

MEETING OF THE STATE BOARD OF ADMINISTRATION

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

OCTOBER 10, 2013

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AGENDA

ITEM 1. REQUEST APPROVAL OF THE MINUTES OF THE AUGUST 20, 2013 MEETING.

(See Attachment 1A)

ACTION REQUIRED

ITEM 2. REQUEST APPROVAL OF A FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING \$25,000,000 STATE OF FLORIDA, BOARD OF GOVERNORS, UNIVERSITY OF FLORIDA DORMITORY REVENUE BONDS, SERIES 2013A.

(See Attachment 2A)

ACTION REQUIRED

ITEM 3. REQUEST APPROVAL OF A FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING \$6,500,000 STATE OF FLORIDA, BOARD OF GOVERNORS, UNIVERSITY OF FLORIDA DORMITORY REVENUE REFUNDING BONDS, SERIES (TO BE DETERMINED).

(See Attachment 3A)

ACTION REQUIRED

ITEM 4. 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, NO CHANGES ARE NEEDED.

(See Revised Attachments 4A through 4I)

ACTION REQUIRED

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

Representing:

DIVISION OF BOND FINANCE
STATE BOARD OF ADMINISTRATION
HURRICANE CATASTROPHE FUND FINANCE CORPORATION
FLORIDA LAND AND WATER ADJUDICATORY COMMISSION
BOARD OF TRUSTEES OF THE INTERNAL IMPROVEMENT TRUST FUND

The above agencies came to be heard before
THE FLORIDA CABINET, the Honorable Governor Scott
presiding, at Miami-Dade College, 300 Northeast 2nd
Avenue, Miami, Florida 33132, on Tuesday, August 20th,
2013, commencing at approximately 10:20 a.m.

Reported by:

DAISY AMADOR

Registered Professional Reporter
Florida Professional Reporter
Notary Public

APEX REPORTING COMPANY
12 SOUTHEAST 7th STREET
FORT LAUDERDALE, FLORIDA 33301
954-467-8204

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APPEARANCES:

Representing the Florida Cabinet:

RICK SCOTT
Governor

PAM BONDI
Attorney General

JEFF ATWATER
Chief Financial Officer

ADAM PUTNAM
Commissioner of Agriculture

* * *

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DIVISION OF BOND FINANCES
(Presented by BEN WATKINS:)

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STATE BOARD OF ADMINISTRATION
(Presented by ASH WILLIAMS:)

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DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES
(Presented by JULIE JONES:)

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BOARD OF TRUSTEES
(Presented by HERSCHEL VINYARD:)

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1 GOVERNOR SCOTT: Now, let's recognize
2 Executive Director Ash Williams with the State
3 Board of Administration. Good morning, Ash.

4 MR. WILLIAMS: Good morning, Governor, Cabinet
5 Members.

6 GOVERNOR SCOTT: Can you start with good news?

7 MR. WILLIAMS: Of course. I'll open with good
8 news. Calendar year today after last night's close,
9 the fund is up 8.33 percent. That's eighty-eight
10 basis points ahead of target and leaves us with a
11 balance of 135.5 billion dollars. That's up 6.9
12 billion from 1 January 13 net of --

13 GOVERNOR SCOTT: That's great.
14 Congratulations.

15 MR. WILLIAMS: Thank you very much. We have
16 one item on our agenda this morning and that is a
17 request approval of -- and investment policy
18 statements of the Florida Retirement System Pension
19 Plan.

20 These reflect a couple of adjustments that
21 were worked out in the June 25 Investment Advisory
22 Council Meeting that was unanimously supported by
23 the Investment Advisory Council and the SPA
24 Investment Team.

25 They essentially do two things. They give us a

1 little more flexibility by adjusting the upper
2 range of our global equity exposure limits and they
3 also change the benchmark that we use for fixed
4 income from the Barkley's aggregate index to
5 Barkley's intermediate index.

6 What is motivating both of these changes is a
7 concern that with interest rates having for a long,
8 long time been at the lowest rates in history and
9 with record levels of central -- including issuance
10 around the world, the likelihood of fixed income
11 evaluations from here remaining where they are is
12 not great. So, we would like a little more
13 flexibility to deal with that situation on
14 recommended options.

15 GOVERNOR SCOTT: All right. Is there a motion
16 to approve?

17 ATTORNEY GENERAL BONDI: So moved.

18 CFO ATWATER: Second.

19 GOVERNOR SCOTT: Any comments or objections?

20 Hearing none, the motion carries.

21 Thank you, Ash.
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**STATE BOARD OF ADMINISTRATION
1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308**

TO: Ash Williams
FROM: Robert Copeland
SUBJECT: Fiscal Sufficiency
DATE: September 25, 2013



APPROVAL OF FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING \$25,000,000 STATE OF FLORIDA, BOARD OF GOVERNORS, UNIVERSITY OF FLORIDA DORMITORY REVENUE BONDS, SERIES 2013A:

The Division of Bond Finance of the State Board of Administration (the "Division") has submitted for approval as to fiscal sufficiency a proposal to issue an amount not exceeding \$25,000,000 State of Florida, Board of Governors, University of Florida Dormitory Revenue Bonds, Series 2013A (the "Bonds"), to finance the construction of a student housing facility on the main campus of the University of Florida; fund a debt service reserve account, if necessary; and pay costs associated with the issuance and sale of the Bonds.

The Bonds will be issued pursuant to the Original Resolution adopted by the Governor and Cabinet on January 10, 1989, as amended and restated in its entirety on June 13, 2000, and as further amended on September 20, 2011 and March 20, 2012, and as supplemented by the authorizing resolution which is anticipated to be adopted on October 10, 2013 (collectively referred to herein as the "Resolution").

The Division has heretofore issued University of Florida Housing Revenue Certificates, Series 1984 (the "Series 1984 Certificates") and Dormitory Revenue and Revenue Refunding Bonds, Series 2005A through Series 2012A (the "Series 2005A through 2012A Bonds"). The Division has submitted for approval as to fiscal sufficiency a proposal to issue not exceeding \$6,500,000 State of Florida, Board of Governors, University of Florida Dormitory Revenue Refunding Bonds, Series (to be determined) (the "2013 Refunding Bonds") for approval at the October 10, 2013, meeting of the State Board of Administration. The Bonds shall be junior and subordinate to the Series 1984 Certificates as to lien on and source and security for payment from the Pledged Revenues as described in the Resolution. The Bonds shall be payable on a parity and rank equally as to lien on and source and security for payment from the Pledged Revenues and in all other respects, with the Series 2005A through 2012A Bonds, and when and if approved and issued, the 2013 Refunding Bonds.

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

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

cc: Janie Knight

**A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION
APPROVING THE FISCAL SUFFICIENCY OF AN AMOUNT NOT
EXCEEDING \$25,000,000 STATE OF FLORIDA, BOARD OF GOVERNORS,
UNIVERSITY OF FLORIDA DORMITORY REVENUE BONDS, SERIES 2013A**

WHEREAS, the Division of Bond Finance of the State Board of Administration (the "Division") proposes to issue an amount not exceeding \$25,000,000 State of Florida, Board of Governors, University of Florida Dormitory Revenue Bonds, Series 2013A (the "Bonds"), to the construction of a student housing facility on the main campus of the University of Florida; fund a debt service reserve account, if necessary; and pay costs associated with the issuance and sale of the Bonds; and,

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

WHEREAS, The Bonds will be issued pursuant to the Original Resolution adopted by the Governor and Cabinet on January 10, 1989, as amended and restated in its entirety on June 13, 2000, and as further amended on September 20, 2011 and March 20, 2012, and as supplemented by the authorizing resolution which is anticipated to be adopted on October 10, 2013 (collectively referred to herein as the "Resolution"); and,

WHEREAS, the Division has heretofore issued University of Florida Housing Revenue Certificates, Series 1984 (the "Series 1984 Certificates") and Dormitory Revenue and Revenue Refunding Bonds, Series 2005A through Series 2012A (the "Series 2005A through 2012A Bonds"); and,

WHEREAS, the Division has submitted for approval as to fiscal sufficiency a proposal to issue not exceeding \$6,500,000 State of Florida, Board of Governors, University of Florida Dormitory Revenue Refunding Bonds, Series (to be determined) (the "2013 Refunding Bonds") for approval at the October 10, 2013, meeting of the State Board of Administration; and,

WHEREAS, the Bonds shall be junior and subordinate to the outstanding Series 1984 Certificates as to lien on and source and security for payment from the Pledged Revenues as described in the Resolution; and,

WHEREAS, the Bonds shall be payable on a parity and rank equally as to lien on and source and security for payment from the Pledged Revenues and in all other respects, with the Series 2005A through 2012A Bonds, and when and if approved and issued, the 2013 Refunding Bonds; and,

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

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

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

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

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

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

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

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

BE IT RESOLVED, by the State Board of Administration of Florida, a constitutional body described in Section 4 of Article IV of the Constitution of the State of Florida, as revised in 1968 and subsequently amended, that pursuant to the requirements of Section 215.73, Florida Statutes, the proposal of the Division of Bond Finance of the State Board of Administration to issue an amount not exceeding \$25,000,000 State of Florida, Board of Governors, University of Florida Dormitory Revenue Bonds, Series 2013A for the uses and purposes hereinabove set forth, is hereby approved as to fiscal sufficiency.

ADOPTED October 10, 2013



J. BEN WATKINS III
DIRECTOR

STATE OF FLORIDA

DIVISION OF BOND FINANCE
OF THE STATE BOARD OF ADMINISTRATION

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RICK SCOTT
GOVERNOR
AS CHAIRMAN

PAM BONDI
ATTORNEY GENERAL
AS SECRETARY

JEFF ATWATER
CHIEF FINANCIAL OFFICER
AS TREASURER

ADAM H. PUTNAM
COMMISSIONER OF AGRICULTURE

September 20, 2013

Mr. Ashbel C. Williams
Executive Director & CIO
State Board of Administration
Post Office Box 13300
Tallahassee, Florida 32317-3300

RE: Not Exceeding \$25,000,000 State of Florida, Board of Governors,
University of Florida Dormitory Revenue Bonds, Series 2013A

Dear Mr. Williams:

In compliance with Section 215.73, Florida Statutes, the Division of Bond Finance requests State Board of Administration approval as to fiscal sufficiency for the above referenced bond issue. We request such approval at your board meeting of October 10, 2013.

The proposed bonds will be secured by the revenues of the housing system after deducting operating expenses. Housing system revenues are derived primarily from rental income. The proposed bonds will be junior and subordinate to the previously issued University of Florida Housing Revenue Bonds, Series 1984 and on a parity with the outstanding University of Florida Housing Revenue Bonds, Series 2005A, 2011A and 2012A and the not exceeding \$6,500,000 Dormitory Revenue Refunding Bonds also anticipated to be approved for fiscal sufficiency on October 10, 2013, when and if issued.

The proposed bonds will be issued to finance the construction of a student housing facility on the main campus of the University, to fund a reserve account, if necessary, and to pay costs associated with the issuance and sale of the proposed bonds.

The bonds will be issued pursuant to the Original Resolution adopted by the Governor and Cabinet on January 10, 1989, as amended and restated in its entirety on June 13, 2000, and as further amended on September 20, 2011 and March 20, 2012, and as supplemented by the authorizing resolution which is anticipated to be adopted on October 10, 2013. The Original Resolution as amended and restated has been previously provided with prior fiscal sufficiency requests.


September 20, 2013
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Enclosed for your review are the following:

- Enclosure 1: An estimated coverage table for the program, including the proposed \$25,000,000 Series 2013A Bonds;
- Enclosure 2: An estimated debt service schedule for the proposed bonds; and
- Enclosure 3: A draft copy of supplemental authorizing resolution which is anticipated to be adopted by the Governor and Cabinet on October 10, 2013.

A draft of the fiscal sufficiency resolution should be sent to Carol Bagley and Ray Petty of this office for review. Should you have any questions, please contact either myself, Carol Bagley or Ray Petty at 488-4782. Your consideration of this matter is appreciated.

Sincerely,

A handwritten signature in blue ink, appearing to read "J. Ben Watkins III". The signature is stylized and cursive.

J. Ben Watkins III
Director

JBW:nw

Enclosures

cc: Anthony Doheny
Robert Copeland

**STATE OF FLORIDA BOARD OF GOVERNORS
UNIVERSITY OF FLORIDA
DORMITORY REVENUE BONDS, SERIES 2013A
FISCAL SUFFICIENCY REQUEST FOR NOT TO EXCEED \$25,000,000
ESTIMATED DEBT SERVICE COVERAGE**

Year Ending June 30 <i>Historical</i> ¹	Gross Revenues	Operating Expenses	Net Revenue	Prior Lien Requirement Series 1984	Pledged Revenue	Outstanding Debt Service	Estimated Debt Service for Proposed Bonds ²		Total Estimated Debt Service	Debt Service Coverage ³
							Principal	Interest		
2009	41,064,724	27,023,135	14,041,589	185,150	13,856,439	4,848,098				2.86
2010	44,884,748	27,023,478	17,861,270	185,500	17,675,770	4,860,390				3.64
2011	44,674,109	28,962,074	15,712,035	185,700	15,526,335	4,856,640				3.20
2012	45,673,023	32,222,659	13,450,364	185,750	13,264,614	4,709,474				2.82
2013	47,721,603	33,189,339	14,532,264	185,650	14,346,614	6,619,547				2.17
<i>Projected</i>										
2014	50,098,474	34,185,019	15,913,455	185,400	15,728,055	6,623,194	480,000	958,333	1,438,333	1.95
2015	52,593,912	35,210,570	17,383,342	-	17,383,342	6,643,744	745,000	1,409,900	2,154,900	1.98
2016	57,093,108	37,525,782	19,567,326	-	19,567,326	6,640,594	790,000	1,367,063	2,157,063	2.22
2017	59,937,700	38,651,555	21,286,145	-	21,286,145	6,629,194	835,000	1,321,638	2,156,638	2.42
2018	62,924,220	39,811,102	23,113,118	-	23,113,118	6,649,944	880,000	1,273,625	2,153,625	2.63
2019	62,924,220	39,811,102	23,113,118	-	23,113,118	6,636,494	930,000	1,223,025	2,153,025	2.63
2020	62,924,220	39,811,102	23,113,118	-	23,113,118	5,719,794	985,000	1,169,550	2,154,550	2.94
2021	62,924,220	39,811,102	23,113,118	-	23,113,118	5,722,394	1,040,000	1,112,913	2,152,913	2.93
2022	62,924,220	39,811,102	23,113,118	-	23,113,118	5,725,756	1,100,000	1,053,113	2,153,113	2.93
2023	62,924,220	39,811,102	23,113,118	-	23,113,118	5,730,200	1,165,000	989,863	2,154,863	2.93
2024	62,924,220	39,811,102	23,113,118	-	23,113,118	4,779,725	1,230,000	922,875	2,152,875	3.33
2025	62,924,220	39,811,102	23,113,118	-	23,113,118	4,788,200	1,305,000	852,150	2,157,150	3.33
2026	62,924,220	39,811,102	23,113,118	-	23,113,118	4,782,238	1,380,000	777,113	2,157,113	3.33
2027	62,924,220	39,811,102	23,113,118	-	23,113,118	4,784,306	1,455,000	697,763	2,152,763	3.33
2028	62,924,220	39,811,102	23,113,118	-	23,113,118	4,787,569	1,540,000	614,100	2,154,100	3.33
2029	62,924,220	39,811,102	23,113,118	-	23,113,118	3,984,275	1,630,000	525,550	2,155,550	3.76
2030	62,924,220	39,811,102	23,113,118	-	23,113,118	3,978,131	1,725,000	431,825	2,156,825	3.77
2031	62,924,220	39,811,102	23,113,118	-	23,113,118	1,930,275	1,820,000	332,638	2,152,638	5.66
2032	62,924,220	39,811,102	23,113,118	-	23,113,118	-	1,925,000	227,988	2,152,988	10.74
2033	62,924,220	39,811,102	23,113,118	-	23,113,118	-	2,040,000	117,300	2,157,300	10.71
				185,400	96,536,025	42,378,321	25,000,000	17,378,321	138,914,346	

¹ The University of Florida provided actual revenues and expenses for Fiscal Years 2009 through 2012 and preliminary amounts for the University of Florida for Fiscal Years 2014 through 2018, assuming 5% annual revenue growth due primarily to rental rate increases and 3% annual increase in expenses. Projections for Fiscal Year 2019 and thereafter are held constant; however, no representation is made that the amounts shown will be collected.

² Assumes an interest rate of 5.75%.

³ Coverage of Pledged Revenues is determined by dividing Pledged Revenues by Total Estimated Debt Service.

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

TO: Ash Williams
FROM: Robert Copeland
SUBJECT: Fiscal Sufficiency
DATE: September 26, 2013



APPROVAL OF FISCAL SUFFICIENCY OF AN AMOUNT NOT EXCEEDING \$6,500,000 STATE OF FLORIDA, BOARD OF GOVERNORS, UNIVERSITY OF FLORIDA DORMITORY REVENUE REFUNDING BONDS, SERIES (TO BE DETERMINED):

The Division of Bond Finance of the State Board of Administration (the "Division") has submitted for approval as to fiscal sufficiency a proposal to issue an amount not exceeding \$6,500,000 State of Florida, Board of Governors, University of Florida Dormitory Revenue Refunding Bonds, Series (to be determined) (the "Bonds"), for the purpose of refunding a portion of the outstanding Series 2005A Bonds and to pay costs associated with the issuance and sale of the Bonds.

The Bonds will be issued pursuant to the Original Resolution adopted by the Governor and Cabinet on January 10, 1989, as amended and restated in its entirety on June 13, 2000, and as further amended on September 20, 2011 and March 20, 2012, and as supplemented by the authorizing resolution which is anticipated to be adopted on October 10, 2013 (collectively referred to herein as the "Resolution").

The Division has heretofore issued University of Florida Housing Revenue Certificates, Series 1984 (the "Series 1984 Certificates") and Dormitory Revenue and Revenue Refunding Bonds, Series 2005A through Series 2012A (the "Series 2005A through 2012A Bonds"). The Division has submitted for approval as to fiscal sufficiency a proposal to issue not exceeding \$25,000,000 State of Florida, Board of Governors, University of Florida Dormitory Revenue Bonds, Series 2013A (the "Series 2013A Bonds") for approval at the October 10, 2013, meeting of the State Board of Administration. The Bonds shall be junior and subordinate to the Series 1984 Certificates as to lien on and source and security for payment from the Pledged Revenues as described in the Resolution. The Bonds shall be payable on a parity and rank equally as to lien on and source and security for payment from the Pledged Revenues and in all other respects, with the Series 2005A through 2012A Bonds, and when and if approved and issued, the Series 2013A Bonds.

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

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

cc: Janie Knight

**A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION
APPROVING THE FISCAL SUFFICIENCY OF AN AMOUNT NOT
EXCEEDING \$6,500,000 STATE OF FLORIDA, BOARD OF GOVERNORS,
UNIVERSITY OF FLORIDA DORMITORY REVENUE REFUNDING BONDS, SERIES
(TO BE DETERMINED)**

WHEREAS, the Division of Bond Finance of the State Board of Administration (the "Division") proposes to issue an amount not exceeding \$6,500,000 State of Florida, Board of Governors, University of Florida Dormitory Revenue Refunding Bonds, Series (to be determined) (the "Bonds"), for the purpose of refunding a portion of the outstanding Series 2005A Bonds and to pay costs associated with the issuance and sale of the Bonds; and,

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

WHEREAS, The Bonds will be issued pursuant to the Original Resolution adopted by the Governor and Cabinet on January 10, 1989, as amended and restated in its entirety on June 13, 2000, and as further amended on September 20, 2011 and March 20, 2012, and as supplemented by the authorizing resolution which is anticipated to be adopted on October 10, 2013 (collectively referred to herein as the "Resolution"); and,

WHEREAS, the Division has heretofore issued University of Florida Housing Revenue Certificates, Series 1984 (the "Series 1984 Certificates") and Dormitory Revenue and Revenue Refunding Bonds, Series 2005A through Series 2012A (the "Series 2005A through 2012A Bonds"); and,

WHEREAS, the Division has submitted for approval as to fiscal sufficiency a proposal to issue not exceeding \$25,000,000 State of Florida, Board of Governors, University of Florida Dormitory Revenue Bonds, Series 2013A (the "Series 2013A Bonds") for approval at the October 10, 2013, meeting of the State Board of Administration; and,

WHEREAS, the Bonds shall be junior and subordinate to the outstanding Series 1984 Certificates as to lien on and source and security for payment from the Pledged Revenues as described in the Resolution; and,

WHEREAS, the Bonds shall be payable on a parity and rank equally as to lien on and source and security for payment from the Pledged Revenues and in all other respects, with the Series 2005A through 2012A Bonds, and when and if approved and issued, the Series 2013A Bonds; and,

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

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

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

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

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

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

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

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

BE IT RESOLVED, by the State Board of Administration of Florida, a constitutional body described in Section 4 of Article IV of the Constitution of the State of Florida, as revised in 1968 and subsequently amended, that pursuant to the requirements of Section 215.73, Florida Statutes, the proposal of the Division of Bond Finance of the State Board of Administration to issue an amount not exceeding \$6,500,000 State of Florida, Board of Governors, University of Florida Dormitory Revenue Refunding Bonds, Series (to be determined) for the uses and purposes hereinabove set forth, is hereby approved as to fiscal sufficiency.

ADOPTED October 10, 2013



J. BEN WATKINS III
DIRECTOR

STATE OF FLORIDA

DIVISION OF BOND FINANCE
OF THE STATE BOARD OF ADMINISTRATION

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RICK SCOTT
GOVERNOR
AS CHAIRMAN

PAM BONDI
ATTORNEY GENERAL
AS SECRETARY

JEFF ATWATER
CHIEF FINANCIAL OFFICER
AS TREASURER

ADAM H. PUTNAM
COMMISSIONER OF AGRICULTURE

September 20, 2013

Mr. Ashbel C. Williams
Executive Director
State Board of Administration
Post Office Box 13300
Tallahassee, Florida 32317-3300

RE: Not Exceeding \$6,500,000 State of Florida, Board of Governors,
University of Florida Dormitory Revenue Refunding Bonds, Series [to be determined]

Dear Mr. Williams:

In compliance with Section 215.73, Florida Statutes, the Division of Bond Finance requests State Board of Administration approval as to fiscal sufficiency for the above referenced bond issue. We request such approval at your board meeting of October 10, 2013.

The proposed refunding bonds will be secured by the revenues of the housing system after deducting operating expenses. Housing system revenues are derived primarily from rental income. The proposed bonds will be junior and subordinate to the previously issued University of Florida Housing Revenue Bonds, Series 1984 and on a parity with the outstanding University of Florida Dormitory Revenue Bonds, Series 2005A, 2011A, 2012A and the not exceeding \$25,000,000 Dormitory Revenue Bonds also anticipated to be approved for fiscal sufficiency on October 10, 2013, when and if issued.

The proposed bonds will be issued to advance refund a portion of State of Florida, Florida Education System, University of Florida Housing Revenue Refunding Bonds, Series 2005A and to pay costs associated with the issuance and sale of the proposed refunding bonds.

The bonds will be issued pursuant to the Original Resolution adopted by the Governor and Cabinet on January 10, 1989, as amended and restated in its entirety on June 13, 2000, and as further amended on September 20, 2011 and March 20, 2012, and as supplemented by the authorizing resolution which is anticipated to be adopted on October 10, 2013. The Original Resolution as amended and restated has been previously provided with prior fiscal sufficiency requests.

September 20, 2013

Page Two

Enclosed for your review are the following:

- Enclosure 1: an estimated coverage table for the program, without considering the potential savings from the proposed refunding bonds, and including the proposed \$25,000,000 bonds; and
- Enclosure 2: an estimated debt service and savings schedule from a recent sizing of the proposed bonds; and
- Enclosure 3: A draft copy of supplemental authorizing resolution which is anticipated to be adopted by the Governor and Cabinet on October 10, 2013.

A draft of the fiscal sufficiency resolution should be sent to Nora Wittstruck and Ray Petty of this office for review. Should you have any questions, please contact either myself, Nora Wittstruck or Ray Petty at 488-4782. Your consideration of this matter is appreciated.

Very truly yours,



J. Ben Watkins III
Director

JBW\nw

Enclosures

cc: Robert Copeland
Janie Knight
Anthony Doheny

**STATE OF FLORIDA BOARD OF GOVERNORS
UNIVERSITY OF FLORIDA
DORMITORY REVENUE BONDS, SERIES 2013A
FISCAL SUFFICIENCY REQUEST FOR NOT TO EXCEED \$25,000,000
ESTIMATED DEBT SERVICE COVERAGE**

Year Ending June 30 <i>Historical</i> ¹	Gross Revenues	Operating Expenses	Net Revenue	Prior Lien Requirement Series 1984	Pledged Revenue	Outstanding Debt Service	Estimated Debt Service for Proposed Bonds ²		Total Estimated Debt Service	Debt Service Coverage ³
							Principal	Interest		
2009	41,064,724	27,023,135	14,041,589	185,150	13,856,439	4,848,098				2.86
2010	44,884,748	27,023,478	17,861,270	185,500	17,675,770	4,860,390				3.64
2011	44,674,109	28,962,074	15,712,035	185,700	15,526,335	4,856,640				3.20
2012	45,673,023	32,222,659	13,450,364	185,750	13,264,614	4,709,474				2.82
2013	47,721,603	33,189,339	14,532,264	185,650	14,346,614	6,619,547				2.17
<i>Projected</i>										
2014	50,098,474	34,185,019	15,913,455	185,400	15,728,055	6,623,194	480,000	958,333	1,438,333	1.95
2015	52,593,912	35,210,570	17,383,342	-	17,383,342	6,643,744	745,000	1,409,900	2,154,900	1.98
2016	57,093,108	37,525,782	19,567,326	-	19,567,326	6,640,594	790,000	1,367,063	2,157,063	2.22
2017	59,937,700	38,651,555	21,286,145	-	21,286,145	6,629,194	835,000	1,321,638	2,156,638	2.42
2018	62,924,220	39,811,102	23,113,118	-	23,113,118	6,649,944	880,000	1,273,625	2,153,625	2.63
2019	62,924,220	39,811,102	23,113,118	-	23,113,118	6,636,494	930,000	1,223,025	2,153,025	2.63
2020	62,924,220	39,811,102	23,113,118	-	23,113,118	5,719,794	985,000	1,169,550	2,154,550	2.94
2021	62,924,220	39,811,102	23,113,118	-	23,113,118	5,722,394	1,040,000	1,112,913	2,152,913	2.93
2022	62,924,220	39,811,102	23,113,118	-	23,113,118	5,725,756	1,100,000	1,053,113	2,153,113	2.93
2023	62,924,220	39,811,102	23,113,118	-	23,113,118	5,730,200	1,165,000	989,863	2,154,863	2.93
2024	62,924,220	39,811,102	23,113,118	-	23,113,118	4,779,725	1,230,000	922,875	2,152,875	3.33
2025	62,924,220	39,811,102	23,113,118	-	23,113,118	4,788,200	1,305,000	852,150	2,157,150	3.33
2026	62,924,220	39,811,102	23,113,118	-	23,113,118	4,782,238	1,380,000	777,113	2,157,113	3.33
2027	62,924,220	39,811,102	23,113,118	-	23,113,118	4,784,306	1,455,000	697,763	2,152,763	3.33
2028	62,924,220	39,811,102	23,113,118	-	23,113,118	4,787,569	1,540,000	614,100	2,154,100	3.33
2029	62,924,220	39,811,102	23,113,118	-	23,113,118	3,984,275	1,630,000	525,550	2,155,550	3.76
2030	62,924,220	39,811,102	23,113,118	-	23,113,118	3,978,131	1,725,000	431,825	2,156,825	3.77
2031	62,924,220	39,811,102	23,113,118	-	23,113,118	1,930,275	1,820,000	332,638	2,152,638	5.66
2032	62,924,220	39,811,102	23,113,118	-	23,113,118	-	1,925,000	227,988	2,152,988	10.74
2033	62,924,220	39,811,102	23,113,118	-	23,113,118	-	2,040,000	117,300	2,157,300	10.71
				185,400	96,536,025	42,378,321	25,000,000	17,378,321	138,914,346	

¹ The University of Florida provided actual revenues and expenses for Fiscal Years 2009 through 2012 and preliminary amounts for the University of Florida for Fiscal Years 2014 through 2018, assuming 5% annual revenue growth due primarily to rental rate increases and 3% annual increase in expenses. Projections for Fiscal Year 2019 and thereafter are held constant; however, no representation is made that the amounts shown will be collected.

² Assumes an interest rate of 5.75%.

³ Coverage of Pledged Revenues is determined by dividing Pledged Revenues by Total Estimated Debt Service.

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 1, 2013

SUBJECT: Trustees Meeting October 10, 2013

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 A. SUMMARY AND REASONS FOR RULE CHANGES:

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

This rule is being amended to adopt the 2014 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, 2014. The SBA is required by law to adopt the contract form no later than February 1, 2014.

In addition to several nonsubstantive editorial changes, the 2014 Reimbursement Contract includes the following changes from the 2013 Reimbursement Contract:

- References to the TICL (“Temporary Increase in Coverage Limits”) option have been deleted. By operation of law, this option will not be available for the 2014 or subsequent contract years.
- Clarification is provided to better enable participating insurers to distinguish between policies covering residential properties and policies covering nonresidential properties.
- The exclusions for separate policies covering specialized fine arts risks and collectibles are moved from Rule 19-8.028, F.A.C., Reimbursement Premium Formula, and are revised to encompass a broader range of policies that predominantly cover personal property with investment characteristics. With respect to separate policies covering

collectibles, the policy limit that triggers the exclusion is reduced to \$500,000 from the current \$5 million.

- Provisions relating to reporting of exposure data have been amended to accommodate the online exposure reporting system that will be implemented beginning with the 2014 contract.

Additional detail is provided in the attached Summary of Changes.

EXTERNAL INTEREST: A rule development workshop was held on September 26, 2013. Representatives of the FHCF attended and presented the rule and incorporated forms. The notice of rule development was published in the *Florida Administrative Register* on September 11, 2013, Vol. 39, No. 177. The rule and forms were presented, discussed, and approved by the FHCF Advisory Council at a public meeting on September 26, 2013. The current version of the proposed rule and attachments is identical to the version presented at the rule development workshop and at the Advisory Council meeting, except that the current version reduces the policy limit that triggers an exclusion for separate policies covering collectibles to \$500,000 from the current \$5 million.

ACTION REQUESTED: It is requested that this proposed rule amendment be presented to the Cabinet Aides on October 2, 2013, and to the State Board of Administration Trustees on October 10, 2013, 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 was published in the *Florida Administrative Register* on September 26, 2013, Vol. 39, No. 188.

ATTACHMENTS TO BE INCLUDED WITH THE SBA AGENDA ITEM A:

- 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
- 2014 Incorporated Forms – **19-8.010, F.A.C., Reimbursement Contract**
Incorporated Forms: **FHCF-2014K** – “Reimbursement Contract,” **FHCF-2014K-1**—Addendum 1 with Appendix A (Citizens), rev. XX, and **FHCF-2014O**—Optional Amendment to Change Prior Elections Made in the Reimbursement Contract or the Addenda to the Reimbursement Contract, 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
2014-2015 Contract Year
Summary of Changes
(Revised October 1, 2013)

Rule

19-8.010, Reimbursement Contract

Deleted: Subsection (1), relating to the 2004-2005 Reimbursement Contract, is deleted as obsolete. Former subsections (2) through (10) have been renumbered as subsections (1) through (9), respectively.

New: Subsection (10) has been added to incorporate the 2014-2015 Contract Year Reimbursement Contract.

Incorporated Forms

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

FHCF-2014K, Reimbursement Contract:

Throughout: Technical changes to update references to the 2014-2015 Contract Year dates, and nonsubstantive editorial and grammatical changes are made throughout the document. In addition, references to the TICL (“Temporary Increase in Coverage Limits”) option have been deleted; by operation of law, this option is not available for the 2014-2015 and subsequent Contract Years.

ARTICLE V: DEFINITIONS

In the definition of “residential structures” in subsection (27), a reference to “dwelling units” is replaced with “units or buildings used for dwelling or habitational occupancies...” This is not intended as a substantive change, but is intended to clarify that the residential vs. nonresidential classification of a unit or building depends on the nature of its occupancy.

There is no change to the provision of the current contract stating that “Covered residential structures do not include any structures listed under Article VI [exclusions] herein or structures used solely for non-residential purposes.”

This issue is also addressed in Article XVIII.

ARTICLE VI: EXCLUSIONS

Subsection (4), relating to excess policies, is revised. The revision clarifies that the exclusion extends to a policy providing a layer of coverage above or below a layer of coverage provided by another insurer, and to other situations in which two or more insurers provide primary windstorm or hurricane coverage on a single structure. Further, the revision also provides that this exclusion does not apply to Citizens primary quota share policies.

Subsection (21), relating to loss assessment exposures, is amended to refer to both exposures and amounts paid, to be consistent with the other exclusions. This is not a substantive change.

Subsection (27), relating to specialized fine arts risks is revised. The current contract language is merely a cross-reference to Rule 19-8.028(4)(d). Under the revised rule, the substance of this language is now placed in the Reimbursement Contract, along with the other exclusions. This exclusion deals with personal property that has the characteristics of an investment, as distinguished from the contents of a residential property that are typically covered as contents under residential property insurance policies.

In addition to moving the language to its appropriate location and making nonsubstantive edits for clarity, the revised rule makes several changes to the substance of this provision:

- The introductory paragraph is corrected to reflect that the exclusions in subsection (27) apply both to policies predominantly covering specialized fine arts risks (which are addressed in paragraph (a)) and to policies covering collectible property (which are addressed in paragraph (b)).
- With respect to specialized fine arts risk policies or endorsements, there is a series of largely editorial changes for clarity. The description of these policies or endorsements is rearranged from the prior year's version to place the general description of specialized fine arts risk policies or endorsements ahead of the list of specific types of items covered, to delete references to "bona fide" and "artistic merit," and to add a reference to manuscripts along with the existing reference to rare books. As drafted, specialized fine arts risk policies or endorsements would include policies covering 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.
- With respect to policies covering collectible property, the exclusion is revised to apply regardless of whether the policy has a blanket limit or applies to scheduled items, provided the policy limit is at least \$500,000. The current exclusion applies only to scheduled personal property (as distinguished from a blanket limit) and applies only if the policy limit is at least \$5 million.

ARTICLE X: REPORTS AND REMITTANCES

Paragraph (1)(d), relating to exposure reporting, is amended to specify that the deadline for a report means it must be received by the SBA by 4:00 PM Eastern Time, and that reports received by the FHCF Administrator in Minneapolis will be returned. The current rule requires the reports to be in the physical possession of the Administrator by 5:00 PM Central, and provides that reports received by the SBA in Tallahassee will be returned. This change will accommodate implementation of an online reporting system.

Paragraph (2)(e), relating to reimbursement premium, is amended to provide that premium payments by wire transfer will go to the FHCF's account at its bank in Tampa, rather than Atlanta.

Subparagraph (3)(b)4., relating to the required year-end proof of loss report, is amended to require the report to be accompanied by a detailed claims listing. Currently, Rule 19-8.029 requires a company to submit a detailed claims listing with its first proof of loss report that qualified the company for reimbursement and to maintain detailed claims listings for each subsequent proof of loss report.

ARTICLE XIII: INSPECTION OF RECORDS

The introductory paragraph is amended to update a reference to the State Board of Administration Finance Corporation, formerly known as the Florida Hurricane Catastrophe Fund Finance Corporation. The name was changed in 2013 by Ch. 2013-60, Laws of Florida (SB 1770).

Subsection (2), relating to exposure examinations, is revised to:

- Remove references to the exposure exam file. This is one of several changes to this article required by the transition to online exposure reporting. Under the new system, the new online data call will take the place of the old hard-copy data call and exam files.
- Require the insurer to retain records of exposure data for a given contract year until the completion of the loss reimbursement examination and commutation for that contract year; the change is the addition of the reference to commutation.
- Replace a description of the exposure records that must be retained with a cross-reference to the Data Call, Rule 19-8.029, which lists the applicable records retention requirements.

Subsection (3), relating to loss examinations, is revised to delete the last sentence. This conforms the provision to the elimination of a separate exam file as part of the transition to online reporting.

There are also technical changes to the data resubmission language in Subsection (4), examination procedures, as part of the transition to online reporting:

- In subparagraph (f)1., the description of exposure resubmission requirements is revised to delete language relating to separate data files and exam files, and to delete a reference to written explanations of specific changes. There are also nonsubstantive editorial changes in subparagraph 2., intended to improve readability.
- In paragraph (g), the same change is made with respect to updated proof of loss reports.

ARTICLE XVIII: REIMBURSEMENT CONTRACT ELECTIONS

Subsection (1), reimbursement percentage, is updated to reflect the appropriate contract year and the new name of the former Florida Hurricane Catastrophe Fund Finance Corporation.

Subsection (2), relating to reporting of a single structure that has a mix of commercial-habitational and commercial non-habitational exposures, is also revised.

- New language is added to describe how the predominant use of a mixed-use commercial structure will be determined. The use of a structure is “predominant” if it is greater than 50% of the total insured value of the structure, as justified by the insurer on the basis of number of floors, square footage, or some other reasonable methodology (such as a classification plan with explanation and class codes) submitted and approved prior to the submission of the data call.

- The concept of predominant use replaces references to class codes with respect to mixed-use commercial structures.
- Under the revised contract, where the predominant use is dwelling or habitational occupancies, the entire exposure for the structure is to be reported to the FHCF and the FHCF will reimburse losses for the entire structure. The prior version of this language provided for reporting and coverage of the entire structure if the underlying policy had a commercial residential class code.
- Under the revised contract, where the predominant use is non-dwelling or non-habitational occupancies, only the habitational exposure for the structure is to be reported to the FHCF and the FHCF will not reimburse losses for non-habitational portion. The prior version of this language provided for reporting and coverage of only the habitational portion of the structure if the underlying policy had a commercial nonresidential or business class code.
- There is no change to the language allowing the insurer to exclude FHCF coverage for incidental residential exposures on predominantly nonresidential commercial structures.

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

This Addendum, relating to Citizens Property Insurance Corporation, was formerly numbered as Addendum No. 2. In addition to the renumbering, dates are updated to reflect the 2014-2015 Contract Year dates. Former Addendum No. 1, relating to the TICL option, is no longer provided.

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

The Optional Amendment form is updated to reflect the 2014-2015 Contract Year dates and the name change of the former Florida Hurricane Catastrophe Fund Finance Corporation.

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 2014-2015 Reimbursement Contract, including Addenda and an Optional Amendment. 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:

DATE AND TIME: November 4, 2013, 9:00 a.m. to 12:00 p.m. (ET).

PLACE: Hermitage Centre Conference Room, Hermitage Centre, 1801 Hermitage Blvd., Tallahassee, Florida 32308.

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

~~(1)~~⁽²⁾ The reimbursement contract for the 2005-2006 contract year required by Section 215.555(4), F.S., which is called Form FHCF-2005K – “Reimbursement Contract” or “Contract” between (name of insurer) (the “Company”)/NAIC # () and the State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“FHCF”), rev. 05/05, is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2005 through May 31, 2006. Addendum No. 1 to the 2005-2006 Reimbursement Contract, which is called Form FHCF-2005K-1 – “Reimbursement Contract (Contract) between (name of insurer) (the Company)/NAIC # () and the State Board of Administration of the State of Florida (SBA) which administers the Florida Hurricane Catastrophe Fund (FHCF)”, rev. 06/05, is hereby adopted and incorporated by reference into this rule.

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

~~(3)~~⁽⁴⁾ The reimbursement contract for the 2007-2008 contract year, including Addendum required by Section 215.555(4), F.S., which is called Form FHCF-2007K – “Reimbursement Contract” or “Contract” between (name of insurer) (the “Company”)/NAIC # () and the State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“FHCF”), rev. 05/07, is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2007 through May 31, 2008.

~~(4)~~⁽⁵⁾ The reimbursement contract for the 2008-2009 contract year, including all Addenda, required by Section 215.555(4), F.S., which is called Form FHCF-2008K – “Reimbursement Contract” or “Contract” between (name of insurer) (the “Company”)/NAIC # () and The State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“FHCF”), rev. 05/08, is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2008 through May 31, 2009.

~~(5)~~⁽⁶⁾ The reimbursement contract for the 2009-2010 contract year, including all Addenda, required by Section 215.555(4), F.S., which is called Form FHCF-2009K-“Reimbursement Contract” or “Contract” between (name of insurer) (the “Company”)/NAIC # () and The State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“FHCF”), rev. 05/09, as amended, is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2009 through May 31, 2010.

~~(6)~~⁽⁷⁾ The reimbursement contract for the 2010-2011 contract year, including all Addenda, required by Section 215.555(4), F.S., which is called Form FHCF-2010K-“Reimbursement Contract” or “Contract” between (name of insurer) (the “Company”)/NAIC # () and The State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“FHCF”), rev. 05/10, as amended, is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2010 through May 31, 2011.

~~(7)~~⁽⁸⁾ 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.

~~(8)(9)~~ 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.

~~(9)(10)~~ 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.

(10) The reimbursement contract for the 2014-2015 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-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. XX/13 is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2014 through May 31, 2015.

(11) Copies of the reimbursement contract may be obtained from the FHCF website, www.sbafla.com/fhcf or by contacting the State Board of Administration. The mailing address is P. O. Box 13300, Tallahassee, Florida 32317-3300. The street address is 1801 Hermitage Blvd., Tallahassee, Florida 32308 and the telephone number is ~~(850) 413-1341~~ (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, XX-XX-13.

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 10, 2013

DATE NOTICE OF PROPOSED RULE DEVELOPMENT PUBLISHED IN FAR: September 11, 2013

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 10, 2013, 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 Rulemaking 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 amended reimbursement contract for the 2004-2005 contract year required by Section 215.555(4), F.S., which is called Form FHCF-2004K—“Reimbursement Contract” or “Contract” between (name of insurer) (the “Company”)/NAIC # () and The State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“FHCF”), rev. 05/04, is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2004 through May 31, 2005.~~

~~(1)(2)~~ The reimbursement contract for the 2005-2006 contract year required by Section 215.555(4), F.S., which is called Form FHCF-2005K – “Reimbursement Contract” or “Contract” between (name of insurer) (the “Company”)/NAIC # () and the State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“FHCF”), rev. 05/05, is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2005 through May 31, 2006. Addendum No. 1 to the 2005-2006 Reimbursement Contract, which is called Form FHCF-2005K-1 – “Reimbursement Contract (Contract) between (name of insurer) (the Company)/NAIC # () and the State Board of Administration of the State of Florida (SBA) which administers the Florida Hurricane Catastrophe Fund (FHCF)”, rev. 06/05, is hereby adopted and incorporated by reference into this rule.

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

~~(3)(4)~~ The reimbursement contract for the 2007-2008 contract year, including Addendum required by Section 215.555(4), F.S., which is called Form FHCF-2007K – “Reimbursement Contract” or “Contract” between (name of insurer) (the “Company”)/NAIC # () and the State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“FHCF”), rev. 05/07, is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2007 through May 31, 2008.

~~(4)(5)~~ The reimbursement contract for the 2008-2009 contract year, including all Addenda, required by Section 215.555(4), F.S., which is called Form FHCF-2008K – “Reimbursement Contract” or “Contract” between (name of insurer) (the “Company”)/NAIC # () and The State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“FHCF”), rev. 05/08, is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2008 through May 31, 2009.

~~(5)(6)~~ The reimbursement contract for the 2009-2010 contract year, including all Addenda, required by Section 215.555(4), F.S., which is called Form FHCF-2009K-“Reimbursement Contract” or “Contract” between (name of insurer) (the “Company”)/NAIC # () and The State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“FHCF”), rev. 05/09, as amended, is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2009 through May 31, 2010.

~~(6)(7)~~ The reimbursement contract for the 2010-2011 contract year, including all Addenda, required by Section 215.555(4), F.S., which is called Form FHCF-2010K-“Reimbursement Contract” or “Contract” between (name of insurer) (the “Company”)/NAIC # () and The State Board of Administration of the State of Florida (“SBA”) which administers the Florida Hurricane Catastrophe Fund (“FHCF”), rev. 05/10, as amended, is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2010 through May 31, 2011.

~~(7)(8)~~ 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.

Draft 10-1-2013

~~(8)~~(9) 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.

~~(9)~~(10) 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.

(10) The reimbursement contract for the 2014-2015 contract year, <http://www.flrules.org/Gateway/reference.asp?No=ref-XXXXXX>, 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. XX/13 is hereby adopted and incorporated by reference into this rule. This contract is effective from June 1, 2014 through May 31, 2015.

(11) Copies of the reimbursement contract may be obtained from the FHCF website, www.sbafla.com/fhcf or by contacting the State Board of Administration. The mailing address is P. O. Box 13300, Tallahassee, Florida 32317-3300. The street address is 1801 Hermitage Blvd., Tallahassee, Florida 32308 and the telephone number is ~~(850) 413-1341~~ (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, XX-XX-13.

REIMBURSEMENT CONTRACT

Effective: June 1, ~~2013~~2014
(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. The SBA will only disburse funds to the Company, except as provided for in Article XIV of this Contract. The Company shall not, without the prior approval of the Office of Insurance Regulation, sell, assign, or transfer to any third party, in return for a fee or other consideration any sums the FHCF pays under this Contract or the right to receive such sums.

ARTICLE III - TERM

This Contract shall apply to Loss Occurrences which commence during the period from 12:00:01 a.m., Eastern Time, June 1, ~~2013~~2014, to 12:00 midnight, Eastern Time, May 31, ~~2014~~2015. (Contract Year).

The Company must designate a coverage level, make the required selections, and return this fully executed Contract (two originals) to the FHCF Administrator so that the Contract is received by the FHCF Administrator no later than 5 p.m., Central Time, March 1, ~~2013~~2014. Failure to do so may result in a referral to the Office of Insurance Regulation within the Department of Financial Services for administrative action. Furthermore, the Company's coverage level under this Contract will be deemed as follows:

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

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

ARTICLE IV - LIABILITY OF THE FHCF

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

- (3) The aggregate liability of the FHCF with respect to all Reimbursement Contracts covering this Contract Year shall not exceed the limit set forth under Section 215.555(4)(c)1., Florida Statutes. For specifics regarding loss reimbursement calculations, see section (3)(c) of Article X herein.
- (4) Upon the occurrence of a Covered Event, the SBA shall evaluate the potential losses to the FHCF and the FHCF's capacity at the time of the event. The initial Projected Payout Multiple used to reimburse the Company for its losses shall not exceed the Projected Payout Multiple as calculated based on the capacity needed to provide the FHCF's mandatory coverage. ~~The SBA shall make adjustments to the Projected Payout Multiple in order to reimburse the optional Temporary Increase in Coverage Limit (TICL) Options coverage based on the SBA's ongoing evaluation of potential losses and capacity.~~ If it appears that the Estimated Claims-Paying Capacity may be exceeded, the SBA shall reduce the projected payout factors or multiples for determining each participating insurer's projected payout uniformly among all insurers to reflect the Estimated Claims-Paying Capacity.
- (5) Reimbursement amounts shall not be reduced by reinsurance paid or payable to the Company from other sources.
- (6) After the end of the calendar year, the SBA shall notify insurers of the estimated Borrowing Capacity and the Balance of the Fund as of December 31. In May and October of each year, the SBA shall publish in the *Florida Administrative Weekly* a statement of the FHCF's estimated Borrowing Capacity, Estimated Claims-Paying Capacity, and the projected Balance of the Fund as of December 31.
- (7) The obligation of the SBA with respect to all Contracts covering a particular Contract Year shall not exceed the Balance of the Fund as of December 31 of that Contract Year, together with the maximum amount the SBA is able to raise through the issuance of revenue bonds or through other means available to the SBA under Section 215.555, Florida Statutes, up to the limit in accordance with Section 215.555(4)(c)1., Florida Statutes. The obligations and the liability of the SBA are more fully described in Rule 19-8.013, Florida Administrative Code (F.A.C.).

ARTICLE V - DEFINITIONS

- (1) **Actual Claims-Paying Capacity of the FHCF**
This term means the sum of the Balance of the Fund as of December 31 of a Contract Year, plus any reinsurance purchased by the FHCF, plus the amount the SBA is able to raise through the issuance of revenue bonds, or through other means available by law to the SBA, up to the limit in accordance with Section 215.555(4)(c)1. and (6), Florida Statutes.
- (2) **Actuarially Indicated**
This term means, with respect to Premiums paid by Companies for reimbursement provided by the FHCF, an amount determined in accordance with the definition provided in Section 215.555(2)(a), Florida Statutes.
- (3) **Additional Living Expense (ALE)**
ALE losses covered by the FHCF are not to exceed 40 percent of the insured value of a Residential Structure or its contents based on the coverage provided in the policy. Fair rental value, loss of rents, or business interruption losses are not covered by the FHCF.
- (4) **Administrator**
This term means the entity with which the SBA contracts to perform administrative tasks associated with the operations of the FHCF. The Administrator is Paragon Strategic Solutions Inc., 8200 Tower, 5600 West 83rd Street, Suite 1100, Minneapolis, Minnesota 55437. The telephone number is (800) 689-3863, and the facsimile number is (800) 264-0492.
- (5) **Authorized Insurer**
This term is defined in Section 624.09(1), Florida Statutes.

- (6) **Borrowing Capacity**
This term means the amount of funds which are able to be raised by the issuance of revenue bonds or through other financing mechanisms, less bond issuance expenses and reserves.
- (7) **Citizens Property Insurance Corporation (Citizens)**
This term means the entity formed under Section 627.351(6), Florida Statutes, and refers to both Citizens Property Insurance Corporation Coastal Account and Citizens Property Insurance Corporation Personal Lines and Commercial Lines Accounts.
- (8) **Contract**
This term means this Reimbursement Contract for the current Contract Year.
- (9) **Covered Event**
This term means any one storm declared to be a hurricane by the National Hurricane Center which causes insured losses in Florida. A Covered Event begins when a hurricane causes damage in Florida while it is a hurricane and continues throughout any subsequent downgrades in storm status by the National Hurricane Center regardless of whether the hurricane makes landfall. Any storm, including a tropical storm, which does not become a hurricane is not a Covered Event.
- (10) **Covered Policy or Covered Policies**
- (a) Covered Policy, as defined in Section 215.555(2)(c), Florida Statutes, is further clarified to mean only that portion of a binder, policy or contract of insurance that insures real or personal property located in the State of Florida to the extent such policy insures a Residential Structure, as defined in definition (27) herein, or the contents of a Residential Structure, located in the State of Florida.
 - (b) Due to the specialized nature of the definition of Covered Policies, Covered Policies are not limited to only one line of business in the Company's annual statement required to be filed by Section 624.424, Florida Statutes. Instead, Covered Policies are found in several lines of business on the Company's annual statement. Covered Policies will at a minimum be reported in the Company's statutory annual statement as:
 1. Fire
 2. Allied Lines
 3. Farmowners Multiple Peril
 4. Homeowners Multiple Peril
 5. Commercial Multiple Peril (non liability portion, covering condominiums and apartments)
 6. Inland Marine

Note that where particular insurance exposures, e.g., mobile homes, are reported on an annual statement is not dispositive of whether or not the exposure is a Covered Policy.
 - (c) This definition applies only to the first-party property section of a policy pertaining strictly to the structure, its contents, appurtenant structures, or ALE coverage.
 - (d) Covered Policy also includes any collateral protection insurance policy covering personal residences which protects both the borrower's and the lender's financial interest, in an amount at least equal to the coverage for the dwelling in place under the lapsed homeowner's policy, if such policy can be accurately reported as required in Section 215.555(5), Florida Statutes. A Company will be deemed to be able to accurately report data if the required data, as specified in the Premium Formula adopted in Section 215.555(5), Florida Statutes, is available.
 - (e) See Article VI of this Contract for specific exclusions.
- (11) **Deductible Buy-Back Policies**
This term means a specific policy that provides coverage to a policyholder for some portion of the policyholder's deductible under a policy issued by another insurer.
- (12) **Estimated Claims-Paying Capacity of the FHCF**
This term means the sum of the projected Balance of the Fund as of December 31 of a Contract Year, plus any reinsurance purchased by the FHCF, plus the most recent estimate of the Borrowing Capacity of the FHCF, determined pursuant to Section 215.555(4)(c), Florida Statutes.

- (13) **Excess Policies**
This term, for the purposes of this Contract, means a policy that provides insurance protection for large commercial property risks 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 either Citizens entity, as that term is defined in (7) above, pursuant to an assumption agreement effective on or after June 1 and had written no other Covered Policies before June 1 is also considered a New Participant.
- (22) **Office of Insurance Regulation**
This term means that office within the Department of Financial Services and which was created in Section 20.121(3), Florida Statutes.
- (23) **Payout Multiple**
This term means the multiple as calculated in accordance with Section 215.555(4)(c), Florida Statutes, which is derived by dividing the single season Claims-Paying Capacity of the FHCF by the total aggregate industry Reimbursement Premium for the FHCF for the Contract Year billed as of December 31 of the Contract Year. The final Payout Multiple is determined once

Reimbursement Premiums have been billed as of December 31 and the amount of bond proceeds has been determined.

(24) **Premium**

This term means the same as Reimbursement Premium.

(25) **Projected Payout Multiple**

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

(26) **Reimbursement Premium**

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

(27) **Residential Structures**

This term means ~~dwelling~~ units or buildings used 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. **Covered Residential Structures do not include** any structures listed under Article VI herein or structures used solely for non-residential purposes.

(28) **Retention**

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

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

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

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

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

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

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

(29) **Retention Multiple**

- (a) The Retention Multiple is applied to the Company's Reimbursement Premium to determine the Company's Retention. The Retention Multiple for the ~~2013/2014~~2014/2015 Contract Year shall be equal to \$4.5 billion, adjusted based upon the reported exposure for the ~~2011/2012~~2012/2013 Contract Year to reflect the percentage growth in exposure to the FHCF since 2004, divided by the estimated total industry Reimbursement Premium at the 90% reimbursement percentage level for the Contract Year as determined by the SBA.
- (b) The Retention Multiple as determined under (29)(a) above shall be adjusted to reflect the reimbursement percentage elected by the Company under this Contract as follows:
 - 1. If the Company elects a 90% reimbursement percentage, the adjusted Retention Multiple is 100% of the amount determined under (29)(a) above;
 - 2. If the Company elects a 75% reimbursement percentage, the adjusted Retention Multiple is 120% of the amount determined under (29)(a) above; or
 - 3. If the Company elects a 45% reimbursement percentage, the adjusted Retention Multiple is 200% of the amount determined under (29)(a) above.

(30) **Ultimate Net Loss**

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

ARTICLE VI – EXCLUSIONS

This Contract does not provide reimbursement for:

- (1) Any losses not defined as being within the scope of a Covered Policy.
- (2) Any policy which excludes wind or hurricane coverage.
- (3) Any Excess Policy or Deductible Buy-Back Policy that requires individual ratemaking, as determined by the FHCF.
- (4) (a) Any policy for Residential Structures, as defined in Article V(27) herein, that provides a layer of coverage underneath an Excess Policy, as defined in Article V(13) herein, issued by a different insurer; or
(b) Any other 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.

(c) 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) herein.
- (7) Any reinsurance assumed by the Company.
- (8) Any exposure for hotels, motels, timeshares, shelters, camps, retreats, and any other rental property used solely for commercial purposes.
- (9) Any exposure for homeowner associations if no habitational structures are insured under the policy.
- (10) Any exposure for homes and condominium structures or units that are non-owner occupied and rented for six (6) or more rental periods by different parties during the course of a twelve (12) month period.
- (11) Commercial healthcare facilities and nursing homes; however, a nursing home which is an integral part of a retirement community consisting primarily of habitational structures that are not nursing homes will not be subject to this exclusion.
- (12) Any exposure under commercial policies covering only appurtenant structures or structures that do not function as a habitational structure (e.g., a policy covering only the pool of an apartment complex).
- (13) Policies covering only Additional Living Expense.
- (14) Any exposure for barns or barns with apartments.
- (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 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 Aamounts 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 ~~as defined in Rule 19-8.028(4)(d), F.A.C.~~ 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;
 - 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 specialized loss prevention service designed to prevent or minimize loss.
 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) Any individual policy written to solely cover personal property, scheduled or written under a blanket limit, with a policy limit equal to or exceeding \$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 unusually high values due to their 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 policy 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.

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 ~~in the physical possession of the FHCF's Administrator in Minneapolis~~ received by the SBA no later than ~~5-4~~ 4 p.m. ~~Central-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 ~~SBA in Tallahassee, Florida~~ FHCF Administrator in Minneapolis, Minnesota, will be returned to the sender. Reports not in the

physical possession of the ~~FHCF's Administrator~~ SBA by ~~5~~4 p.m., ~~Central~~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, 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 ~~Atlanta, Georgia~~ 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, 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 revenue bonds. Pursuant to Section 215.555(6)(a)1., Florida Statutes, Reimbursement Premiums and earnings thereon may be used for payments relating to revenue bonds in the event emergency assessments are insufficient. If Reimbursement Premiums or earnings thereon are used for debt service on revenue bonds, then the amount of the Reimbursement Premiums or earnings thereon so used shall be returned, without interest, to the Fund when emergency assessments or other legally available funds remain available after making payment relating to the revenue bonds and any other purposes for which emergency assessments were levied.

(3) Claims and Losses

(a) In General

1. Claims and losses resulting from Loss Occurrences commencing during the Contract Year shall be reported by the Company and reimbursed by the FHCF as provided herein and in accordance with the Statute, this Contract, and any rules adopted pursuant to the Statute. For a Company participating in a quota share primary insurance agreement(s) with Citizens Property Insurance Corporation 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* signatures of two executive officers authorized by the Company to sign the report.
 - b. The Company must also submit a detailed claims listing (as outlined on the Proof of Loss Report) at the same time it submits its first Proof of Loss Report for a specific Covered Event that qualifies the Company for reimbursement under that Covered Event, and should be prepared to supply a detailed claims listing for any subsequent Proof of Loss Report upon request.
 - c. While a Company may submit a Proof of Loss Report requesting reimbursement at any time following a Loss Occurrence, all Companies shall submit a mandatory Proof of Loss Report for each Loss Occurrence no earlier than December 1 and no later than December 31 of the Contract Year during which the Covered Event(s) occurs using the most current data available, regardless of the amount of Ultimate Net Loss or the amount of loss reimbursements or advances already received. Reports may be faxed only if the Company does not qualify for a reimbursement.
 - d. For the Proof of Loss Reports due by December 31 of the Contract Year, and the required subsequent quarterly and annual reports required under subparagraphs 3. and 4. below, the Company shall submit its Proof of Loss Reports by each quarter-end or year-end using the most current data available. However, the date of such data shall not be more than sixty days prior to the applicable quarter-end or year-end date.
3. Updated Proof of Loss Reports for each Loss Occurrence are due quarterly thereafter until all claims and losses resulting from a Loss Occurrence are fully discharged including any adjustments to such losses due to salvage or other recoveries, or the Company has received its full coverage under the Contract Year in which the Loss Occurrence(s) occurred. Guidelines follow:
- a. Quarterly Proof of Loss Reports are due by March 31 from an insurer whose losses exceed, or are expected to exceed, 50% of its FHCF Retention for a specific Loss Occurrence(s).
 - b. Quarterly Proof of Loss Reports are due by June 30 from an insurer whose losses exceed, or are expected to exceed, 75% of its FHCF Retention for a specific Loss Occurrence(s).
 - c. Quarterly Proof of Loss Reports are due by September 30 and quarterly thereafter from an insurer whose losses exceed, or are expected to exceed, its FHCF Retention for a specific Loss Occurrence(s).
- If the Company's Retention must be recalculated as the result of an exposure resubmission, and if the recalculated Retention changes the FHCF's reimbursement obligations, then the Company shall submit additional Proof of Loss Reports for recalculation of the FHCF's obligations.
4. Annually after December 31 of the Contract Year, all Companies shall submit a mandatory year-end Proof of Loss Report for each Loss Occurrence, as applicable, using the most current data available, 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 December 31 of the Contract Year. No interest is payable on additional payments to the Company due to this type of Retention adjustment. Each Company sustaining reimbursable losses will receive the amount of reimbursement due under the Contract up to the amount of the Company's payout. If more than one Covered Event occurs in any one Contract Year, any reimbursements due from the FHCF shall take into account the Company's Retention for each Covered Event. However, the Company's reimbursements from the FHCF for all Covered Events occurring during the Contract Year shall not exceed, in aggregate, the Projected Payout Multiple or Payout Multiple, as applicable, times the individual Company's Reimbursement Premium for the Contract Year.
2. In determining reimbursements under this Contract, the SBA shall reimburse each of the Companies, including entities created pursuant to Section 627.351(6), Florida Statutes, for the amount (if any) of reimbursement due under the individual Company's Contract, but not to exceed for all Loss Occurrences, an amount equal to the Projected Payout Multiple or the Payout Multiple, as applicable, times the individual Company's Reimbursement Premium for the Contract Year.
3. Reserve established. When a Covered Event occurs in a subsequent Contract Year when reimbursable losses are still being paid for a Covered Event in a previous Contract Year, the SBA will establish a reserve for the outstanding reimbursable losses for the previous Contract Year, based on the length of time the losses have been outstanding, the amount of losses already paid, the percentage of incurred losses still unpaid, and any other factors specific to the loss development of the Covered Events involved.

(d) Commutation

1. Not less than 36 months or more than 60 months after the end of the Contract Year, the 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) In accordance with Section 215.555(4)(e), Florida Statutes, the SBA may make advances for loss reimbursements as defined herein, at market interest rates, to the Company in accordance with Section 215.555(4)(e), Florida Statutes. An advance is an early reimbursement which allows the Company to continue to pay claims in a timely manner. Advances will be made based on the Company's paid and reported outstanding losses for Covered Policies (excluding all incurred but not reported [IBNR] losses) as reported on a Proof of Loss Report, and shall include Loss Adjustment Expense Reimbursement as calculated by the FHCF. In order to be eligible for an advance, the Company must submit its exposure data for the Contract Year as required under paragraph (1) of this Article. Except as noted below, advances, if approved, will be made as soon as practicable after the SBA receives a written request, signed by two officers of the Company, for an advance of a specific amount and any other information required for the specific type of advance under subparagraphs (c) and (e) below. All reimbursements due to a Company shall be offset against any amount of outstanding advances plus the interest due thereon.
- (b) For advances or excess advances, which are advances that are in excess of the amount to which the Company is entitled, the market interest rate shall be the prime rate as published in the Wall Street Journal on the first business day of the Contract Year. This rate will be adjusted annually on the first business day of each subsequent Contract Year, regardless of whether the Company executes subsequent Contracts. In addition to the prime rate, an additional 5% interest charge will apply on excess advances. All interest charged will commence on the date the SBA issues a check for an advance and will cease on the date upon which the FHCF has received the Company's Proof of Loss Report(s) for the Covered Event(s) for which the Company qualifies for reimbursement(s). If such reimbursement(s) are less than the amount of outstanding advance(s) issued to the Company, interest will continue to accrue on the outstanding balance

of the advance(s) until subsequent Proof of Loss Reports qualify the Company for reimbursement under any Covered Event equal to or exceeding the amount of any outstanding advance(s). Interest shall be billed on a periodic basis. If it is determined that the Company received funds in excess of those to which it was entitled, the interest as to those sums will not cease on the date of the receipt of the Proof of Loss Report but will continue until the Company reimburses the FHCF for the overpayment.

- (c) If the Company has an outstanding advance balance as of December 31 of this or any other Contract Year, the Company is required to have an actuary certify outstanding and incurred but not reported losses as reported on the applicable December Proof of Loss Report.
- (d) The specific type of advances enumerated in Section 215.555, Florida Statutes, follow.
 - 1. Advances to Companies to prevent insolvency, as defined under Article XIV of this Contract.
 - a. Section 215.555(4)(e)1., Florida Statutes, provides that the SBA shall advance to the Company amounts necessary to maintain the solvency of the Company, up to 50 percent of the SBA's estimate of the reimbursement due to the Company.
 - b. In addition to the requirements outlined in subparagraph (4)(a) above, the requirements for an advance to a Company to prevent insolvency are that the Company demonstrates it is likely to qualify for reimbursement and that the immediate receipt of moneys from the SBA is likely to prevent the Company from becoming insolvent, and the Company provides the following information:
 - i. Current assets;
 - ii. Current liabilities other than liabilities due to the Covered Event;
 - iii. Current surplus as to policyholders;
 - iv. Estimate of other expected liabilities not due to the Covered Event; and
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) of this Contract.
- (6) **Inadequate Data Submissions**
If exposure data or other information required to be reported by the Company under the terms of this Contract is not received by the FHCF in the format specified by the FHCF or is inadequate to the extent that the FHCF requires resubmission of data, the Company will be required to pay the FHCF a resubmission fee of \$1,000 for resubmissions that are not a result of an examination by the SBA. If a resubmission is necessary as a result of an examination report issued by the SBA, the first resubmission fee will be \$2,000. If the Company's examination-required resubmission is inadequate and the SBA requires an additional resubmission(s), the resubmission fee for each subsequent resubmission shall be \$2,000. A resubmission of exposure data may delay the processing of the Company's request for reimbursement or an advance.
- (7) **Delinquent Submissions**
Failure to submit an exposure submission, resubmission, loss 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 herein, must be able to provide documentation that the policy covers personal residences, protects both the borrower's and lender's interest, and that the coverage is in an amount at least equal to the coverage for the dwelling in place under the lapsed homeowner's policy.

(1) 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 shall include the exam file which supports the exposure reported to the SBA and any other information which would allow for a complete examination of the Company's reported exposure data. The exam file shall be prepared according to the SBA Exam File Specifications outlined in the Data Call. The Company must also have available, at the time of the examination, a copy of its underwriting manual, a copy of its rating manual, and staff to respond to the questions of the SBA or its agents. The Company is also required to retain declarations pages and policy applications to support reported exposure. To meet the requirement that the application must be retained, the Company may retain either the actual application or may retain the actual application in an electronic format 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. ~~The Company must also retain the required exposure exam file for the Contract Year in which the loss occurred, and must have available any other information which would allow for a complete examination of the Company's losses.~~

(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. ~~The resubmission will include a data file to be submitted to the FHCF's Administrator and an exam file to be submitted to the offices of the SBA. The resubmission is also required to be accompanied by a detailed written description of the specific changes made to the resubmitted data.~~ Once the resubmission is received ~~by the FHCF's Administrator~~, the FHCF's Administrator calculates a revised Reimbursement Premium for the Contract Year which has been examined. The SBA shall then review the resubmission with respect to the examiner's findings, and accept the resubmission or contact the Company with any questions regarding the resubmission. Once the SBA has accepted the resubmission as a sufficient response to the examiner's findings, the exam is closed.
2. If the recommendation of the examiner is to give the Company the option to either ~~to~~ resubmit the ~~Company's~~ exposure data ~~for the Contract Year in question or giving the option~~ 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. ~~The updated Proof of Loss Report(s) will be submitted to the FHCF's Administrator with a copy of the Proof of Loss Report(s) and a supporting detailed claims listing to be submitted to the offices of the SBA. The report is required to be accompanied by a detailed written description of the specific changes made.~~ Once the Proof of Loss Report(s) is received by the FHCF Administrator, the FHCF's Administrator will calculate a revised reimbursement. The SBA shall then review the submitted Proof of Loss Report(s) with respect to the examiner's findings, and accept the Proof of Loss Report(s) as filed or contact the Company with any questions. Once the SBA has accepted the corrected Proof of Loss Report(s) as a sufficient response to the examiner's findings, the 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 - 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 XV - TERMINATION

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

ARTICLE XVI - VIOLATIONS

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

ARTICLE XVII - APPLICABLE LAW

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 – 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 have been fully repaid.

IMPORTANT NOTE: The ~~FHCF~~[State Board of Administration Finance Corporation](#) has issued revenue bonds as a result of its liabilities for Covered Events under the Contract Year effective June 1, 2005. As those bonds have not been fully repaid, the Company may not select a Reimbursement Percentage that is less than its selection under the prior Contract Year effective June 1, ~~2012~~[2013](#).

The Reimbursement Percentage elected by the Company for the prior Contract Year effective June 1, ~~2012~~[2013](#) was as follows: «Legal_Name» - «~~M_2012~~[2013](#)_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,

~~2013~~2014, to 12:00 a.m., Eastern Time, May 31, ~~2014~~2015, (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 N/A box at the end of this section, which completes this section of ARTICLE XVIII. 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 under this Contract. Exposure shall be reported under the Company's Data Call in accordance with the following:

~~Commercial-Residential-Class Code~~Predominant Use is Dwelling or Habitational Occupancies

If a single structure is used for both habitational and non-habitational purposes and the ~~structure has a commercial residential class code (based on a classification plan on file with and reviewed by the Administrator)~~, 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 ~~as well~~.

~~Commercial-Non-Residential/Business-Class Code~~Predominant Use is Non-Dwelling or Non-Habitational Occupancies

If a single structure is used for both habitational and non-habitational purposes and the ~~structure has a commercial non-residential or business class code (based on a classification plan on file with and reviewed by the Administrator)~~, 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:

- (a) The decision to not carve out and report the incidental habitational exposure shall apply to all such structures insured by the Company; and

- (b) 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.

<input type="checkbox"/>	OR	<input type="checkbox"/>	OR	<input type="checkbox"/>
CARVING		NOT CARVING		NOT APPLICABLE

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

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

(3) **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.

<input type="checkbox"/>	OR	<input type="checkbox"/>
Yes – Time Element ALE		No – Time Element ALE

ARTICLE XIX – SIGNATURES

Approved by:

Florida Hurricane Catastrophe Fund

By: State Board of Administration of the State of Florida

By: _____
Ashbel C. Williams
Executive Director & CIO

_____ Date

Approved as to legality:

By: _____
_____ Date

«Legal_Name»

Typed/Printed Name and Title

By: _____
Signature

_____ Date

ADDENDUM NO. ~~2~~1
to
REIMBURSEMENT CONTRACT
Effective: June 1, ~~2013~~2014
(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, ~~2013~~2014, 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. ~~2~~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, ~~2013~~2014, Citizens shall report the exposure in effect for such policies as of June 30, ~~2013~~2014. If any such policies renewed with Citizens on or before June 30, ~~2013~~2014, Citizens shall include the exposure for those policies as part of its Form FHCF-D1A (Data Call) submission due September 1, ~~2013~~2014.
 - 2. For transfers of Covered Policies from a liquidated insurer to Citizens after June 30, ~~2013~~2014, 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, ~~2013~~2014.
 - 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, ~~2013~~2014, 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, ~~2013~~2014, 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, ~~2013~~2014. Citizens' ~~2013-2014~~ 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 10-1-2013

APPENDIX A TO ADDENDUM NO. ~~21~~
to
REIMBURSEMENT CONTRACT
Effective: June 1, ~~2013~~2014
(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' ~~2013~~2014 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 ~~2013~~2014 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

**OPTIONAL AMENDMENT TO CHANGE PRIOR ELECTIONS MADE IN THE
REIMBURSEMENT CONTRACT OR THE ADDENDA TO
THE REIMBURSEMENT CONTRACT**

Effective: June 1, ~~2013~~2014
(Contract)

between

«Legal_Name»
(Company)

NAIC #

and

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

WHEREAS, pursuant to Section 215.555, F.S., the FHCF Reimbursement Contract, including any Addenda, was required to be executed by March 1, ~~2013~~2014, and,

WHEREAS, in the FHCF Reimbursement Contract, including Addenda, certain options were required to be made by the Company, and,

WHEREAS, there is some benefit to the Company to have the option to change some or all of the Contract elections made in the FHCF ~~2013/2014~~2014/2015 Reimbursement Contract, including any Addenda, if such changes are made prior to the commencement of hurricane season on June 1, ~~2013~~2014, and,

WHEREAS, the Board, finds that the operation and administration of the FHCF will not be harmed by allowing changes to these options prior to June 1, ~~2013~~2014, and,

NOW THEREFORE, in consideration of mutual promises hereinafter set forth, the parties agree as follows:

1. This Optional Amendment To Change Prior Elections Made In The Reimbursement Contract Or The Addenda To The Reimbursement Contract (“Optional Amendment”) shall not take effect if the Company fails to complete **all** of the elections herein. If the Company makes a change to **any** option elected in the ~~2013/2014~~ 2014/2015 Reimbursement Contract or Addenda thereto, then all the options in the Contract and all Addenda must be reselected in this Optional Amendment. The Company is not required to make changes to the options as originally selected, but if the Company chooses to enter into this Optional Amendment to change any option, **all options** must be redesignated. Failure

to re-select any option in this Optional Amendment shall result in the Company being deemed to have chosen the same selections as it chose in the Reimbursement Contract or, if the Company failed to make an option selection in the Reimbursement Contract, the option which the Company was deemed to have selected in the Reimbursement Contract.

2. This Optional Amendment shall not take effect if the Company fails to fully execute this Optional Amendment or fails to ensure receipt of this Optional Amendment by the FHCF Administrator, Paragon Strategic Solutions Inc., 8200 Tower, 5600 West 83rd Street, Suite 1100, Minneapolis, Minnesota 55437, on or before June 1, ~~2013~~2014;
3. If the requirements of paragraphs 1. and 2. above are met, this Optional Amendment shall take effect at 12:00:01 a.m., Eastern Time, June 1, ~~2013~~2014 and terminate on 12:00 midnight Eastern Time, May 31, ~~2014~~2015.
4. Option Selection: **All of the options below must be addressed:**

A. Reimbursement Percentage

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

IMPORTANT NOTE: The ~~FHCF~~ [State Board of Administration Finance Corporation \(formerly known as the FHCF Finance Corporation\)](#) has issued revenue bonds as a result of its liabilities for Covered Events under the Contract Year effective June 1, 2005. As those bonds have not been fully repaid, the Company may not select a Reimbursement Percentage that is less than its selection under the prior Contract Year effective June 1, ~~2012~~2013.

The Reimbursement Percentage elected by the Company for the prior Contract Year effective June 1, ~~2012~~2013 was as follows: «Legal_Name» - «M_~~2012~~2013_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, ~~2013~~2014, to 12:00 a.m., Eastern Time, May 31, ~~2014~~2015, (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%

B. ~~Commercial Non-Residential/Business Class Code~~ Single Structures with a Mix of Commercial Habitational and Commercial Non-Habitational Exposure Written on a Commercial Policy

If a single structure is used for both habitational and non-habitational purposes and the ~~structure has a commercial non residential or business class code (based on a classification plan on file with and reviewed by the Administrator)~~, 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. See Article XVIII(2) of the 2014/2015 Reimbursement Contract for information on the determination of predominant use.

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** OR **NOT APPLICABLE**

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

Important Note **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.

C. 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

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

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

~~_____~~

~~By selecting an option below (initial the applicable box), the Company is selecting its proportionate share based on its mandatory FHCF Reimbursement Premium to the total mandatory FHCF Reimbursement Premiums paid by all Companies of the layer of optional coverage.~~

Company selects \$1 billion TICL Coverage Option

OR

Company selects \$2 billion TICL Coverage Option

~~**5. All provisions of the FHCF Reimbursement Contract and the Addenda thereto remain in full force and effect except as to the option changes allowed in paragraph 4., of this Optional Amendment.**~~

This Optional Amendment To Change Prior Elections Made In The Reimbursement Contract Or The Addenda To The Reimbursement Contract (“Optional Amendment”) shall not take effect if Company fails to complete all of the elections herein.

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