

MEETING OF THE STATE BOARD OF ADMINISTRATION

**GOVERNOR SCOTT AS CHAIRMAN
CHIEF FINANCIAL OFFICER ATWATER
ATTORNEY GENERAL BONDI**

OCTOBER 27, 2015

To View Agenda Items, Click on the Following Link:

www.sbafla.com

AGENDA

**ITEM 1. REQUEST APPROVAL OF THE MINUTES OF THE AUGUST 5, 2015
AND SEPTEMBER 1, 2015 MEETINGS.**

(See Attachments 1A and 1B)

ACTION REQUIRED

**ITEM 2. REQUEST APPROVAL OF A FISCAL DETERMINATION IN
CONNECTION WITH THE ISSUANCE OF AN AMOUNT NOT
EXCEEDING \$12,000,000 FLORIDA HOUSING FINANCE
CORPORATION MULTIFAMILY MORTGAGE REVENUE BONDS,
(SERIES TO BE DESIGNATED) (VALENCIA GROVE
APARTMENTS).**

(See Attachment 2A)

ACTION REQUIRED

**ITEM 3. REQUEST APPROVAL OF A FISCAL DETERMINATION IN
CONNECTION WITH THE ISSUANCE OF AN AMOUNT NOT
EXCEEDING \$4,200,000 FLORIDA HOUSING FINANCE
CORPORATION MULTIFAMILY MORTGAGE REVENUE BONDS,
(SERIES TO BE DESIGNATED) (ORANGEWOOD VILLAGE
APARTMENTS).**

(See Attachment 3A)

ACTION REQUIRED

- ITEM 4. REQUEST APPROVAL OF, AND AUTHORITY TO FILE, A NOTICE OF PROPOSED RULE FOR FLORIDA HURRICANE CATASTROPHE FUND RULE 19-8.010, F.A.C., REIMBURSEMENT CONTRACT, AND TO FILE THIS RULE, ALONG WITH THE INCORPORATED FORMS, FOR ADOPTION IF NO MEMBER OF THE PUBLIC TIMELY REQUESTS A RULE HEARING OR IF A HEARING IS REQUESTED, NO CHANGES ARE NEEDED.**

(See Attachments 4A – 4H)

ACTION REQUIRED

STATE OF FLORIDA

IN RE: MEETING OF THE GOVERNOR
AND CABINET

VOLUME I

CABINET MEMBERS: GOVERNOR RICK SCOTT
ATTORNEY GENERAL PAM BONDI
CHIEF FINANCIAL OFFICER
JEFF ATWATER
COMMISSIONER OF AGRICULTURE
ADAM PUTNAM

DATE: WEDNESDAY, AUGUST 5, 2015

LOCATION: CABINET MEETING ROOM
LOWER LEVEL, THE CAPITOL
TALLAHASSEE, FLORIDA

REPORTED BY: YVONNE LAFLAMME, FPR
COURT REPORTER and
NOTARY PUBLIC

C & N REPORTERS
POST OFFICE BOX 3093
TALLAHASSEE, FLORIDA 32315
(850) 697-8314

24

25

♀
†

2

1

I N D E X

2

3

INTERVIEW AND APPOINTMENT FOR DEPARTMENT OF LAW
ENFORCEMENT

4

4

5

INTERVIEW AND APPOINTMENT FOR DEPARTMENT OF ENVIRONMENTAL
PROTECTION SECRETARY

27

6

7

HIGHWAY SAFETY AND MOTOR VEHICLES

By Executive Director Terry Rhodes

93

8

FLORIDA DEPARTMENT OF LAW ENFORCEMENT

9

By Interim Commissioner Rick Swearingen

10

DIVISION OF BOND FINANCE

106

By Director Ben Watkins

11

12

13

14

15

16

17

18

19

20

21

STATE OF FLORIDA

IN RE: MEETING OF THE GOVERNOR
AND CABINET

VOLUME II

CABINET MEMBERS: GOVERNOR RICK SCOTT
ATTORNEY GENERAL PAM BONDI
CHIEF FINANCIAL OFFICER
JEFF ATWATER
COMMISSIONER OF AGRICULTURE
ADAM PUTNAM

DATE: WEDNESDAY, AUGUST 5, 2015

LOCATION: CABINET MEETING ROOM
LOWER LEVEL, THE CAPITOL
TALLAHASSEE, FLORIDA

REPORTED BY: YVONNE LAFLAMME, FPR
COURT REPORTER and
NOTARY PUBLIC

C & N REPORTERS
POST OFFICE BOX 3093
TALLAHASSEE, FLORIDA 32315
(850) 697-8314

24

25

♀

137

1

I N D E X

2

3

BOARD OF TRUSTEES IMPROVEMENT FUND

174

4

By Secretary Jon Steverson

5

DEPARTMENT OF REVENUE

158

By Executive Director Marshall Stranburg

6

DEPARTMENT OF VETERANS' AFFAIRS

138

7

By Executive Director Mike Prendergast

8

OFFICE OF INSURANCE REGULATION

168

By Commissioner Kevin McCarty

9

10

STATE BOARD OF ADMINISTRATION

216

By Executive Director Ash Williams

11

12

13

14

15

16

17

18

19

20

21

19 *****

20

21

22

23

24

25

♀

216

1 *****

STATE BOARD OF ADMINISTRATION

2

3

GOVERNOR SCOTT: Now I would like to recognize

4

Ash Williams with the State Board of Administration.

5

EXECUTIVE DIRECTOR WILLIAMS: Good afternoon,

6

Governor and Cabinet members.

7

GOVERNOR SCOTT: Now everybody wants to leave.

8

EXECUTIVE DIRECTOR WILLIAMS: Excuse me?

9

GOVERNOR SCOTT: Does it bother you everybody is

10

walking out? You're making us all nice when you paint

11

the picture plaid.

12

EXECUTIVE DIRECTOR WILLIAMS: What can I say?

13

Boring is good in my business.

14

By way of an update, as of last night's close,

15

the Florida Retirement System Trust Fund was up 3.85

16 percent; calendar year-to-date, we switched over to
17 that longer time series. Now that we're past the end
18 of the fiscal year, the balance stands at 148.1
19 billion. That's \$1.6 billion; net of distributions
20 above where we started at the calendar year.

21 Item 1, if I may request approval of the June 23
22 Cabinet meeting minutes.

23 GOVERNOR SCOTT: Is there a motion on the item?

24 ATTORNEY GENERAL BONDI: So moved.

25 GOVERNOR SCOTT: Is there a second?

♀

217

1 CHIEF FINANCIAL OFFICER ATWATER: Second.

2 GOVERNOR SCOTT: Moved and seconded. Show the
3 minutes approved without objection.

4 EXECUTIVE DIRECTOR WILLIAMS: Thank you. Items 2
5 and 3 are fiscal sufficiencies on items earlier on the
6 Bond Finance agenda: One being the Florida Department
7 of Environmental Protection Forever Revenue Refunding
8 Bonds, and the other being Board of Education Lottery
9 Revenue Refunding Bonds.

10 GOVERNOR SCOTT: Is there a motion on the item?

11 CHIEF FINANCIAL OFFICER ATWATER: So moved.

12 GOVERNOR SCOTT: Is there a second?

13 ATTORNEY GENERAL BONDI: Second.

14 GOVERNOR SCOTT: And these are items 2 and 3?

15 EXECUTIVE DIRECTOR WILLIAMS: Yes, sir.

16 GOVERNOR SCOTT: Any comments or objections?

17 Hearing none, the motion carries.

18 EXECUTIVE DIRECTOR WILLIAMS: Item 4.

19 GOVERNOR SCOTT: Do you want me to do this since
20 your voice is going away?

21 So is there a motion on Item 4?

22 CHIEF FINANCIAL OFFICER ATWATER: So moved.

23 GOVERNOR SCOTT: Is there a second?

24 ATTORNEY GENERAL BONDI: Second.

25 GOVERNOR SCOTT: Any comments or objections?

♀

218

1 Hearing none, the motion carries.

2 Item 5.

3 CHIEF FINANCIAL OFFICER ATWATER: So moved.

4 GOVERNOR SCOTT: All right. Is there a second?

5 ATTORNEY GENERAL BONDI: Second.

6 GOVERNOR SCOTT: Comments or objections? Hearing
7 none, the motion carries.

8 Number 6 is a rule change.

9 We all reviewed it, right?

10 ATTORNEY GENERAL BONDI: Yes.

11 GOVERNOR SCOTT: Is there a motion?
12 CHIEF FINANCIAL OFFICER ATWATER: So moved.
13 GOVERNOR SCOTT: Is there a second?
14 ATTORNEY GENERAL BONDI: Is this on investments?
15 GOVERNOR SCOTT: Yeah.
16 ATTORNEY GENERAL BONDI: Yes.
17 GOVERNOR SCOTT: Are you voting?
18 CHIEF FINANCIAL OFFICER ATWATER: I motioned it,
19 but I'll second it.
20 GOVERNOR SCOTT: No comments or objections?
21 Hearing none, the motion carries.
22 Thank you, Ash. Good job.
23 EXECUTIVE DIRECTOR WILLIAMS: Thank you. We
24 cover one area though?
25 GOVERNOR SCOTT: I'm sorry.

♀
T

219

1 EXECUTIVE DIRECTOR WILLIAMS: That's one I was
2 kind of following.
3 GOVERNOR SCOTT: You waited all of that. Okay,
4 is there a motion on the item?
5 ATTORNEY GENERAL BONDI: Oh, my gosh, Ash. We're
6 sorry.
7 GOVERNOR SCOTT: Is there a motion on the item?
8 CHIEF FINANCIAL OFFICER ATWATER: So moved.

9 GOVERNOR SCOTT: Is there a second?

10 ATTORNEY GENERAL BONDI: Second.

11 GOVERNOR SCOTT: Comments or objections?

12 Hearing none, the motion carries.

13 Thank you, Ash.

14 This closes today's meeting. The next will be
15 September 1 in St. Augustine. It's going to be fun.

16 (Off of the record at 2:30 p.m.)

17

18

19

20

21

22

23

24

25

♀

220

1 CERTIFICATE OF REPORTER

2

3 STATE OF FLORIDA)

4 COUNTY OF LEON)

5

1 STATE OF FLORIDA

2

3

4 IN RE: MEETING OF THE GOVERNOR AND
5 CABINET

6 _____/

7

8

9

10 CABINET MEMBERS: GOVERNOR RICK SCOTT
11 ATTORNEY GENERAL PAM BONDI
12 CHIEF FINANCIAL OFFICER
JEFF ATWATER
COMMISSIONER OF AGRICULTURE
ADAM PUTNAM

13

14 DATE: TUESDAY, SEPTEMBER 1, 2015

15

16 LOCATION: TREASURY ON THE PLAZA
24 CATHEDRAL PLACE. SUITE 111
ST. AUGUSTINE, FLORIDA

17

18 REPORTED BY: MARY GRAYBOSCH, RPR, CRR
COURT REPORTER

19

20

21

22

23 VOLUSIA REPORTING COMPANY
432 SOUTH BEACH STREET
DAYTONA BEACH, FLORIDA 32114
(386) 255-2150
24 FAX (386) 258-1171
volusiareporting.com
25

1	INDEX	
2		
3		PAGE NO.
4	Office of Financial Regulation	
5	By Commissioner Breakspear	3
6	Highway Safety and Motor Vehicles	
7	By Executive Director Rhodes	7
8	Florida Department of Law Enforcement	
9	By Commissioner Swearingen	12
10	Board of Trustees of the Internal	
11	Improvement Trust Fund	
12	By Gary Clark	15
13	Division of Bond Finance	
14	By Director Watkins	20
15	State Board of Administration	
16	By Executive Director Williams	41
17	Certificate of Reporter	46
18		
19		
20		
21		
22		
23		
24		
25		

1 STATE BOARD OF ADMINISTRATION

2

3 GOVERNOR SCOTT: Next I would like to
4 recognize Ash Williams with the State Board of
5 Administration.

6 Good morning, Ash.

7 EXECUTIVE DIRECTOR WILLIAMS: Good morning,
8 Governor, Cabinet members.

9 GOVERNOR SCOTT: Nice easy time for you,
10 right? Volatility in the marketplace doesn't
11 bother you at all.

12 EXECUTIVE DIRECTOR WILLIAMS: You might say I
13 sleep like a baby, right? Cry for a few hours,
14 sleep for a few minutes, cry for a few more hours.

15 Item one -- well, actually, let me give you
16 an update on that happy note.

17 Calendar year to date, through last night's
18 close, Florida Retirement System Trust Fund is up
19 0.64 percent, calendar year to date. That's
20 154 -- 150 basis points ahead of target.

21 Fund balance is 143.6 billion dollars.
22 That's down 3 billion from the start of the
23 calendar year net distribution.

24 So the fund is up --

25 GOVERNOR SCOTT: But not by --

1 EXECUTIVE DIRECTOR WILLIAMS: -- but the
2 amount of distribution is --

3 GOVERNOR SCOTT: Six-tenths of one percent,
4 right? Yeah.

5 EXECUTIVE DIRECTOR WILLIAMS: Yeah.

6 GOVERNOR SCOTT: It's got --

7 EXECUTIVE DIRECTOR WILLIAMS: It's pretty
8 skinny --

9 GOVERNOR SCOTT: Yeah.

10 EXECUTIVE DIRECTOR WILLIAMS: -- with that.

11 The other thing interesting to Commissioner
12 Putnam's earlier question about what's going on in
13 the markets, there are extraordinary disconnects
14 all over the world.

15 If you look at the range -- I did a little
16 looking earlier this morning -- the United States
17 markets -- actually, this is very counterintuitive
18 because most people would argue the U.S. is the
19 best place in the world to invest, but if you just
20 look at the calendar year to date market
21 performance, it looks the worst.

22 And one of the strongest is a place that I
23 think not too many people would be excited about
24 pouring their own money into, which is Portugal.

25 So if you look at the Russell 3000, which is

1 a broad gauge of an asset to equity market, it's
2 down 3.84 percent calendar year to date.

3 If you look at the Portugal market, it's up
4 12.4 percent.

5 And if you look at Euro Stoxx, Euro Stoxx 50,
6 which is the large companies of the European
7 market, they're up 6.9 percent.

8 So things are all over everywhere. There's
9 lots of disconnects.

10 GOVERNOR SCOTT: Portugal is not very big as
11 compared to our market, though, is it? Portugal's
12 pretty small, its percentage.

13 EXECUTIVE DIRECTOR WILLIAMS: Exactly. So if
14 I may, I'll proceed.

15 Item one, request approval of the nomination
16 of Mr. Vinny Olmstead to the Investment Advisory
17 Council.

18 Mr. Olmstead is with us this morning, has a
19 distinguished record in venture capital, and we're
20 delighted to have him offer himself for service.

21 ATTORNEY GENERAL BONDI: And Mr. Olmstead is
22 my appointee and he has, as you said, stellar
23 credentials.

24 And I think, gentlemen, we should all be very
25 proud that he has accepted my invitation to join

1 the IAC.

2 Thank you. We all know what a tremendous
3 sacrifice and how much work he's already put into
4 it. We've been meeting, getting prepared for the
5 appointment.

6 So I just want to thank you for your
7 willingness to serve the State of Florida. Thank
8 you.

9 MR. OLMSTEAD: Thank you. It's an honor.
10 Thanks.

11 GOVERNOR SCOTT: Thanks.

12 So is there a motion on the item?

13 ATTORNEY GENERAL BONDI: Can I move since --

14 GOVERNOR SCOTT: Yeah.

15 ATTORNEY GENERAL BONDI: -- he's my
16 appointee?

17 So moved.

18 GOVERNOR SCOTT: Is there a second?

19 CFO ATWATER: Second.

20 GOVERNOR SCOTT: Any comments or objections?

21 (No response.)

22 GOVERNOR SCOTT: Hearing none, the motion
23 carries.

24 ATTORNEY GENERAL BONDI: Thank you.

25 GOVERNOR SCOTT: Congratulations to you.

1 EXECUTIVE DIRECTOR WILLIAMS: Items two,
2 three, and four are all rules relating to the
3 Florida Investment Plan and include updating
4 various forms reflecting policy changes adopted
5 previously by the trustees in the rules,
6 et cetera.

7 I'm happy to break those down or take them as
8 a group.

9 GOVERNOR SCOTT: Is there a motion on items
10 two, three, and four?

11 CFO ATWATER: So moved.

12 ATTORNEY GENERAL BONDI: Second.

13 GOVERNOR SCOTT: Is there a second?

14 ATTORNEY GENERAL BONDI: Second.

15 GOVERNOR SCOTT: Any comments or objections?

16 (No response.)

17 GOVERNOR SCOTT: Hearing none, the motion
18 carries.

19 Thank you, Ash.

20 That concludes today's meeting. Our next
21 meeting will be September 29th in Tallahassee.
22 Have a great day. Wonderful to be here.

23 (Time noted: 11:16 a.m.)

24

25

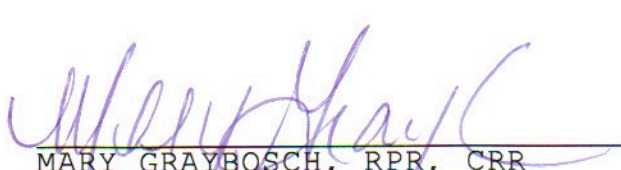
REPORTER'S CERTIFICATE

STATE OF FLORIDA)

COUNTY OF ST. JOHNS)

I, MARY GRAYBOSCH, Registered Professional Reporter, Certified Realtime Reporter, certify that I was authorized to and did stenographically report the foregoing proceedings and that the transcript is a true and complete record of my stenographic notes.

Dated this 12th day of September, 2015.



MARY GRAYBOSCH, RPR, CRR
Notary Public - State of Florida
My Commission No.: FF 164170
Expires: January 28, 2019

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

TO: Ash Williams
FROM: Robert Copeland
SUBJECT: Fiscal Determination
DATE: October 14, 2015



**A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA
MAKING THE FISCAL DETERMINATION IN CONNECTION WITH THE ISSUANCE
OF AN AMOUNT NOT EXCEEDING \$12,000,000 FLORIDA HOUSING FINANCE
CORPORATION MULTIFAMILY MORTGAGE REVENUE BONDS, (SERIES TO BE
DESIGNATED) (VALENCIA GROVE APARTMENTS)**

The Florida Housing Finance Corporation has submitted for approval as to fiscal determination a proposal to issue an amount not exceeding \$12,000,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Bond, (series to be designated) (the "Bonds") for the purpose of financing the construction of a multifamily rental development located in Lake County, Florida (Valencia Grove Apartments). The Bonds shall be payable as to principal, premium (if any), and interest solely out of revenues and other amounts pledged therefor, and shall not be secured by the full faith and credit of the State of Florida.

RECOMMENDATION: It is recommended that, pursuant to the fiscal determination requirements of Section 16(c) of Article VII of the Constitution of the State of Florida, as revised in 1968 and subsequently amended, and in reliance upon information provided by the Florida Housing Finance Corporation, the Board find and determine that in no state fiscal year will the debt service requirements of the Bonds and all other bonds secured by the same pledged revenues exceed the pledged revenues available for payment of such debt service requirements. The Board does not assume any responsibility for, and makes no warranty (express or implied) with respect to any aspect of this bond issue.

cc: Janie Knight

**A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA
MAKING THE FISCAL DETERMINATION IN CONNECTION WITH THE ISSUANCE
OF AN AMOUNT NOT EXCEEDING \$12,000,000 FLORIDA HOUSING FINANCE
CORPORATION MULTIFAMILY MORTGAGE REVENUE BONDS,
(SERIES TO BE DESIGNATED) (VALENCIA GROVE APARTMENTS)**

WHEREAS, the Florida Housing Finance Corporation (the "Corporation") proposes to issue an amount not exceeding \$12,000,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, (series to be designated) (the "Bonds") for the purpose of financing the construction of a multifamily rental development located in Lake County, Florida (Valencia Grove Apartments); and,

WHEREAS, the Corporation has requested the State Board of Administration of Florida (the "Board") to make the fiscal determination required by Section 420.509, Florida Statutes, as stated in Section 16(c) of Article VII of the Constitution of the State of Florida, as revised in 1968 and subsequently amended (the "Florida Constitution"); and,

WHEREAS, the Bonds shall be secured by a Trust Indenture; and,

WHEREAS, in accordance with Section 420.509, Florida Statutes, the principal of and all interest and any premium on the Bonds shall be payable solely out of revenues and other amounts pledged therefor, as described in the Trust Indenture and other required documents, and shall not be secured by the full faith and credit of the State of Florida; and,

WHEREAS, the cash flow analysis furnished by the Corporation shows that in no State fiscal year will the debt service requirements of the Bonds proposed to be issued and all other bonds secured by the same pledged revenues exceed the pledged revenues available for payment of such debt service requirements; and,

WHEREAS, the Corporation has furnished sufficient information to enable the State Board of Administration of Florida to fulfill its duties pursuant to Section 420.509(2), Florida Statutes; and,

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

WHEREAS, the Board's determination pursuant to Section 16(c) of Article VII of the Florida Constitution and Section 420.509(2), Florida Statutes, is limited to a review of the matters essential to making such determination and the Board does not approve or disapprove of the Bonds as investments and has not passed upon the accuracy or adequacy of the Trust Indenture or any other required documents; **Now, Therefore,**

BE IT RESOLVED, by the State Board of Administration of Florida, a constitutional body described in Section 4 of Article IV of the Florida Constitution, that in connection with the issuance of the Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, (series to be designated) (Valencia Grove Apartments), in an amount not exceeding \$12,000,000, for the uses and purposes hereinabove set forth, it makes the fiscal determination required by Section 420.509, Florida Statutes.

Accordingly, as required by Section 16(c) of Article VII of the Florida Constitution, the Board finds and determines that in no state fiscal year will the debt service requirements of the Bonds and all other bonds secured by the same pledged revenues exceed the pledged revenues, as defined in Section 420.503, Florida Statutes and described in the Trust Indenture, which are available for payment of such debt service requirements.

ADOPTED October 27, 2015

October 9, 2015

VIA HAND DELIVERY

Mr. Ash Williams
Executive Director/Chief Investment Officer
State Board of Administration
P.O. Box 13300
Tallahassee, Florida 32317-3300

RE: FHFC Multifamily Mortgage Revenue Bonds
Not to Exceed \$12,000,000 Tax-Exempt Bonds
Valencia Grove

Dear Mr. Williams:

On behalf of Florida Housing Finance Corporation ("Florida Housing or "FHFC"), I am submitting a cash flow analysis for the approval of fiscal determination of the above-referenced bond issue prepared by the Underwriter, RBC Capital Markets. Florida Housing endorses this analysis and believes it will show sufficient coverage.

This bond issue will be a private placement. We request that this item be placed on the agenda for approval at the State Board of Administration's October 27, 2015 Cabinet meeting, due to financing and closing schedules.

Should you or your staff have any questions or concerns with respect to this transaction, please feel free to call me at (850) 488-4197. Thank you for your consideration.

Sincerely,



Brantley Henderson
Assistant Director of Multifamily Programs

BH/jg

Enclosures

Rick Scott, Governor

Board of Directors: Bernard "Barney" Smith, Chairman • Natacha Munilla, Vice Chairman
Renier Diaz de la Portilla • Ray Dubuque • John David Hawthorne Jr. • Brian Katz • Leonard Tylka • Howard Wheeler
Bill Killingsworth, Florida Department of Economic Opportunity

Executive Director: Stephen P. Auger

\$7,000,000
Florida Housing Finance Corporation
Multifamily Housing Revenue Bonds

Valencia Grove Apartments

Combined Debt Coverage Table

	Revenue		Bond Payments (4)		Sub Loans		Debt Service		Debt Service Coverage		Bond Balance
	Net Operating Income (1)	Principal Bonds (2)	Interest Bonds (3) 4.14%		FHFC SAIL & ELI Payments (5)		Bond Debt Service	Total Bond & Subord DS	Bond Debt Service DCR	Total Bond & Subord DCR	
YR 1	\$ 454,998	\$ 90,000	\$ 289,800	\$ 50,000	\$ 50,000	\$ 429,800	\$ 379,800	\$ 429,800	1.20	1.06	\$ 7,000,000
YR 2	460,018	100,000	286,074	50,000	50,000	436,074	386,074	436,074	1.19	1.05	\$ 6,910,000
YR 3	464,966	105,000	281,934	50,000	50,000	436,934	386,934	436,934	1.20	1.06	\$ 6,810,000
YR 4	469,834	110,000	277,587	50,000	50,000	437,587	387,587	437,587	1.21	1.07	\$ 6,705,000
YR 5	474,615	110,000	273,033	50,000	50,000	433,033	383,033	433,033	1.24	1.10	\$ 6,595,000
YR 6	479,303	120,000	268,479	50,000	50,000	438,479	388,479	438,479	1.23	1.09	\$ 6,485,000
YR 7	483,890	120,000	263,511	50,000	50,000	433,511	383,511	433,511	1.26	1.12	\$ 6,365,000
YR 8	488,367	130,000	258,543	50,000	50,000	438,543	388,543	438,543	1.26	1.11	\$ 6,245,000
YR 9	492,726	130,000	253,161	50,000	50,000	433,161	383,161	433,161	1.29	1.14	\$ 6,115,000
YR 10	495,664	140,000	247,779	50,000	50,000	437,779	387,779	437,779	1.28	1.13	\$ 5,985,000
YR 11	498,428	140,000	241,983	50,000	50,000	431,983	381,983	431,983	1.30	1.15	\$ 5,845,000
YR 12	501,008	150,000	236,187	50,000	50,000	436,187	386,187	436,187	1.30	1.15	\$ 5,705,000
YR 13	503,393	155,000	229,977	50,000	50,000	434,977	384,977	434,977	1.31	1.16	\$ 5,555,000
YR 14	505,571	160,000	223,560	50,000	50,000	433,560	383,560	433,560	1.32	1.17	\$ 5,400,000
(4) YR 15	5,582,532	\$ 5,240,000	\$ 216,936	\$ 50,000	\$ 50,000	\$ 5,506,936	\$ 5,456,936	\$ 5,506,936	1.02	1.01	\$ -

- (1) NOI based on 'Projected Operating Revenue' Schedule.
- (2) Based on estimated bond sinking fund schedule beginning in year 2.5 following the 2 year interest only period.
- (3) The Bond Interest Rate is based on current market conditions for a negotiated private placement with an interest rate swap (4.14%). The Bond fees include 0.24% Issuer Fee and \$4,250/yr Trustee Fee and along with the other servicing and compliance monitoring fees, are included in the operating expenses ahead of the NOI and Debt Service Calculation, therefore not included in the above.
- (4) The Bond term is 17 years, with a Bondholder's Mandatory Redemption in year 17. The term includes up to a 2 year interest only period followed by 15 years of amortizing debt service based on a 35 year scale. When the Mandatory Redemption is in year 17, the borrower will satisfy the remaining balance via refinancing, or proceeds from the sale of the property. In the event a refinancing or sale of the asset is not feasible, the debt obligation will be satisfied via a "Mortgage Assignment" without causing an event of default. In such case, the Bondholder will present the bonds to the trustee for cancellation and in exchange will receive an assignment of the mortgage and related collateral. In year 15, the Net Operating Income includes an amount equal to fully redeem the bonds.
- (5) The Subordinate Mortgages debt service repayment are all contingent upon available cash flow after all other fees, expenses and senior mortgage debt service payments.

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

TO: Ash Williams
FROM: Robert Copeland
SUBJECT: Fiscal Determination
DATE: October 14, 2015



**A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA
MAKING THE FISCAL DETERMINATION IN CONNECTION WITH THE ISSUANCE
OF AN AMOUNT NOT EXCEEDING \$4,200,000 FLORIDA HOUSING FINANCE
CORPORATION MULTIFAMILY MORTGAGE REVENUE BONDS, (SERIES TO BE
DESIGNATED) (ORANGEWOOD VILLAGE APARTMENTS)**

The Florida Housing Finance Corporation has submitted for approval as to fiscal determination a proposal to issue an amount not exceeding \$4,200,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Bond, (series to be designated) (the "Bonds") for the purpose of financing the construction of a multifamily rental development located in St. Lucie County, Florida (Orangewood Village Apartments). The Bonds shall be payable as to principal, premium (if any), and interest solely out of revenues and other amounts pledged therefor, and shall not be secured by the full faith and credit of the State of Florida.

RECOMMENDATION: It is recommended that, pursuant to the fiscal determination requirements of Section 16(c) of Article VII of the Constitution of the State of Florida, as revised in 1968 and subsequently amended, and in reliance upon information provided by the Florida Housing Finance Corporation, the Board find and determine that in no state fiscal year will the debt service requirements of the Bonds and all other bonds secured by the same pledged revenues exceed the pledged revenues available for payment of such debt service requirements. The Board does not assume any responsibility for, and makes no warranty (express or implied) with respect to any aspect of this bond issue.

cc: Janie Knight

**A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA
MAKING THE FISCAL DETERMINATION IN CONNECTION WITH THE ISSUANCE
OF AN AMOUNT NOT EXCEEDING \$4,200,000 FLORIDA HOUSING FINANCE
CORPORATION MULTIFAMILY MORTGAGE REVENUE BONDS,
(SERIES TO BE DESIGNATED) (ORANGEWOOD VILLAGE APARTMENTS)**

WHEREAS, the Florida Housing Finance Corporation (the "Corporation") proposes to issue an amount not exceeding \$4,200,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, (series to be designated) (the "Bonds") for the purpose of financing the construction of a multifamily rental development located in St. Lucie County, Florida (Orangewood Village Apartments); and,

WHEREAS, the Corporation has requested the State Board of Administration of Florida (the "Board") to make the fiscal determination required by Section 420.509, Florida Statutes, as stated in Section 16(c) of Article VII of the Constitution of the State of Florida, as revised in 1968 and subsequently amended (the "Florida Constitution"); and,

WHEREAS, the Bonds shall be secured by a Trust Indenture; and,

WHEREAS, in accordance with Section 420.509, Florida Statutes, the principal of and all interest and any premium on the Bonds shall be payable solely out of revenues and other amounts pledged therefor, as described in the Trust Indenture and other required documents, and shall not be secured by the full faith and credit of the State of Florida; and,

WHEREAS, the cash flow analysis furnished by the Corporation shows that in no State fiscal year will the debt service requirements of the Bonds proposed to be issued and all other bonds secured by the same pledged revenues exceed the pledged revenues available for payment of such debt service requirements; and,

WHEREAS, the Corporation has furnished sufficient information to enable the State Board of Administration of Florida to fulfill its duties pursuant to Section 420.509(2), Florida Statutes; and,

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

WHEREAS, the Board's determination pursuant to Section 16(c) of Article VII of the Florida Constitution and Section 420.509(2), Florida Statutes, is limited to a review of the matters essential to making such determination and the Board does not approve or disapprove of the Bonds as investments and has not passed upon the accuracy or adequacy of the Trust Indenture or any other required documents; **Now, Therefore,**

BE IT RESOLVED, by the State Board of Administration of Florida, a constitutional body described in Section 4 of Article IV of the Florida Constitution, that in connection with the issuance of the Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, (series to be designated) (Orangewood Village Apartments), in an amount not exceeding \$4,200,000, for the uses and purposes hereinabove set forth, it makes the fiscal determination required by Section 420.509, Florida Statutes.

Accordingly, as required by Section 16(c) of Article VII of the Florida Constitution, the Board finds and determines that in no state fiscal year will the debt service requirements of the Bonds and all other bonds secured by the same pledged revenues exceed the pledged revenues, as defined in Section 420.503, Florida Statutes and described in the Trust Indenture, which are available for payment of such debt service requirements.

ADOPTED October 27, 2015

October 9, 2015

VIA HAND DELIVERY

Mr. Ash Williams
Executive Director/Chief Investment Officer
State Board of Administration
P.O. Box 13300
Tallahassee, Florida 32317-3300

RE: FHFC Multifamily Mortgage Revenue Bonds
Not to Exceed \$4,200,000 Tax-Exempt Bonds
Orangewood Village Apartments

Dear Mr. Williams:

On behalf of Florida Housing Finance Corporation ("Florida Housing or "FHFC"), I am submitting a cash flow analysis for the approval of fiscal determination of the above-referenced bond issue prepared by the Underwriter, RBC Capital Markets. Florida Housing endorses this analysis and believes it will show sufficient coverage.

This bond issue will be a public offering. We request that this item be placed on the agenda for approval at the State Board of Administration's October 27, 2015 Cabinet meeting, due to financing and closing schedules.

Should you or your staff have any questions or concerns with respect to this transaction, please feel free to call me at (850) 488-4197. Thank you for your consideration.

Sincerely,



Brantley Henderson
Assistant Director of Multifamily Programs

BH/jg

Enclosures

Rick Scott, Governor

Board of Directors: Bernard "Barney" Smith, Chairman • Natacha Munilla, Vice Chairman
Renier Diaz de la Portilla • Ray Dubuque • John David Hawthorne Jr. • Brian Katz • Leonard Tylka • Howard Wheeler
Bill Killingsworth, Florida Department of Economic Opportunity

Executive Director: Stephen P. Auger

Florida Housing Finance Corporation
Multifamily Housing Revenue Bonds, 2015 Series_
(Orangewood Village Apartments)

Principal Amount of Bonds Issued: \$ 4,200,000
Interest Rate: 0.600%
Assumed Initial Deposit to the Bond Fund: \$ 25,000.00

Deposit of Funds: It is assumed that the bond proceeds will be deposited at closing to the Project Fund. Immediately thereafter, the lender will wire proceeds that will be deposited to the Collateral Fund. Immediately thereafter, funds on deposit in the Project Fund will be remitted to the Lender to reimburse them for funds expended to acquire the project.

Cash Flow Report

Date	Funds Available to Pay Debt Service (1)				Debt Service And Fees Payable		Remaining Assets	Princ. & Intr. Debt Coverage Ratio (DCR) (2)
	Cumulative Funds on Deposit In Collateral Fund	Cumulative Funds on Deposit In the Bond Fund	Earnings On Investments at 0.00%	Total Assets On Deposit In Indenture	Interest Due On Bonds	Principal Due On Bonds	Total Debt Service And Fees Payable	
11/13/2015	\$ 4,200,000.00	\$ 25,000.00	\$ -	\$ 4,225,000.00	\$ 11,830.00	\$ -	\$ 4,225,000.00	
5/1/2016	\$ 4,200,000.00	\$ 25,000.00	\$ -	\$ 4,225,000.00	\$ 12,600.00	\$ 4,200,000.00	\$ 4,213,170.00	357.1429
11/1/2016	\$ 4,200,000.00	\$ 13,170.00	\$ -	\$ 4,213,170.00	\$ 24,430.00	\$ 4,212,600.00	\$ 570.00	1.0001
Total		\$ -	\$ -	\$ -	\$ 4,224,430.00			

Notes:

- (1) At the bond closing cash proceeds from the FHLMC Loan and other sources will be deposited with the Trustee as pledged assets to fully collateralize the repayment of the Bonds as well as the payment of future anticipated debt service through to maturity.
- (2) The DCR is provided to demonstrate the overall coverage of pledged assets against the total amount due at each Semi-Annual Bond Debt Service payment and upon final maturity when principal is due.

Memo

TO: Ashbel C. Williams, Executive Director & CIO

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

FROM: Leonard E. Schulte, Director of Legal Analysis & Risk Evaluation, FHCF

DATE: October 13, 2015

SUBJECT: Trustees Meeting October 27, 2015

Request approval of, and authority to file, a Notice of Proposed Rule for Rule 19-8.010, F.A.C., Reimbursement Contract, and to file this rule along with the incorporated forms for adoption if no member of the public timely requests a rule hearing or if a hearing is requested and no changes are needed.

ITEM 4. SUMMARY AND REASONS FOR RULE CHANGES:

Reimbursement Contract (Rule 19-8.010, F.A.C.)

This rule is being amended to adopt the 2016 Florida Hurricane Catastrophe Fund Reimbursement Contract and to delete obsolete language.

SUMMARY OF INCORPORATED FORM CHANGES:

This rule adopts the FHCF Reimbursement Contract for the contract year beginning June 1, 2016. The SBA is required by law to adopt the contract form no later than February 1, 2016.

In addition to several nonsubstantive editorial changes and corrections to reflect statutory language, the 2016 Reimbursement Contract and other associated forms include several important changes from the 2015 Reimbursement Contract:

- The exclusions for policies covering specialized fine arts risks and for policies covering collectibles are revised to more accurately reflect the way these policies are currently written.
- The ability of an insurer to obtain, at its option, FHCF coverage for an incidental habitational occupancy in a primarily non-habitational building—known as the “carve out” option—is eliminated.
- The optional amendment form that enabled an insurer to change the coverage selections it made when it executed the Reimbursement Contract is eliminated.

Additional detail is provided in the attached Summary of Changes.

EXTERNAL INTEREST: The notice of rule development was published in the *Florida Administrative Register* on September 1, 2015, Vol. 41, No. 170. A rule development workshop was held on September 15, 2015. Representatives of the FHCF attended and presented the rule and incorporated forms. The rule and forms were presented, discussed, and favorably recommended by the FHCF Advisory Council at a public meeting on September 15, 2015.

Insurance industry representatives provided comments at the Rule Development Workshop and subsequently in writing. The current draft incorporates additional changes to the exclusions for policies covering specialized fine arts risks and policies covering collectibles and a technical clarification to the exclusion for certain condominium structures in response to these comments. Except for these changes and the correction of any technical errors, the current versions of the proposed rule and attachments are identical to the versions presented at the rule development workshop and at the Advisory Council meeting.

ACTION REQUESTED: It is requested that this proposed rule amendment be presented to the Cabinet Aides on October 21, 2015, and to the State Board of Administration Trustees on October 27, 2015, with a request to approve the filing of this rule for Notice of Proposed Rule and to approve filing for adoption with the Department of State if no member of the public timely requests a rule hearing or if a rule hearing is requested but no changes to the rule are necessary. A notice of the meeting of the Board will be published in the *Florida Administrative Register* on October 13, 2015, Vol. 41, No. 199.

ATTACHMENTS TO BE INCLUDED WITH THE SBA AGENDA ITEM 4:

- Summary of Changes
- Notice of Proposed Rule
- Notice of Meeting of Board as filed in the *Florida Administrative Register*
- Rule 19-8.010, F.A.C., Reimbursement Contract
- 2016 Incorporated Forms – **19-8.010, F.A.C., Reimbursement Contract**
Incorporated Forms: FHCF-2016K – “Reimbursement Contract,” FHCF-2016K-1—
Addendum 1 with Appendix A (Citizens), rev. XX.

The rule and all forms show the proposed amendments with new language underscoring and deleted language ~~stricken through~~.

Rule 19-8.010, F.A.C., and Incorporated Forms
2016-2017 Contract Year
Summary of Changes
(As of October 6, 2015)

Rule

19-8.010, Reimbursement Contract

Deleted: Subsection (1), relating to the 2011-2012 Reimbursement Contract, is deleted as obsolete.

Renumbered: Former subsections (2) through (5) are renumbered as subsections (1) through (4), respectively.

New: Subsection (5) is added to incorporate the 2016-2017 Contract Year Reimbursement Contract.

Incorporated Forms

Rule 19-8.010, F.A.C., Incorporated Forms:

FHCF-2016K, Reimbursement Contract

Throughout: Technical changes to update references to the 2016-2017 Contract Year dates, corrections to cross-references, and nonsubstantive editorial and grammatical changes are made throughout the document.

ARTICLE III – TERM

A requirement that the insurer submit two originals of a fully executed Reimbursement Contract is deleted.

ARTICLE V – DEFINITIONS

The definition of “Formula or the Premium Formula” in subsection (16) is revised to clarify the distinction between the Premium Formula and the rates derived from the Premium Formula.

The definition of the term “Residential Structures” in subsection (27) is revised to specify that a structure or unit must be used exclusively or predominantly for dwelling or habitational occupancies, and to provide that a single structure which includes a mix of commercial habitational and commercial non-habitational occupancies, and which is insured under a commercial policy, is considered a Residential Structure if 50% or more of the total insured value of the structure is used for habitational occupancies. This replaces similar language which was formerly part of Article XIX (formerly Article XVIII), relating to reimbursement contract elections.

A new paragraph (b) is added to the definition of the term “Ultimate Net Loss” in subsection (30). An insurer’s Ultimate Net Loss will be determined in accordance with the deductible level as specified under the policy sustaining the loss without taking into consideration any deductible discounts or waivers.

ARTICLE VI – EXCLUSIONS

Subsection (18), relating to losses paid in excess of policy limits, is revised to clarify that this exclusion applies to a discount on an applicable deductible. The current version of the exclusion refers to deductible waivers, but not discounts.

Subsection (27), relating to exclusions for policies covering fine arts risks and policies covering collectibles, is revised.

In paragraph (27)(a), the fine arts exclusion, certain requirements that limited the applicability of the exclusion are removed: a requirement that the insured must invest in loss control measures, the requirement that the insurer perform periodic inspections, the requirement of a watchman or alarm, and a requirement that the insurer perform certain other services. These are replaced with a requirement that the insurer must offer certain loss prevention and valuation services.

Paragraph (b) of subsection (27), relating to the exclusion for policies covering personal property of a collectible nature, is revised. The revised exclusion will apply to any policy form or endorsement generally used by the insurer to cover personal property which could include property of a collectible nature (including fine arts), and not covering anything other than personal property, provided the policy or endorsement limit is at least \$500,000.

Subsection (29) is added to provide an exclusion for a condominium structure insured on a commercial policy in which more than 50% of the individual units are non-owner occupied and rented for 6 or more rental periods by different parties during the course of a 12-month period. This exclusion is added to provide consistency with existing exclusion (10) and the definition of “Residential Structures” in Article V, subsection (27).

Subsection (30) is added to provide an exclusion for any structure used exclusively or predominantly for non-dwelling or non-habitational purposes. This exclusion incorporates the substance of language that was previously part of the definition of “Residential Structure” in Article V, subsection (27).

ARTICLE VIII – LOSS REIMBURSEMENT ADJUSTMENTS

Subsection (1), relating to offsets, is deleted from Article VIII and moved to a new Article XIV.

ARTICLE X – REPORTS AND REMITTANCES

Paragraph (2)(e), relating to remittances, is amended to require that Reimbursement Premium payments be made by wire transfer or ACH and credited to the FHCF’s account by the due date specified in the invoice.

Paragraph (2)(f), relating to the use of reimbursement premium revenues, is amended to clarify that existing limitations on the use of reimbursement premiums to pay for debt service on revenue bonds apply only to post-event revenue bonds.

ARTICLE XIV – OFFSETS

New Article XIV, relating to offsets, is added. The only substantive change from former Article VIII, subsection (1) is the clarification that amounts owed to the SBA may be offset against premium refunds from any contract year in addition to reimbursement or advance amounts and amounts agreed to in a commutation agreement.

Subsequent articles are renumbered to reflect the addition of new Article XIV.

ARTICLE XIX– REIMBURSEMENT CONTRACT ELECTIONS

Subsection (1), relating to reimbursement percentage, is amended to delete a note referring to the fact that post-event revenue bonds are no longer outstanding and the ability of insurers to reduce their coverage percentage elections as a result.

Subsection (2), relating to exposures for a single structure with a mix of commercial habitational and commercial non-habitational exposures written under a commercial policy, is deleted. This “carve out” language enabled an insurer to obtain (or reject) coverage of the habitational portion of a mixed use commercial structure that is not predominantly residential. As amended, this option will no longer be available. Treatment of mixed use commercial structures is now addressed in the definitions and exclusions.

Addendum No. 1 (and Appendix A), Citizens (liquidating insurers):

Dates are updated to reflect the 2016-2017 Contract Year dates.

**Optional Amendment to Change Prior Selections Made in the Reimbursement Contract or
the Addenda to the Reimbursement Contract:**

There is no Optional Amendment Form for Contract Year 2016-2017.

Notice of Proposed Rule

STATE BOARD OF ADMINISTRATION

RULE NO.: RULE TITLE:

19-8.010: Reimbursement Contract

PURPOSE AND EFFECT: The State Board of Administration of Florida, Florida Hurricane Catastrophe Fund, seeks to amend the rule listed above to implement Section 215.555, F.S.

SUMMARY: The rule is being amended to adopt the 2016-2017 Reimbursement Contract, including Addenda. In addition, obsolete material is being removed.

SUMMARY OF STATEMENT OF ESTIMATED REGULATORY COSTS AND LEGISLATIVE RATIFICATION:

The Agency has determined that this will not have an adverse impact on small business or likely increase directly or indirectly regulatory costs in excess of \$200,000 in the aggregate within one year after the implementation of the rule. A SERC has not been prepared by the Agency.

The Agency has determined that the proposed rule is not expected to require legislative ratification based on the statement of estimated regulatory costs or if no SERC is required, the information expressly relied upon and described herein: A Reimbursement Contract meeting the requirements set forth in Section 215.555, F.S., must be adopted annually pursuant to Section 215.555(4) and (17)(b), F.S. Upon review of the proposed changes to the upcoming Contract Year's Reimbursement Contract, which is incorporated into Rule 19-8.010, F.A.C., Reimbursement Contract, the State Board of Administration of Florida has determined that the preparation of a Statement of Estimated Regulatory Costs is not necessary and that this rule does not meet the statutory threshold for ratification by the Legislature. The changes to this rule also do not directly or indirectly have an adverse impact on economic growth, private sector job creation or employment, or private sector investment, business competitiveness, or innovation or increase regulatory costs, including any transactional costs, in excess of \$1 million in the aggregate within 5 years after the implementation of the rule.

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.

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

LAW IMPLEMENTED: 215.555(2), (3), (4), (5), (6), (7), (10), (17), F.S.

IF REQUESTED WITHIN 21 DAYS OF THE DATE OF THIS NOTICE, A HEARING WILL BE HELD AT THE DATE, TIME AND PLACE SHOWN BELOW (IF NOT REQUESTED, THIS HEARING WILL NOT BE HELD):

DATE AND TIME: November 23, 2015, 9:00 a.m. to 11:00 a.m. (ET).

PLACE: Hermitage Centre Conference Room, Hermitage Centre, 1801 Hermitage Boulevard, Tallahassee, FL 32308. Persons wishing to participate by phone may dial (888) 670-3525 and enter conference code 7135858151.

Pursuant to the provisions of the Americans with Disabilities Act, any person requiring special accommodations to participate in this workshop/meeting is asked to advise the agency at least 7 days before the workshop/meeting by contacting: Leonard E. Schulte, Florida Hurricane Catastrophe Fund, 1801 Hermitage Blvd., Tallahassee, FL 32308, (850) 413-1335, leonard.schulte@sbafla.com. If you are hearing or speech impaired, please contact the agency using the Florida Relay Service, 1(800)955-8771 (TDD) or 1(800)955-8770 (Voice).

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE IS: Leonard Schulte at the number or email listed above.

THE FULL TEXT OF THE PROPOSED RULE IS:

19-8.010 Reimbursement Contract.

~~(1) The reimbursement contract for the 2011-2012 contract year, <http://www.flrules.org/Gateway/reference.asp?No=Ref-00518>, including all Amendments and Addenda, <http://www.flrules.org/Gateway/reference.asp?No=Ref-00519>, required by Section 215.555(4), F.S., which is called Form FHCF-2011K “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. 06/11, is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2011 through May 31, 2012.~~

~~(1)(2)~~ The reimbursement contract for the 2012-2013 contract year, <http://www.flrules.org/Gateway/reference.asp?No=ref-00777>, including all Amendments and Addenda, required by Section 215.555(4), F.S., which is called Form FHCF-2012K-“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. 12/11 is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2012 through May 31, 2013.

~~(2)(3)~~ The reimbursement contract for the 2013-2014 contract year, <http://www.flrules.org/Gateway/reference.asp?No=ref-01872>, including all Amendments and Addenda, required by Section 215.555(4), F.S., which is called Form FHCF-2013K-“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. 11/12 is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2013 through May 31, 2014.

~~(3)(4)~~ The reimbursement contract for the 2014-2015 contract year, <http://www.flrules.org/Gateway/reference.asp?No=ref-03348>, including all Amendments and Addenda, required by Section 215.555(4), F.S., which is called Form FHCF-2014K-“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. 12/13 is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2014 through May 31, 2015.

~~(4)(5)~~ The reimbursement contract for the 2015-2016 contract year, <http://www.flrules.org/Gateway/reference.asp?No=ref-04711>, including all Amendments and Addenda, required by Section 215.555(4), F.S., which is called Form FHCF-2015K-“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”), <http://www.flrules.org/Gateway/reference.asp?No=ref-05417>, rev. 11/14 is hereby adopted and incorporated by reference into this rule. In addition, Form 2015K-2, Amendment No. 1 to the Reimbursement Contract, is also adopted and incorporated by reference into this rule. This contract is effective from June 1, 2015 through May 31, 2016.

(5) The reimbursement contract for the 2016-2017 contract year, <http://www.flrules.org/Gateway/reference.asp?No=ref-XXXXX>, including all Amendments and Addenda, required by Section 215.555(4), F.S., which is called Form FHCF-2016K-“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. XX/15 is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2016 through May 31, 2017.

(6) 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) 413-1335.

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, 3-29-10, 8-8-10, 12-12-10, 9-11-11, 12-19-11, 11-18-12, 12-2-13, 11-12-14, 6-2-15, XX-XX-15.

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

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: October 27, 2015

DATE NOTICE OF PROPOSED RULE DEVELOPMENT PUBLISHED IN FAR: September 1, 2015

Notice of Meeting/Workshop Hearing

STATE BOARD OF ADMINISTRATION

The State Board of Administration of Florida (SBA) announces a public meeting to which all persons are invited.

DATE AND TIME: October 27, 2015, 9:00 a.m. (ET) to conclusion of the meeting.

PLACE: Cabinet Meeting Room, Lower Level, The Capitol, Tallahassee, Florida.

GENERAL SUBJECT MATTER TO BE CONSIDERED: This is a meeting of the Trustees of the SBA to obtain approval to file Rule 19-8.010, F.A.C., Reimbursement Contract, for Notice of Proposed Rule and to file this rule for adoption if no member of the public timely requests a hearing or, if a hearing is requested, no changes need to be made. In addition, other general business may be addressed.

A copy of the agenda may be obtained by contacting: Not available.

Pursuant to the provisions of the Americans with Disabilities Act, any person requiring special accommodations to participate in this workshop/meeting is asked to advise the agency at least 7 days before the workshop/meeting by contacting: Leonard E. Schulte, Director of Legal Analysis & Risk Evaluation, Florida Hurricane Catastrophe Fund, at (850) 413-1335 or leonard.schulte@sbafla.com. If you are hearing or speech impaired, please contact the agency using the Florida Relay Service, 1(800)955-8771 (TDD) or 1(800)955-8770 (Voice).

For more information, you may contact: Leonard Schulte at the number or email listed above.

19-8.010 Reimbursement Contract.

~~(1) The reimbursement contract for the 2011-2012 contract year, <http://www.flrules.org/Gateway/reference.asp?No=Ref-00518>, including all Amendments and Addenda, <http://www.flrules.org/Gateway/reference.asp?No=Ref-00519>, required by Section 215.555(4), F.S., which is called Form FHCF-2011K “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. 06/11, is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2011 through May 31, 2012.~~

~~(1)(2)~~ The reimbursement contract for the 2012-2013 contract year, <http://www.flrules.org/Gateway/reference.asp?No=ref-00777>, including all Amendments and Addenda, required by Section 215.555(4), F.S., which is called Form FHCF-2012K-“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. 12/11 is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2012 through May 31, 2013.

~~(2)(3)~~ The reimbursement contract for the 2013-2014 contract year, <http://www.flrules.org/Gateway/reference.asp?No=ref-01872>, including all Amendments and Addenda, required by Section 215.555(4), F.S., which is called Form FHCF-2013K-“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. 11/12 is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2013 through May 31, 2014.

~~(3)(4)~~ The reimbursement contract for the 2014-2015 contract year, <http://www.flrules.org/Gateway/reference.asp?No=ref-03348>, including all Amendments and Addenda, required by Section 215.555(4), F.S., which is called Form FHCF-2014K-“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. 12/13 is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2014 through May 31, 2015.

~~(4)(5)~~ The reimbursement contract for the 2015-2016 contract year, <http://www.flrules.org/Gateway/reference.asp?No=ref-04711>, including all Amendments and Addenda, required by Section 215.555(4), F.S., which is called Form FHCF-2015K-“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”), <http://www.flrules.org/Gateway/reference.asp?No=ref-05417>, rev. 11/14 is hereby adopted and incorporated by reference into this rule. In addition, Form 2015K-2, Amendment No. 1 to the Reimbursement Contract, is also adopted and incorporated by reference into this rule. This contract is effective from June 1, 2015 through May 31, 2016.

(5) The reimbursement contract for the 2016-2017 contract year, <http://www.flrules.org/Gateway/reference.asp?No=ref-XXXXX>, including all Amendments and Addenda, required by Section 215.555(4), F.S., which is called Form FHCF-2016K-“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. XX/15 is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2016 through May 31, 2017.

(6) 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) 413-1335.

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, 3-29-10, 8-8-10, 12-12-10, 9-11-11, 12-19-11, 11-18-12, 12-2-13, 11-12-14, 6-2-15, XX-XX-15.

REIMBURSEMENT CONTRACT

Effective: June 1, ~~2015~~2016
(Contract)

between

«Legal_Name»
(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 principal document are equally applicable to each Addendum 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 Covered Event causing 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~~XV. The SBA will only disburse funds to the Company, except as provided for in Article ~~XIV~~XV. 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

- (1) The term of this Contract shall apply to Loss Occurrences which commence during the period from 12:00:01 a.m., Eastern Time, June 1, ~~2015~~2016, to 12:00 midnight, Eastern Time, May 31, ~~2016~~2017 (Contract Year). 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.
- (2) The Company is required to 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, March 1, ~~2015~~2016. Failure to do so shall result in the Company's coverage level under this Contract being deemed as follows:
 - (a) 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.
 - (b) 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.
 - (c) 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.
 - (d) 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.
- (3) Failure by the Company to meet the requirements of this Article may result in referral to the Office of Insurance Regulation.

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~~XIX.
- (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.
- (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. If it appears that the Estimated Claims-Paying Capacity may be exceeded, the SBA shall reduce the 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. Once the Company's limit of coverage has been exhausted, the Company will not be entitled to further reimbursements.
- (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 Register* 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. and (6), 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 Citizens Property Insurance Corporation as created under Section 627.351(6), Florida Statutes. For the purposes of the FHCF, Citizens Property Insurance Corporation incorporates two accounts, (a) the coastal account and (b) the personal lines and commercial lines accounts. Each account is treated by the FHCF as if it were a separate participating insurer with its own reportable exposures, Reimbursement Premium, Retention, and Ultimate Net Loss.

(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 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 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 and 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 all incurred losses under Covered Policies, including Additional Living Expenses not to exceed 40 percent of the insured value of a Residential Structure or its contents and amounts paid as fees on behalf of or inuring to the benefit of a policyholder, and excludes allocated or unallocated 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 Citizens 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 units or buildings used exclusively or predominantly for dwelling or habitational occupancies, 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. For the purpose of this Contract, a single structure which includes a mix of commercial habitational and commercial non-habitational occupancies, and which is insured under a commercial policy, is considered a Residential Structure if 50% or more of the total insured value of the structure is used for habitational occupancies. Covered Residential Structures do not include any structures listed under Article VI 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 January 1 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 quarterly by the SBA only if the 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.

(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 ~~2015/2016~~2016/2017 Contract Year shall be equal to \$4.5 billion, adjusted based upon the reported exposure for the ~~2013/2014~~2014/2015 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 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 prior to the application of the Company's FHCF Retention and reimbursement percentage, and excluding loss adjustment expense and any exclusions under Article VI, arising from each Loss Occurrence during the Contract Year; ~~provided, however, that the Company's Ultimate Net Loss shall be determined in accordance with the deductible level written under the policy sustaining the loss.~~
- ~~(b)~~ The Company's Ultimate Net Loss shall be determined in accordance with the deductible level as specified under the policy sustaining the loss without taking into consideration any deductible discounts or deductible waivers.
- ~~(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.
- ~~(e)~~ 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, as determined by the FHCF.
- (4)
 - (a) Any policy for Residential Structures that provides a layer of coverage underneath an Excess Policy issued by a different insurer;
 - (b) Any policy providing a layer of windstorm or hurricane coverage for a particular structure above or below a layer of windstorm or hurricane coverage under a separate policy issued by a different insurer, or any other circumstance in which two or more insurers provide primary windstorm or hurricane coverage for a single structure using separate policy forms; or
 - (c) Any other policy providing a layer of windstorm or hurricane coverage for a particular structure below a layer of self-insured windstorm or hurricane coverage for the same structure.
 - (d) The exclusions in this subsection do not apply to primary quota share policies written by Citizens Property Insurance Corporation under Section 627.351(6)(c)2., Florida Statutes.
- (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).
- (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) Policies covering only Additional Living Expense.
- (14) Any exposure for barns or barns with apartments or living quarters.
- (15) Any exposure for builders risk coverage or new Residential Structures still under construction.
- (16) Any exposure for recreational vehicles, golf carts, or boats (including boat related equipment) requiring licensing and written on a separate policy or endorsement.
- (17) Any liability of the Company for extra contractual obligations or liabilities in excess of original policy limits. This exclusion includes, but is not limited to, amounts paid as bad faith awards, punitive damages awards, or other court-imposed fines, sanctions, or penalties; or other amounts in excess of the coverage limits under the Covered Policy.

- (18) 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), or other amounts paid as the result of a voluntary expansion of coverage by the insurer, including, but not limited to, a discount on or waiver of an applicable deductible. This exclusion includes overpayments of a specific individual coverage limit even if total payments under the policy are within the aggregate policy limit.
- (19) 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 30 of the Contract Year).
- (20) 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.
- (21) Any exposure for, or amounts paid to reimburse a policyholder for, condominium association loss assessments or under similar coverages for contractual liabilities.
- (22) 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.
- (23) 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.
- (24) 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.
- (25) Property losses that are proximately caused by any peril other than a Covered Event, including, but not limited to, fire, theft, flood or rising water, or windstorm that does not constitute a Covered Event, or 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.
- (26) 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.
- (27) Policies and endorsements predominantly covering Specialized Fine Arts Risks or collectible types of property meeting the following requirements:
 - (a) A policy or endorsement 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 Specialized Fine Arts policy or endorsement) if it meets the description in subparagraph 1 and if ~~all~~ the conditions in subparagraphs ~~2. through 4. immediately below~~ are met.
 - 1. For purposes of this exemption, a Specialized Fine Arts Risk policy or endorsement is a policy or endorsement that:

- a. Insures works of art, of rarity, or of historic value, such as paintings, works on paper, etchings, art glass windows, pictures, statuary, sculptures, tapestries, antique furniture, antique silver, antique rugs, rare books or manuscripts, jewelry, or other similar items;
 - b. Charges a minimum premium of \$500; and
 - c. Insures scheduled items valued, in the aggregate, at no less than \$100,000; ~~and~~
 - d. ~~Requires an investment by the insured in loss control measures to protect the Specialized Fine Arts Risks being insured.~~
2. The insurer ~~must perform a periodic and thorough specialized inspection and must provide a~~ offers specialized loss prevention services or other collector services designed to prevent or minimize loss, or to value or inventory the Specialized Fine Arts for insurance purposes, such as:
- a. Collection risk assessments;
 - b. Fire and security loss prevention;
 - c. Warehouse inspections to protect items stored off-site;
 - d. Assistance with collection inventory management; or
 - e. Collection valuation reviews.
3. ~~The structure and its fine arts contents must be provided with satisfactory watchman or alarm service or its equivalent where necessary.~~
4. ~~The insurer must maintain a force of trained and competent loss prevention specialists, who perform the following tasks:~~
- a. ~~Make loss prevention surveys of each Specialized Fine Arts Risk;~~
 - b. ~~Make available a specialized loss prevention service for the purpose of providing consultation regarding hazards to the fine arts being insured;~~
 - c. ~~Confirm through periodic 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.~~
- (b) A policy form or endorsement ~~written to solely~~ generally used by the Company to cover personal property which could include property of a collectible nature, including fine arts, as further described in this paragraph, either on a scheduled basis or written under a blanket limit, and not covering anything other than personal property. All such policy forms or endorsements are subject to the exclusion provided in this paragraph when the with a policy or endorsement limit equals to or exceeding exceeds \$500,000 and which predominantly covers one or more classes of collectible types of property shall be exempt from coverage under the Fund. Generally such ~~classes of~~ collectible property have has unusually high values due to ~~their its~~ investible, artistic, or unique intrinsic nature. ~~Additionally, such exempt policy may also include coverage for incidental items of personal property that may also be scheduled although such property may not be considered as a collectible.~~ The ~~predominant~~ class of property covered under such ~~excluded a~~ policy or endorsement represents an unusually high exposure value and such policy is intended to provide coverage for a class or classes of property that is not typical for the contents coverage under residential property insurance policies. In many cases property may be located at various locations either in or outside the state of Florida or the location of the property may change from time to time. The investment nature of such property distinguishes this type of exposure from the typical contents associated with a Covered Policy.

(28) Any losses under liability coverages.

- (29) Any exposure for a condominium structure insured on a commercial policy in which more than 50% of the individual units are non-owner occupied and rented for 6 or more rental periods by different parties during the course of a 12-month period.
- (30) Any structure used exclusively or predominantly for non-dwelling or non-habitation occupancies.

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 any Contract Year and the Company's full Premium for the current Contract Year (regardless of installment due dates), against any reimbursement or advance amounts, or amounts agreed to in a commutation agreement, which are 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) The Company's Reimbursement Premium is based on its June 30 exposure in accordance with Article X, except as provided for New Participants under Article X, and is not adjusted to reflect an increase or decrease in exposure for Covered Policies effective after June 30 nor is the Reimbursement Premium adjusted when the Company cancels policies or is liquidated or otherwise changes its business status (merger, acquisition, or termination) or stops writing new business (continues in business with its policies in a runoff mode). Similarly, new business written after June 30 will not increase or decrease the Company's FHCF Reimbursement Premium or impact its FHCF coverage. FHCF Reimbursement Premiums are required of all companies based on their writing Covered Policies in Florida as of June 30, and each company's FHCF coverage as based on the

definition in Section 215.555(2)(m), Florida Statutes, shall exist for the entirety of the Contract Year regardless of exposure changes, except as provided for New Participants under Article X.

- (3) 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 February 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 November 30 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 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 received by the SBA no later than 4 p.m. Eastern Time 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 FHCF Administrator in Minneapolis, Minnesota, will be returned to the sender. Reports not in the physical possession of the SBA by 4 p.m., Eastern Time, on the applicable due date are late.

(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.
- (b) If the Company is under administrative supervision, or if any control or oversight of the Company has been transferred through any legal or regulatory action to a state regulator or court appointed receiver or rehabilitator (referred to in the aggregate as "state action"):
1. 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.
 2. Failure by such Company to pay the full annual provisional Reimbursement Premium as specified in 1. above by the applicable due date(s) shall result in the 45% coverage level being deemed for the complete Contract Year regardless of the level selected for the Company through the execution of this Contract and regardless of whether a hurricane event occurred or triggered coverage.
 3. The provisions required in 1. and 2. above will not apply when the state regulator, receiver, or rehabilitator provides a letter of assurance to the FHCF that the Company will have the resources and will pay the full Reimbursement Premium for the coverage level selected through the execution of this Contract.
 4. When control or oversight has been transferred, in whole or in part, through a legal or regulatory action, the controlling management of the Company shall specify by August 1 or as soon thereafter as possible (but not to exceed two weeks after any regulatory or legal action) in a letter to the FHCF as to the Company's intentions to either pay the full FHCF Reimbursement Premium as specified in 1. above, to default to the 45% coverage being deemed as specified in 2. above, or to provide the assurances as specified in 3. above.
- (c) 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 November 30 of the Contract Year, as reported on or before February 1 of the 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 April 1 of the Contract Year. The Company's Retention and coverage will be determined based on the total Premium due as calculated above.
- (d) A New Participant that first begins writing Covered Policies on or after December 1 through and including May 31 of the Contract Year shall pay the FHCF a Reimbursement Premium of \$1,000 upon execution of this Contract.
- (e) 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 2 p.m., Eastern Time,~~ remitted by wire transfer or ACH and shall have been credited to the FHCF's account at its bank in Tampa, Florida, as set out on the invoice sent to the Company, 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 100822, Atlanta, GA 30384 0822, 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 College Park, Georgia, 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 2 p.m., Eastern Time,~~ credited to the FHCF's account on the applicable due date are late.

- (f) 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 post-event revenue bonds: issued Pursuant to Section 215.555(6)(a)1., Florida Statutes, Reimbursement Premiums and earnings thereon may be used for payments relating to such revenue bonds in the event emergency assessments are insufficient. If Reimbursement Premiums or earnings thereon are used for debt service on 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 payment relating to the post-event 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 Coastal 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, addenda 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 any payments 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 or electronic signatures of two executive officers authorized by the Company to sign or submit 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, accompanied by a detailed claims listing (as outlined on the Proof of Loss Report). 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 January 1 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 Company shall file a final Proof of Loss Report(s), with the exception of Companies having no reportable losses as described in paragraph (3)(d)1.a. below. Otherwise, the final Proof of Loss Report(s) is required as specified in paragraph (3)(d)1.b. below. The Company and SBA may mutually agree to initiate commutation after 36 months and prior to 60 months after the end of the Contract Year. The commutation negotiations shall begin at the later of 60 months after the end of the Contract Year or upon completion of the FHCF loss examination for the Company and the resolution of all outstanding examination issues.
 - 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 SBA shall after 36 months request that the Company execute a final commutation agreement. The final commutation agreement shall constitute a complete and final release of all obligations of the SBA with respect to all claims and losses. If the Company chooses not to execute a final commutation agreement, the SBA shall be released from all obligations 60 months following the end of the Contract Year if no Proof of Loss Report(s) indicating reimbursable losses have been filed and the commutation shall be deemed concluded. However during this time, if the Company determines that it does have losses to report for FHCF reimbursement, the Company must submit an updated Proof of Loss Report(s) prior to the end of 60 months after the Contract Year and the Company shall be required to follow the commutation provisions and time frames otherwise specified in this section.
 - 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 may require 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 and incurred but not reported losses, which are not finally settled and which may be reimbursable losses under this Contract, and must be accompanied by supporting documentation (at a minimum an adjuster's summary report or equivalent details) and a copy of a written opinion on the present value of the outstanding losses and incurred but not reported losses by the Company's certifying actuary. Failure of the Company to provide an updated current Proof of Loss Report(s), supporting documentation, and an opinion by the date requested by the SBA may result in referral to the Office of Insurance Regulation for a violation of the Contract. Increases in reported paid, outstanding, or incurred but not reported losses on original or corrected Proof of Loss Report filings received later than 60 months after the end of the Contract Year shall not be eligible for reimbursement or commutation.
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 90 days of the FHCF's receipt of the final Proof of Loss Report(s) and supporting documentation, 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, as provided in this paragraph.
 - i. One actuary shall be chosen by each party, and the third actuary shall be chosen by those two actuaries. 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 an independent 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.
 - ii. All of 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.
 - iii. None of the actuaries shall be under the control of either party to this Contract.
 - iv. Each party shall submit its case to the panel in writing on the 30th day after the appointment of the third actuary. Following the submission of the case to the panel, the parties are prohibited from providing any further information or other communication except at the request of the panel. Such responses to requests from the panel must be in writing and simultaneously provided to the other party and all members of the panel, except that the panel may require the response to be provided in a meeting or teleconference attended by both parties and all members of the panel.
 - v. 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.

(4) **Advances**

- (a) 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 Section 215.555, Florida Statutes, follow.
1. Advances to Companies to prevent insolvency, as defined under Article XIV.
 - 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;
 7. Shall consider any other factors deemed relevant; and
 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).
- (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 report, or commutation documentation when due is a violation of the terms of this Contract and Section 215.555, Florida Statutes.
- (8) **Confidential Information/Trade Secret Information**
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. If other information submitted by the Company to the FHCF could reasonably be ruled a “trade secret” as defined in Section 812.081, Florida Statutes, such information must be clearly marked “Trade Secret Information.”

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 State Board of Administration Finance Corporation (formerly known as 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, 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) Purpose of FHCF Examination

The purpose of the examinations conducted by the SBA is to evaluate the accuracy of the FHCF exposure or loss data reported by the Company. However, due to the limited nature of the examination, it cannot be relied upon as an assurance that a company’s data is reported accurately or in its entirety. The company should not rely on the FHCF to identify every type of reporting error in its data. In addition, the reporting requirements are subject to change each Contract Year so it is the Company’s responsibility to be familiar with the applicable Contract Year requirements and to incorporate any changes into its data for that Contract Year. It is also the Company’s responsibility to ensure that its data is reported accurately and to comply with Florida Statutes and any applicable rules when reporting exposure data. The examination report is not intended to provide a legal determination of the Company’s compliance.

(2) 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 and commutation for that Contract Year. The records to be retained are outlined in the Data Call adopted for the Contract Year under Rule 19-8.029, F.A.C. A complete list of records to be retained for the exposure examination is set forth in Form FHCF-EAP1, adopted for the Contract Year under Rule 19-8.030, F.A.C.

(3) 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 and commutation for the Contract Year (if applicable) has been concluded. 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.

(4) 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 an 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. Once the resubmission is received, 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 exam is closed.

2. If the recommendation of the examiner is to give the Company the option to either resubmit the exposure data or 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)1. 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. 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 exam is closed.

(h) 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.

ARTICLE XIV – OFFSETS

The SBA reserves the right to offset amounts payable to the SBA from the Company, including amounts payable under the Reimbursement Contract for any Contract Year and also including the Company's full Premium for the current Contract Year (regardless of installment due dates), against any (1) premium refunds under any Contract Year, (2) reimbursement or advance amounts, or (3) amounts agreed to in a commutation agreement, which are due and payable to the Company from the SBA as a result of the liability of the SBA.

ARTICLE ~~XIV~~XV - 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 within a reasonable time.

ARTICLE XVI - 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 XVII - 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 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 XVIII - 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.

ARTICLE ~~XVIII~~XIX – REIMBURSEMENT CONTRACT ELECTIONS

(1) 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 are no longer outstanding.

~~**IMPORTANT NOTE:** The State Board of Administration Finance Corporation issued revenue bonds as a result of its liabilities for Covered Events under the Contract Year effective June 1, 2005. As those bonds are no longer outstanding, the Company may select a Reimbursement Percentage that is less than its selection under the prior Contract Year effective June 1, 2014.~~

The Reimbursement Percentage elected by the Company for the prior Contract Year effective June 1, ~~2014~~2015 was as follows: «Legal_Name» - «~~2014~~2015_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, ~~2015~~2016, to 12:00 a.m., Eastern Time, May 31, ~~2016~~2017, (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%

~~(2) **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 following N/A box, which completes this section of ARTICLE XVIII.~~

☐

**NOT
APPLICABLE**

~~If the Company **does** write, or has the authority to write, this type of exposure, please read and complete the remainder of this section. For the purpose of determining the predominant use of mixed use single structures under this Contract, the FHCF considers predominant use to be greater than 50% of the total insured value of the structure as justified by the company on the basis of number of floors, square footage, or other reasonable methodology presented to the Administrator (e.g., a classification plan explaining how predominance is determined, and likely to include commercial residential and commercial non-residential or business class codes) for approval prior to the Data Call submission and the reporting of Ultimate Net Loss under this Contract. Exposure shall be reported under the Company's Data Call, and Ultimate Net Loss reported on the Proof of Loss Report, in accordance with the following:~~

~~(a) **Predominant Use is Dwelling or Habitational Occupancies**~~

~~If a single structure is used for both habitational and non-habitational purposes and the predominant use is dwelling or habitational occupancies, 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.~~

~~(b) Predominant Use is Non-Dwelling or Non-Habitational Occupancies~~

~~If a single structure is used for both habitational and non-habitational purposes and the predominant use is non-dwelling or non-habitational occupancies, 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.~~

~~CARVING~~

OR

~~NOT CARVING~~

~~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, and for the reporting of Ultimate Net Loss.~~

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 and loss report submissions.~~

~~(3)(2) 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.~~

**~~Yes – Time
Element ALE~~**

OR

**~~No – Time
Element ALE~~**

| **ARTICLE ~~XXXX~~ – SIGNATURES**

Approved by:

Florida Hurricane Catastrophe Fund

By: State Board of Administration of the State of Florida

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

Approved as to legality:

By: _____
Date _____

|

«Legal_Name»

Typed/Printed Name and Title

By: _____
Signature
Date _____

Draft 10/7/2015

**ADDENDUM NO. 1
to
REIMBURSEMENT CONTRACT
Effective: June 1, ~~2015~~2016
(Contract)**

Between

Citizens Property Insurance Corporation
(Citizens or Company)

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, ~~2015~~2016, that this Contract shall be amended as follows:

**CITIZENS COVERAGE OF POLICIES OF LIQUIDATED INSURERS PURSUANT TO
SECTION 215.555(5)(e), FLORIDA STATUTES.**

If an insurer is placed in liquidation under Chapter 631, pursuant to Section 627.351(6), Florida Statutes, and Citizens Property Insurance Corporation ("Citizens") provides coverage for Covered Policies of such liquidated insurer, Section 215.555(5)(e), Florida Statutes, provides that Citizens may, subject to provisions below, obtain coverage for such policies under its Reimbursement Contract with the FHCF or accept an assignment of the liquidated insurer's Reimbursement Contract with the FHCF. Prior to the date that Citizens takes a transfer of policies from a liquidated insurer, Citizens shall select one of these options using Appendix A of Addendum No. 1 and submit to the FHCF as instructed.

**PROVIDING COVERAGE FOR A LIQUIDATED INSURER'S POLICIES UNDER
CITIZENS' FHCF REIMBURSEMENT CONTRACT**

- (1) If a Covered Event has occurred prior to the transfer of policies from a liquidated insurer to Citizens, Citizens must accept an assignment of such liquidated insurer's FHCF Reimbursement Contract and cannot cover such policies under Citizens' Reimbursement Contract. Only in those situations where a Covered Event has not occurred shall Citizens be

able to obtain coverage under its own FHCF Reimbursement Contract for those policies transferred to Citizens as a result of a liquidation.

(2) Responsibilities relating to the transfer of the liquidated insurer's Covered Policies to Citizens:

- (a) Citizens shall accurately report the exposure and loss data related to Covered Policies transferred from a liquidated insurer to Citizens.
 - 1. For a transfer of a liquidated insurer's Covered Policies that occurs on or before June 30, ~~2015~~2016, Citizens shall report the exposure in effect for such policies as of June 30, ~~2015~~2016. If any such policies renewed with Citizens on or before June 30, ~~2015~~2016, Citizens shall include the exposure for those policies as part of its Form FHCF-D1A (Data Call) submission due September 1, ~~2015~~2016.
 - 2. For transfers of Covered Policies from a liquidated insurer to Citizens after June 30, ~~2015~~2016, Citizens shall report exposure in effect for such policies as of the date of the transfer and the FHCF shall treat all such policies as if they were in effect as of June 30, ~~2015~~2016.
 - 3. For purposes of reporting losses to the FHCF, Citizens shall report all losses including those associated with Covered Policies transferred from liquidated insurers on Forms FHCF-L1A and FHCF-L1B as required under the Reimbursement Contract. Citizens shall retain separate data files for examination purposes for losses on Covered Policies transferred from each liquidated insurer.
- (b) Citizens shall report the exposure associated with Covered Policies from each liquidated insurer on a separate Data Call, which must be completed in full and must identify the liquidated insurer from whom the policies were transferred and to which the Data Call relates. The Data Call for each liquidated insurer where Covered Policies are transferred to Citizens is due on September 1, ~~2015~~2016, or a maximum of 60 days from the date of transfer, whichever is later.
- (c) The FHCF Reimbursement Premium for all Covered Policies transferred from a liquidated insurer to Citizens shall be due on December 1, ~~2015~~2016, or within 15 days of being invoiced by the FHCF, whichever is later. The FHCF Reimbursement Premium associated with the transferred Covered Policies shall be itemized by Citizens for each liquidated insurer, but the total Reimbursement Premium resulting from the reporting of exposure on Citizens Covered Policies and the Reimbursement Premium associated with Covered Policies transferred to Citizens from liquidated insurers shall be combined to determine Citizens' retention and its share of the FHCF's capacity.
- (d) An administrative fee of \$1,000 shall apply to each resubmission of exposure data 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 first examination-required resubmission is inadequate and the SBA requires an additional resubmission(s), the resubmission fee for each subsequent resubmission shall be \$2,000. Resubmission fees shall be invoiced along with the Reimbursement Premium billing discussed in (c) above.
- (e) Citizens shall ensure that the books and records related to the Covered Policies transferred from a liquidated insurer are preserved and accessible to the FHCF for its exposure and loss examinations. Citizens shall retain data related to the FHCF examinations as required in Forms FHCF-D1A, FHCF-EAP1, and FHCF-LAP1 for the exposure transferred from each liquidated insurer.

- (3) The Covered Policies of a liquidated insurer transferred to Citizens on the date of such transfer shall be treated as if they were on Citizens' books and records as of June 30, ~~2015~~2016. Citizens' ~~2015-2016~~ FHCF Reimbursement Premium shall be the aggregate premium based on its direct business and all business associated with Covered Policies of a liquidated insurer transferred to Citizens. Citizens' FHCF retention and limit of coverage shall be based on this aggregate Reimbursement Premium.

CITIZENS' ACCEPTANCE OF AN ASSIGNMENT OF A LIQUIDATED INSURER'S FHCF REIMBURSEMENT CONTRACT

- (1) Responsibilities relating to Assigned Reimbursement Contracts:
- (a) Citizens, pursuant to Section 215.555(5)(e), Florida Statutes, has the rights and duties of the liquidated insurer beginning on the date it first provides coverage for such transferred Covered Policies.
 - (b) Citizens is responsible for the Reimbursement Premiums due under the assigned Reimbursement Contract(s). Should any Reimbursement Premium be owed at the time paid losses for Covered Policies under the assigned Reimbursement Contract exceed the retention under the assigned Reimbursement Contract, all Reimbursement Premiums (as well as any applicable fees and interest) shall be offset before the issuance of any reimbursement payment.
 - (c) Citizens has the responsibility to report all exposure and loss information for Covered Policies under the assigned Reimbursement Contracts separately for each assigned Reimbursement Contract pursuant to the reporting requirements specified in the Reimbursement Contract. If the liquidated insurer has already submitted the required Data Call, Citizens has the responsibility of filing any resubmissions as necessary.
 - (d) Citizens has the responsibility to ensure that the books and records related to the assigned Reimbursement Contract are preserved and accessible to the FHCF for its exposure and loss examinations. Citizens has the responsibility to retain data related to FHCF examinations as required in FHCF-D1A, FHCF-EAP1, and FHCF-LAP1 for each assigned Reimbursement Contract.
- (2) Citizens will not be reimbursed by the FHCF for any losses occurring prior to the date it first provides coverage for such transferred policies. Reimbursements for those losses shall be made to the insurer, the receiver, or the Florida Insurance Guaranty Association (FIGA), as provided by statute.

Approved by:

Florida Hurricane Catastrophe Fund

By: State Board of Administration of the State of Florida

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

Approved as to legality:

By: _____
Date _____

Company

By: _____
Typed/Printed Name and Title
Date _____

Draft – 10/7/2015

APPENDIX A TO ADDENDUM NO. 1
to
REIMBURSEMENT CONTRACT
Effective: June 1, ~~2015~~2016
(Contract)

between

Citizens Property Insurance Corporation
(Citizens or Company)

NAIC #

and

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

Pursuant to Section 215.555(5) (e), Florida Statutes

With reference to

(Name of Liquidated Insurer “Liquidated Insurer”)

We, the undersigned, being executive officers of Citizens Property Insurance Corporation (“Citizens”), acting within our authority, hereby make the following election with reference to the Liquidated Insurer named above:

(Check appropriate box and provide date of transfer below):

☐

Citizens elects to obtain FHCF coverage for the Liquidated Insurer’s Covered Policies by including such covered policies under Citizens’ ~~2015-2016~~ FHCF Reimbursement Contract.

Date policies transferred to Citizens:_____

☐

Citizens elects to obtain FHCF coverage for the Liquidated Insurer’s Covered Policies by accepting an assignment of the Liquidated Insurer’s ~~2015-2016~~ FHCF Reimbursement Contract.

Date policies transferred to Citizens:_____

By: _____

By: _____

Typed Name: _____

Typed Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

RETURN COMPLETED FORM TO:

Paragon Strategic Solutions Inc.
8200 Tower, 5600 West 83rd Street, Suite 1100
Minneapolis, MN 55437