized Insurer and Citizens are covered by this Contract.
- (25) All liability of the Company arising by contract, operation of law, or otherwise, from its participation or membership, whether voluntary or involuntary, in any insolvency fund. "Insolvency fund" includes any guaranty fund, insolvency fund, plan, pool, association, fund or other arrangement, howsoever denominated, established or governed, which provides for any assessment of or payment or assumption by the Company of part or all of any claim, debt, charge, fee, or other obligation of an insurer, or its successors or assigns, which has been declared by any competent authority to be insolvent, or which is otherwise deemed unable to meet any claim, debt, charge, fee or other obligation in whole or in part.
- (26) Any liability of the Company for loss or damage caused by or resulting from nuclear reaction, nuclear radiation, or radioactive contamination from any cause, whether direct or indirect, proximate or remote, and regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

- (27) The FHCF does not provide coverage for water damage which is generally excluded under property insurance contracts and has been defined to mean flood, surface water, waves, tidal water, overflow of a body of water, storm surge, or spray from any of these, whether or not driven by wind.
- (28) Specialized Fine Arts Risks as defined in Rule 19-8.028(4)(d), F.A.C.

ARTICLE VII - MANAGEMENT OF CLAIMS AND LOSSES

The Company shall investigate and settle or defend all claims and losses. All payments of claims or losses by the Company within the terms and limits of the appropriate coverage parts of Covered Policies shall be binding on the SBA, subject to the terms of this Contract, including the provisions in Article XIII relating to inspection of records and examinations.

ARTICLE VIII – LOSS REIMBURSEMENT ADJUSTMENTS

(1) Offsets

The SBA reserves the right to offset amounts payable to the SBA from the Company, including amounts payable under previous Contract Years and the Company's full premium for the current Contract Year (regardless of installment due dates), against any reimbursement or advance amounts due and payable to the Company from the SBA as a result of the liability of the SBA.

(2) Reimbursement Adjustments

Section 215.555(4)(d) and (e), Florida Statutes, provides the SBA with the right to seek the return of excess loss reimbursements which have been paid to the Company along with interest thereon. Excess loss reimbursements are those payments made to the Company by the SBA that are in excess of the Company's coverage under the Contract Year. Excess loss reimbursements may result from adjustments to the Projected Payout Multiple or the Payout Multiple, incorrect exposure (Data Call) submissions or resubmissions, incorrect calculations of Reimbursement Premiums or Retentions, incorrect Proof of Loss Reports, incorrect calculation of reinsurance recoveries, or subsequent readjustment of policyholder claims, including subrogation and salvage, or any combination of the foregoing. The Company will be sent an invoice showing the due date for adjustments along with the interest due thereon through the due date. The applicable interest rate for interest credits, and for interest charges for adjustments beyond the Company's control, will be the average rate earned by the SBA for the FHCF for the first four months of the Contract Year. The applicable interest rate for interest charges on excess loss reimbursements due to adjustments resulting from incorrect exposure submissions or Proof of Loss Reports will accrue at this rate plus 5%. All interest will continue to accrue if not paid by the due date.

ARTICLE IX - REIMBURSEMENT PREMIUM

- (1) The Company shall, in a timely manner, pay the SBA its Reimbursement Premium for the Contract Year. The Reimbursement Premium for the Contract Year shall be calculated in accordance with Section 215.555, Florida Statutes, with any rules promulgated thereunder, and with Article X(2).
- (2) Since the calculation of the Actuarially Indicated Premium assumes that the Companies will pay their Reimbursement Premiums timely, interest charges will accrue under the following circumstances. A Company may choose to estimate its own Premium installments. However, if the Company's estimation is less than the provisional Premium billed, an interest charge will accrue on the difference between the estimated Premium and the final Premium. If a Company estimates its first installment, the Administrator shall bill that estimated Premium as the second installment as well, which will be considered as an estimate by the Company. No interest will accrue regarding any provisional Premium if paid as billed by the FHCF's Administrator, except in the case of an estimated second installment as set forth in this Article. Also, if a Company makes an estimation that is higher than the provisional Premium billed but is less than the final Premium, interest will not

accrue. If the Premium payment is not received from a Company when it is due, an interest charge will accrue on a daily basis until the payment is received. Interest will also accrue on Premiums resulting from submissions or resubmissions finalized after December 1 of the Contract Year. An interest credit will be applied for any Premium which is overpaid as either an estimate or as a provisional Premium. Interest shall not be credited past December 1 of the Contract Year. The applicable interest rate for interest credits will be the average rate earned by the SBA for the FHCF for the first four months of the Contract Year. The applicable interest rate for interest charges will accrue at this rate plus 5%.

ARTICLE X - REPORTS AND REMITTANCES

(1) Exposures

- (a) If the Company writes Covered Policies before June 1 of the Contract Year, the Company shall report to the SBA, unless otherwise provided in Rule 19-8.029, F.A.C., no later than the statutorily required date of September 1 of the Contract Year, by ZIP Code or other limited geographical area as specified by the SBA, its insured values under Covered Policies as of June 30 of the Contract Year as outlined in the annual reporting of insured values form, FHCF-D1A (Data Call) adopted for the Contract Year under Rule 19-8.029, F.A.C., and other data or information in the format specified by the SBA.
- (b) If the Company first begins writing Covered Policies on or after June 1 but prior to December 1 of the Contract Year, the Company shall report to the SBA, no later than March 1 of the ~~following~~ Contract Year, by ZIP Code or other limited geographical area as specified by the SBA, its insured values under Covered Policies as of December 31 of the Contract Year as outlined in the Supplemental Instructions for New Participants section of the Data Call adopted for the Contract Year under Rule 19-8.029, F.A.C., and other data or information in the format specified by the SBA.
- (c) If the Company first begins writing Covered Policies on December 1 through and including ~~December 31~~ May 31 of the Contract Year, the Company shall not report its exposure data for the Contract Year to the SBA.
- (d) The requirement that a report is due on a certain date means that the report shall be in the physical possession of the FHCF's Administrator in Minneapolis no later than 5 p.m. on the due date. If the applicable due date is a Saturday, Sunday or legal holiday, then the actual 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 SBA in Tallahassee, Florida, will be returned to the sender. Reports not in the physical possession of the FHCF's Administrator by 5 p.m., Central Time, on the applicable due date are late.
- (e) Pursuant to the provisions of Section 215.557, Florida Statutes, the reports of insured values under Covered Policies by ZIP Code submitted to the SBA pursuant to Section 215.555, Florida Statutes, are confidential and exempt from the provisions of Section 119.07(1), Florida Statutes, and Section 24(a), Art. I of the State Constitution.

(2) Reimbursement Premium

- (a) If the Company writes Covered Policies before June 1 of the Contract Year, the Company shall pay the FHCF its Reimbursement Premium in installments due on or before August 1, October 1, and December 1 of the Contract Year in amounts to be determined by the FHCF. However, if the Company's Reimbursement Premium for the prior Contract Year was less than \$5,000, the Company's full provisional Reimbursement Premium, in an amount equal to the Reimbursement Premium paid in the prior year, shall be due in full on or before August 1 of the Contract Year. The Company will be invoiced for amounts due, if any, beyond the provisional Reimbursement Premium payment, on or before December 1 of the Contract Year. In addition,

if control of the Company has been transferred through any legal or regulatory proceeding to a state regulator or court appointed receiver or rehabilitator (referred to in the aggregate as “State action”), the full annual provisional Reimbursement Premium as billed and any outstanding balances will be due and payable on August 1, or the date that such State action occurs after August 1 of the Contract Year. Such acceleration will not apply when the receiver or rehabilitator provides a letter of assurance to the FHCF that the Company will have the resources to pay the premium in installments in accordance with the contractual provisions.

- (b) A New Participant that first begins writing Covered Policies on or after June 1 but prior to December 1 of the Contract Year shall pay the FHCF a provisional Reimbursement Premium of \$1,000 upon execution of this Contract. The Administrator shall calculate the Company's actual Reimbursement Premium for the period based on its actual exposure as of December 31 of the Contract Year, as reported on or before March 1 of the ~~following~~ Contract Year. 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 ~~following~~ Contract Year. The Company's Retention and coverage will be determined based on the total Premium due as calculated above.
- (c) A New Participant that first begins writing Covered Policies on or after December 1 through December 31 and including May 31 of the Contract Year shall pay the FHCF a Reimbursement Premium of \$1,000 upon execution of this Contract.
- (d) The requirement that the Reimbursement Premium is due on a certain date means that the Premium shall be in the physical possession of the FHCF no later than 5 p.m., Eastern Time, on the due date applicable to the particular installment. If remitted by check to the FHCF's Post Office Box, the check shall be physically in the Post Office Box 550261, Tampa, FL 33655-0261, as set out on the invoice sent to the Company. If remitted by check by hand delivery, the check shall be physically on the premises of the FHCF's bank in Tampa, Florida, as set out on the invoice sent to the Company. If remitted electronically, the wire transfer shall have been completed to the FHCF's account at its bank in Tampa, Florida, as set out on the invoice sent to the Company. If the applicable due date is a Saturday, Sunday or legal holiday, then the actual 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 remittance, neither the United States Postal Service postmark nor a postage meter date is in any way determinative. Premium checks sent to the SBA in Tallahassee, Florida, or to the FHCF's Administrator in Minneapolis, Minnesota, will be returned to the sender. Reimbursement Premiums not in the physical possession of the FHCF by 5 p.m., Eastern Time, on the applicable due date are late.
- (e) Except as required by Section 215.555(7)(c), Florida Statutes, or as described in the following sentence, Reimbursement Premiums, together with earnings thereon, received in a given Contract Year will be used only to pay for losses attributable to Covered Events occurring in that Contract Year or for losses attributable to Covered Events in subsequent Contract Years and will not be used to pay for past losses or for debt service on revenue bonds. Pursuant to Section 215.555(6)(a)1., Florida Statutes, Reimbursement Premiums and earnings thereon may be used for payments relating to revenue bonds in the event Emergency Assessments are insufficient. If Reimbursement Premiums or earnings thereon are used for debt service on revenue bonds, then the amount of the Reimbursement Premiums or earnings thereon so used shall be returned, without interest, to the Fund when Emergency Assessments or other legally available funds remain available after making payment relating to the revenue bonds and any other purposes for which Emergency Assessments were levied.

(3) **Claims and Losses**

(a) **In General**

1. Claims and losses resulting from Loss Occurrences commencing during the Contract Year shall be reported by the Company and reimbursed by the FHCF as provided herein and in accordance with the Statute, this Contract, and any rules adopted pursuant to the Statute. For a Company participating in a quota share primary insurance agreement(s) with Citizens Property Insurance Corporation High Risk Account, Citizens and the Company shall report only their respective portion of losses under the quota share primary insurance agreement(s). Pursuant to Section 215.555(4)(c), Florida Statutes, the SBA is obligated to pay for losses not to exceed the Actual Claims-Paying Capacity of the FHCF, up to the limit in accordance with Section 215.555(4)(c)1., Florida Statutes, for any one Contract Year.
2. If the Company is in non-compliance with Section 215.555, Florida Statutes for any Contract Year, including deadlines for sending in Contracts, addendums or attachments to Contracts, Data Call submissions or resubmissions, loss reports, or in responding to SBA exam requirements, the SBA reserves the right to withhold reimbursements or advances until such time the Company becomes compliant.

(b) **Loss Reports**

1. At the direction of the SBA, the Company shall report its projected Ultimate Net Loss from each Loss Occurrence to provide information to the SBA in determining any potential liability for possible reimbursable losses under the Contract on the Interim Loss Report, Form FHCF-L1A, adopted for the Contract Year under Rule 19-8.029, F.A.C. Interim Loss Reports (including subsequent Interim Loss Reports if required by the SBA) will be due in no less than fourteen days from the date of the notice from the SBA that such a report is required.
2. FHCF loss reimbursements will be issued based on Ultimate Net Loss information reported by the Company on the Proof of Loss Report, Form FHCF-L1B, adopted for the Contract Year under Rule 19-8.029, F.A.C.
 - a. To qualify for reimbursement, the Proof of Loss Report must have the original signatures of two executive officers authorized by the Company to sign the report.
 - b. The Company must also submit a detailed claims listing (as outlined on the Proof of Loss Report) at the same time it submits its first Proof of Loss Report for a specific Covered Event that qualifies the Company for reimbursement under that Covered Event, and should be prepared to supply a detailed claims listing for any subsequent Proof of Loss Report upon request.
 - c. While a Company may submit a Proof of Loss Report requesting reimbursement at any time following a Loss Occurrence, all Companies shall submit a mandatory Proof of Loss Report for each Loss Occurrence no earlier than December 1 and no later than December 31 of the Contract Year during which the Covered Event(s) occurs using the most current data available, regardless of the amount of Ultimate Net Loss or the amount of loss reimbursements or advances already received. Reports may be faxed only if the Company does not qualify for a reimbursement.
 - d. For the Proof of Loss Reports due by December 31 of the Contract Year, and the required subsequent quarterly and annual reports required under subparagraphs 3. and 4. below, the Company shall submit its Proof of Loss Reports by each quarter-end or year-end using the most current data available. However, the date of such data shall not be more than sixty days prior to the applicable quarter-end or year-end date.
3. Updated Proof of Loss Reports for each Loss Occurrence are due quarterly thereafter until all claims and losses resulting from a Loss Occurrence are fully discharged including any adjustments to such losses due to salvage or other recoveries, or the Company has received its full coverage under the Contract Year in which the Loss Occurrence(s) occurred. Guidelines follow:

- a. Quarterly Proof of Loss Reports are due by March 31 from an insurer whose losses exceed, or are expected to exceed, 50% of its FHCF Retention for a specific Loss Occurrence(s).
- b. Quarterly Proof of Loss Reports are due by June 30 from an insurer whose losses exceed, or are expected to exceed, 75% of its FHCF Retention for a specific Loss Occurrence(s).
- c. Quarterly Proof of Loss Reports are due by September 30 and quarterly thereafter from an insurer whose losses exceed, or are expected to exceed, its FHCF Retention for a specific Loss Occurrence(s).

If the Company's Retention must be recalculated as the result of an exposure resubmission, and if the recalculated Retention changes the FHCF's reimbursement obligations, then the Company shall submit additional Proof of Loss Reports for recalculation of the FHCF's obligations.

4. Annually after December 31 of the Contract Year, all Companies shall submit a mandatory year-end Proof of Loss Report for each Loss Occurrence, as applicable, using the most current data available. This Proof of Loss Report shall be filed no earlier than December 1 and no later than December 31 of each year and shall continue until the earlier of the commutation process described in (3)(d) below or until all claims and losses resulting from the Loss Occurrence are fully discharged including any adjustments to such losses due to salvage or other recoveries.
5. The SBA, except as noted below, will determine and pay, within 30 days or as soon as practicable after receiving Proof of Loss Reports, the reimbursement amount due based on losses paid by the Company to date and adjustments to this amount based on subsequent quarterly information. The adjustments to reimbursement amounts shall require the SBA to pay, or the Company to return, amounts reflecting the most recent determination of losses.
 - a. The SBA shall have the right to consult with all relevant regulatory agencies to seek all relevant information, and shall consider any other factors deemed relevant, prior to the issuance of reimbursements.
 - b. The SBA shall require commercial self-insurance funds established under Section 624.462, Florida Statutes, to submit contractor receipts to support paid losses reported on a Proof of Loss Report, and the SBA may hire an independent consultant to confirm losses, prior to the issuance of reimbursements.
 - c. The SBA shall have the right to conduct a claims examination prior to the issuance of any advances or reimbursements submitted by Companies that have been placed under regulatory supervision by a State or where control has been transferred through any legal or regulatory proceeding to a state regulator or court appointed receiver or rehabilitator.
6. All Proof of Loss Reports received will be compared with the FHCF's exposure data to establish the facial reasonableness of the reports. The SBA may also review the results of current and prior Contract Year exposure and loss examinations to determine the reasonableness of the reported losses. Except as noted in paragraph 4. above, Companies meeting these tests for reasonableness will be scheduled for reimbursement. Companies not meeting these tests for reasonableness will be handled on a case-by-case basis and will be contacted to provide specific information regarding their individual book of business. The discovery of errors in a Company's reported exposure under the Data Call may require a resubmission of the current Contract Year Data Call which, as the Data Call impacts the Company's premium, retention, and coverage for the Contract Year, will be required before the Company's request for reimbursement or an advance will be fully processed by the Administrator.

(c) **Loss Reimbursement Calculations**

1. In general, the Company's paid Ultimate Net Losses must exceed its full FHCF Retention for a specific Covered Event before any reimbursement is payable from the FHCF for that Covered Event. As described in Article V(28)(b), Retention adjustments will be made on or after December 31 of the Contract Year. No interest is payable on additional payments to the Company due to this type of Retention adjustment. Each Company sustaining reimbursable losses will receive the amount of reimbursement due under the Contract up to the amount of the Company's payout. If more than one Covered Event occurs in any one Contract Year, any reimbursements due from the FHCF shall take into account the Company's Retention for each Covered Event. However, the Company's reimbursements from the FHCF for all Covered Events occurring during the Contract Year shall not exceed, in aggregate, the Projected Payout Multiple or Payout Multiple, as applicable, times the individual Company's Reimbursement Premium for the Contract Year.
2. In determining reimbursements under this Contract, the SBA shall reimburse each of the Companies, including entities created pursuant to Section 627.351(6), Florida Statutes, for the amount (if any) of reimbursement due under the individual Company's Contract, but not to exceed for all Loss Occurrences, an amount equal to the Projected Payout Multiple or the Payout Multiple, as applicable, times the individual Company's Reimbursement Premium for the Contract Year.
3. Reserve established. When a Covered Event occurs in a subsequent Contract Year when reimbursable losses are still being paid for a Covered Event in a previous Contract Year, the SBA will establish a reserve for the outstanding reimbursable losses for the previous Contract Year, based on the length of time the losses have been outstanding, the amount of losses already paid, the percentage of incurred losses still unpaid, and any other factors specific to the loss development of the Covered Events involved.

(d) **Commutation**

1. Not less than 36 months or more than 60 months after the end of the Contract Year, the SBA shall initiate the commutation process. While the Company may request that the SBA consider beginning the commutation process earlier, doing so shall be at the discretion of the SBA.
 - a. If the Company's most recently submitted Proof of Loss Report(s) indicate that it has no losses resulting from a Loss Occurrence(s) during the Contract Year, the FHCF's obligations will end 30 days following notice by the SBA of the intent to close out the Company's loss reporting for the Contract Year. If the Company determines that it does have losses to report, the Company must submit an up-to-date Proof of Loss Report(s), along with an explanation of why the losses had not been previously reported, within 30 days following the notice by the SBA. After closure by the FHCF, the company will not be reimbursed for any losses for the Contract Year regardless of circumstances or information discovered following such closure.
 - b. If the Company has submitted a Proof of Loss Report(s) indicating that it does have losses resulting from a Loss Occurrence(s) during the Contract Year, the SBA shall initiate the commutation process by requiring the Company to submit within 30 days an updated, current Proof of Loss Report(s) for each Loss Occurrence during the Contract Year. The Proof of Loss Report(s) must include all paid losses as well as all outstanding losses, including incurred but not reported, which are not finally settled and which may be reimbursable losses under this Contract, and must be accompanied by a copy of a written opinion on the present value of the outstanding losses by the Company's certifying actuary. Failure of the Company to provide an updated current Proof of Loss Report(s) and an opinion by the date requested by the SBA shall result in referral to the Office of Insurance Regulation for a violation of the Contract.
2. Determining the present value of outstanding claims and losses.

- a. If the Company exceeds or expects to exceed its Retention, the Company and the SBA or their respective representatives shall attempt, by mutual agreement, to agree upon the present value of all outstanding claims and losses, both reported and incurred but not reported, resulting from Loss Occurrences during the Contract Year. Payment by the SBA of its portion of any amount or amounts so mutually agreed and certified by the Company's certifying actuary shall constitute a complete and final release of the SBA in respect of all claims and losses, both reported and unreported, under this Contract.
 - b. If agreement on present value cannot be reached within 60 days, the Company and the SBA may mutually appoint an actuary, adjuster, or appraiser to investigate and determine such claims or losses. If both parties then agree, the SBA shall pay its portion of the amount so determined to be the present value of such claims or losses.
 - c. If the parties fail to agree, then any difference shall be settled by a panel of three actuaries, one to be chosen by each party and the third by the two so chosen. If either party does not appoint an actuary within 30 days, the other party may appoint two actuaries. If the two actuaries fail to agree on the selection of a third actuary within 30 days of their appointment, each of them shall name two, of whom the other shall decline one and the decision shall be made by drawing lots. All the actuaries shall be regularly engaged in the valuation of property claims and losses and shall be members of the Casualty Actuarial Society and of the American Academy of Actuaries. None of the actuaries shall be under the control of either party to this Contract. Each party shall submit its case to its actuary within 30 days of the appointment of the third actuary. The decision in writing of any two actuaries, when filed with the parties hereto, shall be final and binding on both parties.
 - d. The reasonable and customary expense of the actuaries and of the commutation (as a result of b. and c. above) shall be equally divided between the two parties. Said commutation shall take place in Tallahassee, Florida, unless some other place is mutually agreed upon by the Company and the SBA.
3. If at any point during the commutation process information which indicates an increase in the Company's reimbursable losses is provided by the Company or discovered as a result of an examination by the SBA, the SBA may suspend the time frame for the commutation process. After such suspension, the SBA shall determine when it is appropriate to resume the commutation process.

(4) Advances

- (a) In accordance with Section 215.555(4)(e), Florida Statutes, the SBA may make advances for loss reimbursements as defined herein, at market interest rates, to the Company in accordance with Section 215.555(4)(e), Florida Statutes. An advance is an early reimbursement which allows the Company to continue to pay claims in a timely manner. Advances will be made based on the Company's paid and reported outstanding losses for Covered Policies (excluding all incurred but not reported [IBNR] losses) as reported on a Proof of Loss Report, and shall include Loss Adjustment Expense Reimbursement as calculated by the FHCF. In order to be eligible for an advance, the Company must submit its exposure data for the Contract Year as required under paragraph (1) of this Article. Except as noted below, advances, if approved, will be made as soon as practicable after the SBA receives a written request, signed by two officers of the Company, for an advance of a specific amount and any other information required for the specific type of advance under subparagraphs (c) and (e) below. All reimbursements due to a Company shall be offset against any amount of outstanding advances plus the interest due thereon.
- (b) For advances or excess advances, which are advances that are in excess of the amount to which the Company is entitled, the market interest rate shall be the prime rate as published in the Wall Street Journal on the first business day of the Contract Year. This rate will be adjusted annually on the first business day of each subsequent Contract Year, regardless of whether the Company

executes subsequent Contracts. In addition to the prime rate, an additional 5% interest charge will apply on excess advances. All interest charged will commence on the date the SBA issues a check for an advance and will cease on the date upon which the FHCF has received the Company's Proof of Loss Report(s) for the Covered Event(s) for which the Company qualifies for reimbursement(s). If such reimbursement(s) are less than the amount of outstanding advance(s) issued to the Company, interest will continue to accrue on the outstanding balance of the advance(s) until subsequent Proof of Loss Reports qualify the Company for reimbursement under any Covered Event equal to or exceeding the amount of any outstanding advance(s). Interest shall be billed on a periodic basis. If it is determined that the Company received funds in excess of those to which it was entitled, the interest as to those sums will not cease on the date of the receipt of the Proof of Loss Report but will continue until the Company reimburses the FHCF for the overpayment.

- (c) If the Company has an outstanding advance balance as of December 31 of this or any other Contract Year, the Company is required to have an actuary certify outstanding and incurred but not reported losses as reported on the applicable December Proof of Loss Report.
- (d) The specific type of advances enumerated in the Section 215.555, Florida Statutes, follow.
 - 1. Advances to Companies to prevent insolvency, as defined under Article XIV of this Contract.
 - a. Section 215.555(4)(e)1., Florida Statutes, provides that the SBA shall advance to the Company amounts necessary to maintain the solvency of the Company, up to 50 percent of the SBA's estimate of the reimbursement due to the Company.
 - b. In addition to the requirements outlined in subparagraph (4)(a) above, the requirements for an advance to a Company to prevent insolvency are that the Company demonstrates it is likely to qualify for reimbursement and that the immediate receipt of moneys from the SBA is likely to prevent the Company from becoming insolvent, and the Company provides the following information:
 - i. Current assets;
 - ii. Current liabilities other than liabilities due to the Covered Event;
 - iii. Current surplus as to policyholders;
 - iv. Estimate of other expected liabilities not due to the Covered Event; and
 - v. Amount of reinsurance available to pay claims for the Covered Event under other reinsurance treaties.
 - c. The SBA's final decision regarding an application for an advance to prevent insolvency shall be based on whether or not, considering the totality of the circumstances, including the SBA's obligations to provide reimbursement for all Covered Events occurring during the Contract Year, granting an advance is essential to allowing the entity to continue to pay additional claims for a Covered Event in a timely manner.
 - 2. Advances to entities created pursuant to Section 627.351(6), Florida Statutes.
 - a. Section 215.555(4)(e)2., Florida Statutes, provides that the SBA may advance to an entity created pursuant to Section 627.351(6), Florida Statutes, up to 90% of the lesser of the SBA's estimate of the reimbursement due or the entity's share of the actual aggregate Reimbursement Premium for that Contract Year, multiplied by the current available liquid assets of the FHCF.
 - b. In addition to the requirements outlined in subparagraph (4)(a) above, the requirements for an advance to entities created pursuant to Section 627.351(6), Florida Statutes are that the entity must demonstrate to the SBA that the advance is essential to allow the entity to pay claims for a Covered Event.
 - 3. Advances to limited apportionment companies.
Section 215.555(4)(e)3., Florida Statutes, provides that the SBA may advance the amount of estimated reimbursement payable to limited apportionment companies.

- (e) In determining whether or not to grant an advance and the amount of an advance, the SBA:
 - 1. Shall determine whether its assets available for the payment of obligations are sufficient and sufficiently liquid to fulfill its obligations to other Companies prior to granting an advance;
 - 2. Shall review and consider all the information submitted by such Companies;
 - 3. Shall review such Companies' compliance with all requirements of Section 215.555, Florida Statutes;
 - 4. Shall consult with all relevant regulatory agencies to seek all relevant information;
 - 5. Shall review the damage caused by the Covered Event and when that Covered Event occurred;
 - 6. Shall consider whether the Company has substantially exhausted amounts previously advanced; and
 - 7. Shall consider any other factors deemed relevant.
 - 8. Shall require commercial self-insurance funds established under section 624.462, Florida Statutes, to submit a copy of written estimates of expenses in support of the amount of advance requested.
- (f) Any amount advanced by the SBA shall be used by the Company only to pay claims of its policyholders for the Covered Event or Covered Events which have precipitated the immediate need to continue to pay additional claims as they become due.
- (5) **Delinquent Payments**

Failure to submit a payment when due is a violation of the terms of this Contract and Section 215.555, Florida Statutes. Interest on late payments shall be due as set forth in Article VIII(2) and Article IX(2) of this Contract.
- (6) **Inadequate Data Submissions**

If exposure data or other information required to be reported by the Company under the terms of this Contract is not received by the FHCF in the format specified by the FHCF or is inadequate to the extent that the FHCF requires resubmission of data, the Company will be required to pay the FHCF a resubmission fee of \$1,000 for resubmissions that are not a result of an examination by the SBA. If a resubmission is necessary as a result of an examination report issued by the SBA, the first resubmission fee will be \$2,000. If the Company's examination-required resubmission is inadequate and the SBA requires an additional resubmission(s), the resubmission fee for each subsequent resubmission shall be \$2,000. A resubmission of exposure data may delay the processing of the Company's request for reimbursement or an advance.
- (7) **Delinquent Submissions**

Failure to submit an exposure submission, resubmission, loss reports, or commutation documentation when due is a violation of the terms of this Contract and Section 215.555, Florida Statutes.

ARTICLE XI - TAXES

In consideration of the terms under which this Contract is issued, the Company agrees to make no deduction in respect of the Premium herein when making premium tax returns to the appropriate authorities. Should any taxes be levied on the Company in respect of the Premium herein, the Company agrees to make no claim upon the SBA for reimbursement in respect of such taxes.

ARTICLE XII - ERRORS AND OMISSIONS

Any inadvertent delay, omission, or error on the part of the SBA shall not be held to relieve the Company from any liability which would attach to it hereunder if such delay, omission, or error had not been made.

ARTICLE XIII - INSPECTION OF RECORDS

The Company shall allow the SBA to inspect, examine, and verify, at reasonable times, all records of the Company relating to the Covered Policies under this Contract, including Company files concerning claims, losses, or legal proceedings regarding subrogation or claims recoveries which involve this Contract, including premium, loss records and reports involving exposure data or losses under Covered Policies. This right by the SBA to inspect, examine, and verify shall survive the completion and closure of an exposure examination or loss examination file and the termination of the Contract. The Company shall have no right to re-open an exposure or loss reimbursement examination once closed and the findings have been accepted by the Company; any re-opening shall be at the sole discretion of the SBA. If the FHCF Finance Corporation has issued revenue bonds and relied upon the exposure and loss data submitted and certified by the Company as accurate to determine the amount of bonding needed, the SBA may choose not to require, or accept, a resubmission if the resubmission will result in additional reimbursements to the Company. The SBA may require any discovered errors, inadvertent omissions, and typographical errors associated with the data reporting of insured values, discovered prior to the closing of the file and acceptance of the examination findings by the Company, to be corrected to reflect the proper values. The Company shall retain its records in accordance with the requirements for records retention regarding exposure reports and claims reports outlined herein, and in any administrative rules adopted pursuant to Section 215.555, Florida Statutes. Companies writing covered collateral protection policies, as defined in definition (10)(d) of Article V herein, must be able to provide documentation that the policy covers personal residences, protects both the borrower's and lender's interest, and that the coverage is in an amount at least equal to the coverage for the dwelling in place under the lapsed homeowner's policy.

(1) Examination Requirements for Exposure Verification

The Company shall retain complete and accurate records, in policy level detail, of all exposure data submitted to the SBA in any Contract Year until the SBA has completed its examination of the Company's exposure submissions. The Company shall also retain complete and accurate records of any completed exposure examination for any Contract Year in which the Company incurred losses until the completion of the loss reimbursement examination for that Contract Year. The records to be retained shall include the exam file which supports the exposure reported to the SBA and any other information which would allow for a complete examination of the Company's reported exposure data. The exam file shall be prepared according to the SBA Exam File Specifications outlined in the Data Call. The Company must also have available, at the time of the examination, a copy of its underwriting manual, a copy of its rating manual, and staff to respond to the questions of the SBA or its agents. The Company is also required to retain declarations pages and policy applications to support reported exposure. To meet the requirement that the application must be retained, the Company may retain either the actual application or may retain the actual application in an electronic format. A complete list of records to be retained is set forth in Form FHCF-EAP1, adopted for the Contract Year under Rule 19-8.030, F.A.C.

(2) Examination Requirements for Loss Reports

The Company shall retain complete and accurate records of all reported losses and/or advances submitted to the SBA until the SBA has completed its examination of the Company's reimbursable losses. The records to be retained are set forth as part of the Proof of Loss Report, Form FHCF-L1B, adopted for the Contract Year under Rule 19-8.029, F.A.C., and Form FHCF-LAP1, adopted for the Contract Year under Rule 19-8.030, F.A.C. The Company must also retain the required exposure exam file for the Contract Year in which the loss occurred, and must have available any other information which would allow for a complete examination of the Company's losses.

(3) Examination Procedures

(a) The FHCF will send an examination notice to the Company providing the commencement date of the examination, the site of the examination, any accommodation requirements of the examiner, and the reports and data which must be assembled by the Company and forwarded

to the FHCF upon request. The Company shall be prepared to choose one location in which to be examined, unless otherwise specified by the SBA.

- (b) The reports and data are required to be forwarded to the FHCF as set forth in an examination notice letter. The information is then forwarded to the examiner. If the FHCF receives accurate and complete records as requested, the examiner will contact the Company to inform the Company as to what policies or other documentation will be required once the examiner is on site. Any records not required to be provided to the examiner in advance shall be made available at the time the examiner arrives on site. Any records to support reported losses which are provided after the examiner has left the work-site will, at the SBA's discretion, result in an additional examination of exposure and/or loss records or an extension or expansion of the examination already in progress. All costs associated with such additional examination or with the extension or expansion of the original examination shall be borne by the Company.
- (c) At the conclusion of the examiner's work and the management review of the examiner's report, findings, recommendations, and work papers, the FHCF will forward a preliminary draft of the examination report to the Company and require a response from the Company by a date certain as to the examination findings and recommendations.
- (d) If the Company accepts the examination findings and recommendations, and there is no recommendation for additional information, the examination report will be finalized and the exam file closed.
- (e) If the Company disputes the examiner's findings, the areas in dispute will be resolved by a meeting or a conference call between the Company and FHCF management.
- (f) 1. If the recommendation of the examiner is to resubmit the Company's exposure data for the Contract Year in question, then the FHCF will send the Company a letter outlining the process for resubmission and including a deadline to resubmit. The resubmission will include a data file to be submitted to the FHCF's Administrator and an exam file to be submitted to the offices of the SBA. The resubmission is also required to be accompanied by a detailed written description of the specific changes made to the resubmitted data. Once the resubmission is received by the FHCF's Administrator, the FHCF's Administrator calculates a revised Reimbursement Premium for the Contract Year which has been examined. The SBA shall then review the resubmission with respect to the examiner's findings, and accept the resubmission or contact the Company with any questions regarding the resubmission. Once the SBA has accepted the resubmission as a sufficient response to the examiner's findings, the FHCF's Administrator will send the Company an invoice for any Reimbursement Premium and interest due or to refund Reimbursement Premium, as the case may be. Once the resubmission has been approved, the exam file is closed.
2. If the recommendation of the examiner is either to resubmit the Company's exposure data for the Contract Year in question or giving the option to pay the estimated Premium difference, then the FHCF will send the Company a letter outlining the process for resubmission or for paying the estimated Premium difference and including a deadline for the resubmission or the payment to be received by the FHCF's Administrator. If the Company chooses to resubmit, the same procedures outlined in Article XIII(3)(f)2. apply.
- (g) If the recommendation of the examiner is to update the Company's Proof of Loss Report(s) for the Contract Year under review, the FHCF will send the Company a letter outlining the process for submitting the Proof of Loss Report(s) and including a deadline to file. The updated Proof of Loss Report(s) will be submitted to the FHCF's Administrator with a copy of the Proof of Loss Report(s) and a supporting detailed claims listing to be submitted to the offices of the SBA. The report is required to be accompanied by a detailed written description of the specific changes made. Once the Proof of Loss Report(s) is received by the FHCF Administrator, the FHCF's Administrator will calculate a revised reimbursement. The SBA shall then review the submitted Proof of Loss Report(s) with respect to the examiner's

findings, and accept the Proof of Loss Report(s) as filed or contact the Company with any questions. Once the SBA has accepted the corrected Proof of Loss Report(s) as a sufficient response to the examiner's findings, the FHCF's Administrator will send the Company an invoice for any overpayments and interest due. Once the Proof of Loss Report(s) is approved, the exam file is closed.

- (h) If the Company continues to dispute the examiner's findings and/or recommendations and no resolution of the disputed matters is obtained through discussions between the Company and FHCF management, then the process within the SBA is at an end and further administrative remedies may be pursued under Chapter 120, Florida Statutes.
- (i) The examiner's list of errors is made available in the examination report sent to the Company. Given that the examination was based on a sample of the Company's policies or claims rather than the whole universe of the Company's Covered Policies or reported claims, the error list is not intended to provide a complete list of errors but is intended to indicate what information needs to be reviewed and corrected throughout the Company's book of Covered Policy business or claims information to ensure more complete and accurate reporting to the FHCF.

(4) Costs of the Examinations

The costs of the examinations shall be borne by the SBA. However, in order to remove any incentive for a Company to delay preparations for an examination, the SBA shall be reimbursed by the Company for any examination expenses incurred in addition to the usual and customary costs, which additional expenses were incurred as a result of the Company's failure, despite proper notice, to be prepared for the examination or as a result of a Company's failure to provide requested information. All requested information must be complete and accurate. The Company shall be notified of any administrative remedies which may be obtained under Chapter 120, Florida Statutes.

ARTICLE XIV - INSOLVENCY OF THE COMPANY

Company shall notify the FHCF immediately upon becoming insolvent. Except as otherwise provided below, no covered loss reimbursements will be made until the FHCF has completed and closed its examination of the insolvent Company's losses, unless an agreement is entered into by the court appointed receiver specifying that all data and computer systems required for FHCF exposure and loss examinations will be maintained until completion of the Company's exposure and loss examinations. Except as otherwise provided below, in order to account for potential erroneous reporting, the SBA shall hold back 25% of requested loss reimbursements until the exposure and loss examinations for the Company are completed. Only those losses supported by the examination will be reimbursed. Pursuant to Section 215.555(4)(g), Florida Statutes, the FHCF is required to pay the "net amount of all reimbursement moneys" due an insolvent insurer to the Florida Insurance Guaranty Association (FIGA) for the benefit of Florida policyholders. For the purpose of this Contract, a Company is insolvent when an order of liquidation with a finding of insolvency has been entered by a court of competent jurisdiction. In light of the need for an immediate infusion of funds to enable policyholders of insolvent companies to be paid for their claims, the SBA may enter into agreements with FIGA allowing exposure and loss examinations to take place immediately without the usual notice and response time limitations and allowing the FHCF to make loss reimbursements (net of any amounts payable to the SBA from the Company or FIGA) to FIGA before the examinations are completed and before the response time expires for claims filing by reinsurers and financial institutions, which have a priority interest in those funds pursuant to Section 215.555(4)(g), Florida Statutes. Such agreements must ensure the availability of the necessary records and adequate security must be provided so that if the FHCF determines that it overpaid FIGA on behalf of the Company, or if claims are filed by reinsurers or financial institutions having a priority interest in these funds, that the funds will be repaid to the FHCF by FIGA with in a reasonable time.

ARTICLE XV - TERMINATION

The FHCF and the obligations of both parties under this Contract can be terminated only as may be provided by law or applicable rules.

ARTICLE XVI - VIOLATIONS

Pursuant to the provisions of Section 215.555(10), Florida Statutes, any violation of the terms of this Contract by the Company constitutes a violation of the Insurance Code of the State of the Florida. Pursuant to the provisions of Section 215.555(11), Florida Statutes, the SBA is authorized to take any action necessary to enforce any administrative rules adopted pursuant to Section 215.555, Florida Statutes, and the provisions and requirements of this Contract.

ARTICLE XVII - APPLICABLE LAW

- (1) **Applicable Law:** This Contract shall be governed by and construed according to the laws of the State of Florida in respect of any matter relating to or arising out of this Contract.
- (2) **Notice of Rights:** Pursuant to Chapter 120, Florida Statutes, and the Uniform Rules of Procedure, codified as Chapters 28-101 through 28-111, F.A.C., a person whose substantial interests are affected by a decision of the SBA regarding the FHCF may request a hearing within 21 days shall have waived his or her right to a hearing. The hearing may be a formal hearing or an informal hearing pursuant to the provisions of Sections 120.569 and 120.57, Florida Statutes. The petition must be filed (received) in the office of the Agency Clerk, General Counsel's Office, State Board of Administration of Florida, P.O. Box 13300, Tallahassee, FL 32317-3300 or 1801 Hermitage Blvd., Suite 100, Tallahassee, FL 32308, within the 21 day period.

ARTICLE XVIII – REIMBURSEMENT CONTRACT ELECTIONS

Reimbursement Percentage

For purposes of determining reimbursement (if any) due the Company under this Contract and in accordance with the Statute, the Company has the option to elect a 45% or 75% or 90% reimbursement percentage under this Contract. If the Company is a member of an NAIC group, all members must elect the same reimbursement percentage, and the individual executing this Contract on behalf of the Company, by placing his or her initials in the box under (a) below, affirms that the Company has elected the same reimbursement percentage as all members of its NAIC group. If the Company is an entity created pursuant to Section 627.351, Florida Statutes, the Company must elect the 90% reimbursement percentage. The Company shall not be permitted to change its reimbursement percentage during the Contract Year. The Company shall be permitted to change its reimbursement percentage at the beginning of a new Contract Year, but may not reduce its reimbursement percentage if a Covered Event required the issuance of revenue bonds, until the bonds have been fully repaid.

IMPORTANT NOTE: The FHCF has issued revenue bonds as a result of its liabilities for Covered Events under the Contract Year effective June 1, 2005. As those bonds have not been fully repaid, the Company may not select a Reimbursement Percentage that is less than its selection under the prior Contract Year effective June 1, 2009.

The Reimbursement Percentage elected by the Company for the prior Contract Year effective June 1, 2009 was as follows: <Legal_Name> - <M_2009_Coverage_Option>

(a) **NAIC Group Affirmation:** Initial the following box if the Company is part of an NAIC Group:

(b) **Reimbursement Percentage Election:** The Company hereby elects the following Reimbursement Percentage for the Contract Year from 12:00:01 a.m., Eastern Time, June 1, 2009, to 12:00 a.m., Eastern Time, ~~December 31, 2010~~ May 31, 2011, (the individual executing this Contract on behalf of the Company shall place his or her initials in the box to the left of the percentage elected for the Company):

45% OR 75% OR 90%

Reporting Exposure for a Single Structure, with a Mix of Commercial Habitational and Commercial Non-Habitational Exposure, Written on a Commercial Policy

This section is applicable to all Companies which either have exposure for single structures with a mix of commercial habitational and commercial non-habitational exposure written under a Commercial Policy, or have the authority to write such policies. If the Company does not have the authority to write this type of exposure, this section **does not** apply; initial the N/A box on the next page, which completes this ARTICLE. If the Company **does** write, or has the authority to write, this type of exposure, please read and complete the remainder of this ARTICLE.

Commercial-Residential Class Code

If a single structure is used for both habitational and non-habitational purposes and the structure has a commercial-residential class code (based on a classification plan on file with and reviewed by the Administrator), the entire exposure for the structure should be reported to the FHCF under the Data Call, and the FHCF will reimburse losses for the entire structure as well.

Commercial Non-Residential/Business Class Code

If a single structure is used for both habitational and non-habitational purposes and the structure has a commercial non-residential or business class code (based on a classification plan on file with and reviewed by the Administrator), the habitational portion of that structure should be identified and reported to the FHCF under the Data Call.

However, in recognition of the unusual nature of commercial structures with incidental habitational exposure and the hardship some companies may face in having to carve out such incidental habitational exposure, as well as the losses to such structures, the FHCF will accommodate these companies by allowing them to exclude the entire exposure for the single structure from their Data Call submission, providing the following two conditions are met:

- (1) The decision to not carve out and report the incidental habitational exposure shall apply to all such structures insured by the Company; and
- (2) If the incidental habitational exposure is not reported to the FHCF, the Company agrees it shall not report losses to the structure and the FHCF shall not reimburse any losses to the structure.

Initial the **CARVING** box below if the Company is able to carve out and report its incidental habitational exposure, **OR**, if this requirement presents a hardship, the Company must communicate its decision to not carve out and to not report the incidental exposure by having the individual executing this Contract on behalf of the Company placing his or her initials in the **NOT CARVING** box below. If the Company does not currently write such policies, but has the authority to write such policies after the start date of this Contract, the decision to carve or not carve out the incidental habitational exposure must be indicated below.

	OR		OR	
CARVING		NOT CARVING		NA

By initialing the **CARVING** or **NOT CARVING** box above, the Company is making an irrevocable decision for the corresponding Contract Year Data Call submission and any subsequent resubmissions.

Important Note: Since this election will impact your Data Call submission, please share this decision with the individual(s) responsible for compiling your Data Call submission.

Additional Living Expense (ALE) Written as Time Element Coverage

If your Company writes Covered Policies that provide ALE coverage on a time element basis (i.e. coverage is based on a specific period of time as opposed to a stated dollar limit), you must initial the 'Yes – Time Element ALE' box below. If your Company does not write time element ALE coverage, initial 'No – Time Element ALE' box below.

	OR	
Yes – Time Element ALE		No – Time Element ALE

ARTICLE XIX – SIGNATURES

Approved by:

Florida Hurricane Catastrophe Fund

By: State Board of Administration of the State of Florida

By: _____
Ashbel C. Williams
Executive Director
Date _____

Approved as to legality:

By: _____
Gary Moreland
Assistant General Counsel
FL Bar ID#0702765
Date _____

«Legal_Name»

Typed/Printed Name and Title

By: _____
Signature
Date _____

ATTENTION: THIS ADDENDUM MUST BE COMPLETED, SIGNED, AND RETURNED BY ALL COMPANIES ELIGIBLE FOR COVERAGE UNDER THIS ADDENDUM REGARDLESS OF CHOICE TO ACCEPT OR REJECT THIS OPTIONAL COVERAGE

**ADDENDUM NO. 1
to
REIMBURSEMENT CONTRACT
Effective: June 1, 2010
(Contract)**

between

**«Legal_Name»
«addendum_Last_Line»
(Company)**

NAIC # «NAIC»

and

**THE STATE BOARD OF ADMINISTRATION OF THE STATE OF FLORIDA (SBA)
WHICH ADMINISTERS THE FLORIDA HURRICANE CATASTROPHE FUND (FHCF)**

It is Hereby Agreed, effective at 12:00:01 a.m., Eastern Time, June 1, 2010, that this Contract shall be amended as follows:

ADDITIONAL COVERAGE OPTION (up to \$10 million) PURSUANT TO SECTION 215.555(4)(b)4., FLORIDA STATUTES.

Pursuant to Section 215.555(4)(b)4., Florida Statutes, certain Companies may select additional FHCF reimbursement coverage of up to \$10 million dollars. The additional premium to be charged for this additional reimbursement coverage shall be 50 percent of the additional reimbursement coverage provided, which shall include one prepaid full reinstatement. The additional premium shall be due and payable in three equal installments on August 1, 2010, on October 1, 2010, and on December 1, 2010.

The minimum retention level that must be retained associated with this additional coverage layer is 30 percent of the insurer's surplus as of December 31, 2009, for each Covered Event. For an insurer which began writing property insurance in 2010 and did not have a surplus as of December 31, 2009, surplus shall be deemed to be the surplus reported to the Office of Insurance Regulation at the time the insurer received its Certificate of Authority. This coverage is designed to apply a retention that triggers coverage prior to the insurer reaching its retention under the

mandatory coverage level. The SBA will determine and pay, within 30 days or as soon as practicable after receiving Proof of Loss Reports, the reimbursement amount due under this optional coverage based on losses paid by the Company.

The reimbursement percentage applicable to this additional coverage shall be 100 percent, which includes reimbursement for loss adjustment expense as provided under the Reimbursement Contract. Once the limit of coverage under this option is exhausted, the insurer's retention under the mandatory coverage will apply.

This additional reimbursement coverage shall be in addition to all other coverage provided by the SBA under the Company's Reimbursement Contract and shall be in addition to the claims-paying capacity of the FHCF as defined in Section 215.555(4)(c)1., Florida Statutes, but only with respect to those insurers that select the additional coverage option. Coverage provided in this additional coverage option shall otherwise be consistent with terms and conditions as relates to the Reimbursement Contract including, but not limited to, definitions, coverage for Covered Policies as defined, exclusions, loss reporting, and examination procedures.

While this additional coverage shall not reduce, overlap, or duplicate coverage otherwise provided for in the Reimbursement Contract or offset any co-payments, the amount of coverage selected herein is irrevocable. Any amount of additional coverage selected herein that would in effect overlap FHCF coverage otherwise provided for in the Reimbursement Contract, or any other Addenda to the Reimbursement Contract, shall be deemed by the FHCF to shift above the highest level of coverage otherwise provided by the FHCF.

The claims-paying capacity with respect to all other participating insurers, including eligible Companies that do not select the additional coverage option, shall be limited to their reimbursement premium's proportionate share of the actual claims-paying capacity as defined in Section 215.555(4)(c)1., Florida Statutes and as provided for under the terms of the Reimbursement Contract, plus any coverage provided under any other Addenda to the Reimbursement Contract.

The optional coverage provided in this Addendum expires on ~~December 31, 2010~~ May 31, 2011. To be eligible for this optional coverage, the Company must return a fully executed Addendum No. 1 (two originals) no later than 5 p.m., Central Time, June 1, 2010. A Company failing to meet the applicable deadline shall not be eligible for optional coverage under Addendum No. 1 for the 2010 Contract Year. Furthermore, there shall be no coverage under this Addendum for any Loss Occurrence, as defined in Article V of the Contract and under which the Company would be eligible for reimbursements under the Contract, that occurs prior to the FHCF receiving the fully executed Addendum No. 1 (original copies).

New Participants, as defined in Article V of the Contract, must return a fully executed Addendum No. 1 (two originals) within thirty days of writing its first Covered Policy and prior to a Loss Occurrence under which the company would be eligible for reimbursements under the Contract. A Company failing to meet the applicable deadline shall not be eligible for optional coverage under Addendum No. 1 for the 2010 Contract Year.

ALL COMPANIES EXECUTING A REIMBURSEMENT CONTRACT AND ELIGIBLE FOR THIS ADDITIONAL COVERAGE MUST INDICATE BELOW THE AMOUNT OF ADDITIONAL COVERAGE SELECTED, IF ANY.

If your Company does not wish to purchase the additional coverage under this Addendum, print "No Coverage" on the line below and initial the box.

If your Company is eligible for the coverage under this Addendum and elects to purchase this coverage, indicate the amount of additional coverage up to \$10 million (there is no additional coverage available in excess of \$10 million) on the line below:

\$ _____

IF THIS ADDENDUM NO. 1 IS RETURNED WITHOUT THE BLANK SPACE IMMEDIATELY ABOVE FILLED IN WITH A DOLLAR AMOUNT, IT SHALL BE DEEMED BY THE STATE BOARD OF ADMINISTRATION TO BE A CHOICE TO REJECT THE ADDITIONAL COVERAGE.

«Legal Name»

By: _____
Name/Title Date

Approved by:

Florida Hurricane Catastrophe Fund
By: State Board of Administration of the State of Florida

By: _____
Ashbel C. Williams Date
Executive Director & CIO

Approved as to legality:

By: _____
Gary Moreland Date
Assistant General Counsel
FL Bar ID#0702765

ATTENTION: THIS ADDENDUM MUST BE COMPLETED, SIGNED, AND RETURNED BY ALL COMPANIES EXECUTING A REIMBURSEMENT CONTRACT REGARDLESS OF CHOICE TO ACCEPT OR REJECT THIS OPTIONAL COVERAGE

**ADDENDUM NO. 2
to
REIMBURSEMENT CONTRACT
Effective: June 1, 2010
(Contract)**

between

**«Legal_Name»
«addendum_Last_Line»
(Company)**

NAIC # «NAIC»

and

**THE STATE BOARD OF ADMINISTRATION OF THE STATE OF FLORIDA (SBA)
WHICH ADMINISTERS THE FLORIDA HURRICANE CATASTROPHE FUND (FHCF)**

It is Hereby Agreed, effective at 12:00:01 a.m., Eastern Time, June 1, 2010, that this Contract shall be amended as follows:

TEMPORARY INCREASE IN COVERAGE LIMIT OPTIONS FOR ADDITIONAL COVERAGE PURSUANT TO SECTION 215.555(17), FLORIDA STATUTES.

Pursuant to Section 215.555(17), Florida Statutes, the Temporary Increase in Coverage Limit (TICL) Options provision allows the Company to select additional FHCF reimbursement coverage above its mandatory FHCF coverage layer under the Reimbursement Contract. The optional coverage selections provided in this Addendum No. 2 expires on ~~December 31, 2010~~ March 31, 2011. Coverage provided under TICL shall otherwise be consistent with terms and conditions as relates to the Reimbursement Contract including, but not limited to, definitions, coverage for Covered Policies as defined, exclusions, loss reporting, and examination procedures.

To be eligible for this optional coverage, the Company must return a fully executed Addendum No. 2 (two originals) no later than 5 p.m., Central Time, June 1, 2010. New Participants, as defined in Article V of the Contract, must return a fully executed Addendum No. 2 (two originals) within thirty days of writing its first Covered Policy and prior to a Loss Occurrence, as both terms are defined in Article V of the Contract, under which the company would be eligible for reimbursements under the Contract.

Any Company failing to meet the applicable deadline shall not be eligible for optional coverage under Addendum No. 2.

I. TICL Coverage

The Company may purchase one of eight optional coverages above its mandatory FHCF coverage provided for in the FHCF Reimbursement Contract. The TICL options allow the Company to purchase its mandatory FHCF premium share of one of the ten optional layers of coverage. The optional layers of coverage above the mandatory FHCF coverage are \$8 billion, \$7 billion, \$6 billion, \$5 billion, \$4 billion, \$3 billion, \$2 billion, or \$1 billion.

The purchase of a TICL option increases the Company's coverage under the Reimbursement Contract as calculated pursuant to Section 215.555(4)(d)2., Florida Statutes. The Company's increased coverage shall be the FHCF reimbursement premium multiplied by the TICL multiple. Each TICL coverage multiple shall be calculated by dividing \$8 billion, \$7 billion, \$6 billion, \$5 billion, \$4 billion, \$3 billion, \$2 billion, or \$1 billion by the aggregate mandatory FHCF premium under the Reimbursement Contract paid by all companies.

In order to determine the Company's total limit of coverage, the Company's TICL coverage multiple is added to its regular Payout Multiple under the Reimbursement Contract. The total of these two multiples shall represent a number that, when multiplied by an insurer's mandatory FHCF reimbursement premium under the Reimbursement Contract, defines the Company's total limit of FHCF reimbursement coverage for the Contract Year under the Reimbursement Contract and Addendum No. 2. The SBA shall reimburse the Company for 45 percent, 75 percent, or 90 percent of its losses from each Covered Event in excess of the Company's FHCF Retention under the Reimbursement Contract, plus 5 percent of the reimbursed losses to cover loss adjustment expense, not to exceed the Company's total limit of coverage as defined above. The percentage shall be the same as the coverage level selected by the Company under its Reimbursement Contract.

II. TICL Premium

The Company's TICL premium shall be determined as specified in Sections 215.555(5) and (17), Florida Statutes, as amended, and shall be due and payable in three installments on August 1, 2010, October 1, 2010, and December 1, 2010.

III. Liability of the FHCF

Pursuant to Section 215.555(17)(g), Florida Statutes, the liability of the FHCF with respect to all TICL addenda shall not exceed \$8 billion and shall depend on the number of insurers that select the TICL optional coverage and the TICL coverage options selected. In no circumstance shall the liability of the FHCF exceed its actual claims-paying capacity as defined in Section 215.555(2)(m), Florida Statutes.

The additional TICL capacity shall apply only to the additional coverage provided under the TICL options and shall not otherwise affect any insurer’s reimbursement from the FHCF if the insurer chooses not to select a TICL option to increase its limit of FHCF coverage.

IV. Coordination of Coverage

Reimbursement amounts under TICL shall not be reduced by reinsurance paid or payable to the Company from sources other than the FHCF.

The TICL coverage shall be in addition to all other coverage provided by the FHCF under the Company’s Reimbursement Contract or other Addenda to the Reimbursement Contract, and shall be in addition to the claims-paying capacity of the FHCF as defined in Section 215.555(4)(c)1., Florida Statutes, but only with respect to those insurers that select the TICL coverage.

The TICL coverage selected is irrevocable and shall not overlap or duplicate coverage otherwise provided for in the Reimbursement Contract, or any Addenda to the Reimbursement Contract, or offset any co-payments or retention amounts.

V. Addendum No. 2 TICL Coverage Election

ALL COMPANIES EXECUTING A REIMBURSEMENT CONTRACT MUST INDICATE BELOW THE LEVEL OF OPTIONAL TICL COVERAGE SELECTED, IF ANY. IF THE COMPANY FAILS TO MEET THE JUNE 1, 2010 DEADLINE OR MEETS THIS DEADLINE BUT FAILS TO SELECT AN OPTIONAL COVERAGE UNDER THIS ADDENDUM, IT SHALL BE DEEMED BY THE STATE BOARD OF ADMINISTRATION TO BE A CHOICE TO REJECT TICL COVERAGE.

If your Company does not want to purchase any TICL coverage, print “No Coverage” on the line below and initial the box.

Notice of Proposed Rule

STATE BOARD OF ADMINISTRATION

RULE NO: RULE TITLE

19-8.028: Reimbursement Premium Formula

PURPOSE AND EFFECT: This rule is promulgated to implement Section 215.555, Florida Statutes, regarding the Florida Hurricane Catastrophe Fund, for the 2010-2011 contract year.

SUMMARY: Proposed amended Rule 19-8.028, F.A.C., establishes the premium formula and adopts the rates for the 2010-2011 contract year.

SUMMARY OF STATEMENT OF ESTIMATED REGULATORY COSTS: The Board has prepared a statement and found the cost to be minimal.

Any person who wishes to provide information regarding a statement of estimated regulatory costs, or provide a proposal for a lower cost regulatory alternative must do so in writing within 21 days of this notice.

SPECIFIC AUTHORITY: 215.555(3), F.S.

LAW IMPLEMENTED: 215.555(2), (3), (4), (5), (6), (7), F.S.

IF REQUESTED WITHIN 21 DAYS OF THE DATE OF THIS NOTICE, A HEARING WILL BE SCHEDULED AND ANNOUNCED IN THE FAW:

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE IS: Tracy Allen, Senior Attorney, Florida Hurricane Catastrophe Fund, State Board of Administration, P.O. Box 13300, Tallahassee, FL 32317-3300; telephone (850) 413-1341, tracy.allen@sbafla.com.

THE FULL TEXT OF THE PROPOSED RULE IS:

19-8.028 Reimbursement Premium Formula.

Paragraphs (1) through (2)(b), No Changes.

(2)(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 High Risk Account and Citizens Property Insurance Corporation Personal Lines and Commercial Lines Accounts.

Paragraphs (2)(d) through (3)(l) No Changes.

(3)(m) 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 or by contacting the SBA by mail, P. O. Box 13300, Tallahassee, FL 32317-3300, with a request for the documents.

Paragraphs (4)(a) through (4)(c)3.a., No Changes.

(4)(c)3.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 December 31 ~~12/31~~ 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.

Paragraphs (4)(c)5. through (4)(d)7., No Changes.

(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. ~~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, -- -- -10.

NAME OF PERSON ORIGINATING PROPOSED RULE: Jack E. Nicholson, FHCF Chief Operating Officer, State Board of Administration.

NAME OF AGENCY HEAD WHO APPROVED THE PROPOSED RULE: The Trustees of the State Board of Administration of Florida.

DATE PROPOSED RULE APPROVED BY AGENCY HEAD: May 11, 2010.

DATE NOTICE OF PROPOSED RULE DEVELOPMENT PUBLISHED IN FAW: December 24, 2009, Vol. 35, No. 51.

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 or ~~"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 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 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 or by contacting the SBA by mail, P. O. Box 13300, Tallahassee, FL 32317-3300, with a request for the documents.

(m) 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 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 December 31 ~~12/31~~ 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. 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 Tower, 5600 West 83rd Street, Suite 1100, Minneapolis, MN 55437. ~~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, _-_-10.