

# Florida Hurricane Catastrophe Fund

## 2022/2023 Member Handbook



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## INTRODUCTION

The purpose of this handbook is to provide an overview of the operations of the Florida Hurricane Catastrophe Fund (FHCF), company requirements, and available sources of information regarding the FHCF.

This handbook is provided for informational purposes only. Although it is believed to be reliable, it is not guaranteed as to its accuracy or completeness. The Florida Statutes, along with the Rules adopted by the State Board of Administration of Florida (SBA), should be consulted as the authoritative source on all FHCF policies and requirements.

## MISSION

The FHCF was created in November 1993 during a special legislative session after Hurricane Andrew. The enabling legislation is codified in Section 215.555, Florida Statutes. The mission of the FHCF is to provide a stable and ongoing source of timely reimbursement to residential property insurers for a portion of their catastrophic hurricane losses for the purpose of protecting and advancing the State's interest in maintaining insurance capacity.

## ORGANIZATION

The FHCF is structured as a state trust fund under the direction and control of the SBA. Its trustees are the Governor, the Chief Financial Officer, and the Attorney General. A nine-member advisory council provides the SBA with information and advice. Paragon Strategic Solutions Inc. (Paragon) is the FHCF Administrator as well as the Actuarial Consultant to the SBA. In addition to hiring staff and contracting with other professionals, Section 215.555, Florida Statutes, gives the SBA the authority to adopt rules in order to implement the Statute.

## FINANCIAL STRUCTURE

The FHCF is designed to be self-supporting except in extraordinary circumstances. Participating companies are charged an actuarially-determined premium for the coverage provided, and the FHCF's accumulated premium, and investment earnings thereon, may be used only to pay companies according to their reimbursement contracts, and to pay other obligations and expenses as specified in the Statute. The SBA is responsible for investing the FHCF's assets. When the FHCF's available assets are not sufficient to meet its obligations, the FHCF can rely on the proceeds of revenue bonds backed by assessments on most types of property and casualty insurance premiums. The FHCF also engages in financing and risk-transfer activities intended to improve liquidity and minimize the need for assessments.

## COVERED EVENTS

FHCF coverage is on a per occurrence basis (subject to an annual aggregate limit) and applies to any 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 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.

## COVERED POLICIES

Covered policies are those policies issued by authorized insurers (not reinsurers), including Citizens Property Insurance Corporation (Citizens), which provide coverage for hurricane losses for residential structures located in the State of Florida, including appurtenant structures, contents, and additional

living expense. This includes commercial-residential, residential, mobile home, tenants, condominium unit owners, and some endorsements to such policies. Covered policies include policies covering the peril of wind removed from Citizens or by an authorized insurer under the terms and conditions of an executed assumption agreement that has been approved by the Office of Insurance Regulation.

Covered policies also include collateral protection insurance policies covering personal residences which protect both the borrower's and 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, Florida Statutes.

## COMPANY PARTICIPATION

All authorized insurers in Florida, including Citizens, which write FHCF covered policies are required by Section 215.555, Florida Statutes, to enter into a Reimbursement Contract (Contract) with the SBA and to pay an annual reimbursement premium to the FHCF.

## PETITIONING FOR EXEMPTION

### No Covered Policies:

If a company does not have Covered Policies as of June 30 of the current Contract Year but was an active participant in the FHCF for the preceding Contract Year, a letter requesting to petition for exemption from the FHCF must be received by the FHCF Administrator no later than September 1 of the current Contract Year. See Rule 19-8.012, Florida Administrative Code (F.A.C.) for more information. This Rule is available online at [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf).

### De Minimis Exemption due to Limited Exposure:

Section 215.555, Florida Statutes, allows the SBA to consider an exemption for a company with less than \$10 million of FHCF covered exposure (not premium), provided the company submits a written request to the FHCF Administrator. Such requests must be received no later than September 1 of the current Contract Year and may not be withdrawn. See Rule 19-8.012, F.A.C. for more information. The SBA may not grant an exemption if the aggregate number of anticipated exemptions adversely affects the actuarial soundness of the FHCF.

## REIMBURSEMENT CONTRACT

The annual FHCF contract period is from June 1<sup>st</sup> through May 31<sup>st</sup>. Contracts must be executed and returned to the FHCF's Administrator no later than March 1<sup>st</sup> of each Contract Year. Included in the executed contract is the company's selected coverage level of 45%, 75%, or 90%. All companies that are members of the same insurer group, as designated by the National Association of Insurance Commissioners (NAIC), must elect the same coverage level.

There is also an Addendum to the Contract applicable to a company that, upon mutual agreement with the SBA, provides coverage of an unsound insurer's covered policies through an assumption or an assignment of the unsound insurer's reimbursement contract. The Contract and Addendum are available online at [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf).

## REIMBURSEMENT PREMIUM

A company's annual reimbursement premium for the FHCF coverage is based on an actuarial formula specifying the amount of premium to be paid for each \$1,000 of insured value for covered policies in each 5-digit Florida ZIP Code by type of business, construction class, and deductible group. The coverage level chosen by the company and mitigation features reported are also considered in the

premium calculation. Pursuant to Section 215.555(5)(b), Florida Statutes, the FHCF premium includes a 25% cash build up factor.

Paragon has been retained by the SBA as the independent actuarial consultant to develop the reimbursement premium formula and the rates to be used in determining the annual reimbursement premium due from each company. The annual rates, rating region definitions, and Ratemaking Formula Report are available online at [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf).

## REIMBURSEMENT PREMIUM INSTALLMENTS

The annual reimbursement premium for FHCF coverage is payable in three installments: August 1<sup>st</sup>, October 1<sup>st</sup>, and December 1<sup>st</sup> of the Contract Year. Due to the timing of the exposure reporting and final premium calculation, the first two installments are provisional billings, each based on one third of a company's prior Contract Year premium. The third installment is based on the final premium calculated from the company's exposure reported to the FHCF in the Data Call submission, less the amounts received from the provisional billings. Companies with a final premium of \$5,000 or less for the prior Contract Year will be billed a full provisional premium in that amount for the first installment.

## REPORTING REQUIREMENTS – EXPOSURE DATA

In order to calculate the premium for FHCF coverage, each company must report its total covered property exposure in force under covered policies **as of June 30<sup>th</sup>** to the FHCF categorized by certain rating factors. This information is statutorily required to be reported by September 1<sup>st</sup> and must be submitted to the SBA via the Web Insurer Reporting Engine (*WIRE*). The exposure reporting requirements are specified in the Data Call, Form FHCF-D1A, sent to each insurer at the beginning of the Contract Year. The Data Call is also available online at [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf).

## WEB INSURER REPORTING ENGINE (*WIRE*)

The Web Insurer Reporting Engine, or *WIRE*, is the mechanism for reporting exposure as required under the FHCF Data Call. Each FHCF company has a *WIRE* account. In order to access the *WIRE* validation and submission tools, a company must ensure a Data Call/*WIRE* Account Manager has been designated on the Company Contact Information Form (Form FHCF C-1) submitted to Paragon annually. Once registered, the Account Manager can log in and register a maximum of six additional *WIRE* users to perform submission functions on behalf of the company, which must include at least two company officers with authority to certify and sign the submission statements.

Companies prepare and save a policy-level exposure data file, which is validated and submitted via *WIRE*. In addition, companies can upload any supporting documents (such as cover letters or other explanatory information), complete the submission confirmation form, and sign the required officer statements all online. Once a submission is complete, *WIRE* will aggregate the data and provide it to Paragon for premium calculation.

The *WIRE* system is available online at [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf) and is accessible only to persons who have been registered as *WIRE* users by companies participating in the FHCF.

## NEW PARTICIPANTS

Companies that begin to write covered policies on or after the beginning of the FHCF's Contract Year on June 1<sup>st</sup> are considered new participants for that Contract Year. A company that removes exposure from Citizens pursuant to an assumption agreement effective on or after June 1<sup>st</sup> and had written no other covered policies before June 1<sup>st</sup> is also considered a new participant. Coverage under the FHCF commences on the effective date of coverage of the insurer's first FHCF covered policy or the date covered policies are removed from Citizens pursuant to an assumption agreement. New participants

must notify the FHCF immediately upon writing FHCF covered policies. The FHCF will then send the Contract and any applicable Addenda to be executed, along with a premium invoice of \$1,000. The \$1,000 premium shall be a provisional premium until the company's final FHCF premium is calculated.

Companies that begin writing covered policies or remove policies from Citizens pursuant to an assumption agreement prior to December 1<sup>st</sup> of the Contract Year will be sent a Data Call with supplemental instructions for new participants in November. New participants are also required to submit their Data Call file through *WIRE*. The Data Call instructions are the same document used by current participants except that these new participants must report their total covered property exposure in force under covered policies as of November 30<sup>th</sup> to the FHCF by February 1<sup>st</sup> of the Contract Year. The Data Call is available online at [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf).

To recognize that these new participants have limited exposure during the first Contract Year, the actual premium (determined by processing the company's exposure data) will be divided in half. The provisional premium will be credited, and the resulting amount will be the total premium due for the company for the remainder of the Contract Year. However, if that amount is less than \$1,000, \$1,000 will be the final premium. The final premium payment is due no later than April 1<sup>st</sup> of the Contract Year. The company's retention and maximum recovery from the FHCF will be based on the final adjusted premium.

For companies that begin writing covered policies or remove policies from Citizens pursuant to an assumption agreement on or after December 1<sup>st</sup> of the Contract Year, the \$1,000 premium shall be the final premium for the Contract Year. As such, the insurer shall not report any exposure data for this contract period.

## COMPANY RETENTION – FHCF COVERAGE

As the reimbursement premium formula is developed for the Contract Year, a retention multiple is established for each coverage level. A company's full retention for its FHCF coverage is calculated by multiplying its annual reimbursement premium for FHCF coverage by the multiple corresponding to the selected coverage level.

### **\$17.000 Billion xs \$8.513 Billion**

Coverage Level	2022/2023 Retention Multiple	Premium	Full Retention (Premium x Retention Multiple)
90%	5.9418	\$1,000,000	\$5,941,800
75%	7.1302	\$833,333	\$5,941,800
45%	11.8837	\$500,000	\$5,941,800

While the retention remains the same regardless of the coverage level selected, the portion of subject losses reimbursed by the FHCF depends upon the coverage option selected.

Since FHCF coverage is on a per occurrence basis, a company will need to exceed its full retention for each event before recoveries from the FHCF are triggered, except as noted in the following section.

## DROP-DOWN RETENTION – FHCF COVERAGE

Section 215.555, Florida Statutes, provides for a drop-down retention in certain circumstances. A company's full FHCF retention for its FHCF coverage shall apply to each of the company's largest two hurricanes (in terms of losses covered by the FHCF). The company's full retention would then be adjusted to 1/3 for any other hurricanes occurring during the Contract Year. If applicable, the 1/3 adjustment(s) will be made after January 1<sup>st</sup> of the Contract Year.

## FHCF CAPACITY – FHCF COVERAGE

Reimbursement of covered losses is limited by the actual claims paying capacity of the FHCF. However, the FHCF’s capacity cannot exceed \$17 billion for the Contract Year. The actual claims paying capacity is the balance of the fund as of 12/31 of the Contract Year (amount of assets available to pay claims, not including bonding proceeds) in which the covered event occurs, plus the amount the SBA is able to raise through the issuance of revenue bonds and the purchase of reinsurance, if any.

Recognizing the importance of timely payment of reimbursements, the FHCF engages in efforts to maintain needed liquidity. Pre-event financing is one of the means used by the FHCF to assure that liquid assets are in place to meet the FHCF’s future obligations. Over the course of its history, the FHCF has issued \$13 billion in pre-event debt, using staggered maturities that reduce market access risk and smooth costs. The following table shows the FHCF’s current outstanding pre-event debt:

Maturity Date	Series 2020A Pre-Event Bonds	Total Pre- Event Bonds
Principal (\$ millions)		
<b>7/1/2025</b>	\$1,250	\$1,250
<b>7/1/2027</b>	\$1,000	\$1,000
<b>7/1/2030</b>	\$1,250	\$1,250
<b>Total:</b>	\$3,500	\$3,500

The expenses associated with these pre-event bonds are self-funded through the FHCF’s investment earnings on these funds and through reimbursement premiums as necessary.

Each year as the FHCF prepares administratively for the upcoming hurricane season, consideration is given to the projected financial condition of the FHCF, the availability and affordability of statutorily allowed financing mechanisms, and the estimated borrowing capacity. The overarching goal is to determine the best method to maximize the FHCF’s ongoing claims-paying capacity for the current and future seasons. In prior years, the FHCF negotiated private risk transfer arrangements under this authority that were beneficial to the FHCF and to its participating insurers and were not disruptive to Florida’s overall risk transfer market from a macro perspective. Given the current conditions of the risk transfer market, the FHCF did not participate in a private reinsurance placement for the 2022/2023 FHCF contract year.

With the projected fund balance of \$12.7 billion and \$3.500 billion of pre-event bonds, the FHCF’s liquid resources for the Contract Year would be \$16.2 billion, which would require an additional \$0.8 billion of post-event bonds to reach the FHCF’s statutory limit of \$17 billion. If a covered event exhausts the FHCF’s statutory limit, the \$3.5 billion in pre-event bonds can be used for the current season or preserved for subsequent season. The potential post-event bonding needed could be up to \$4.3 billion.

<u>12/31/2022</u>					
<u>Projected Fund Balance</u>	<u>Reinsurance</u>	<u>Pre-Event Bonds</u>	<u>Additional Bonding Needed</u>	<u>Estimated Claims Paying Capacity</u>	
\$ 12,672,000,000	+	\$0	+	\$3,500,000,000	+
				\$828,000,000	=
					\$17,000,000,000

For more information on estimated bonding capacity, as well as estimated subsequent season capacity, please visit the FHCF website at [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf).

## FHCF COVERAGE STRUCTURE

The projected payout multiple determines the FHCF coverage limit provided to each company, and is calculated as follows:

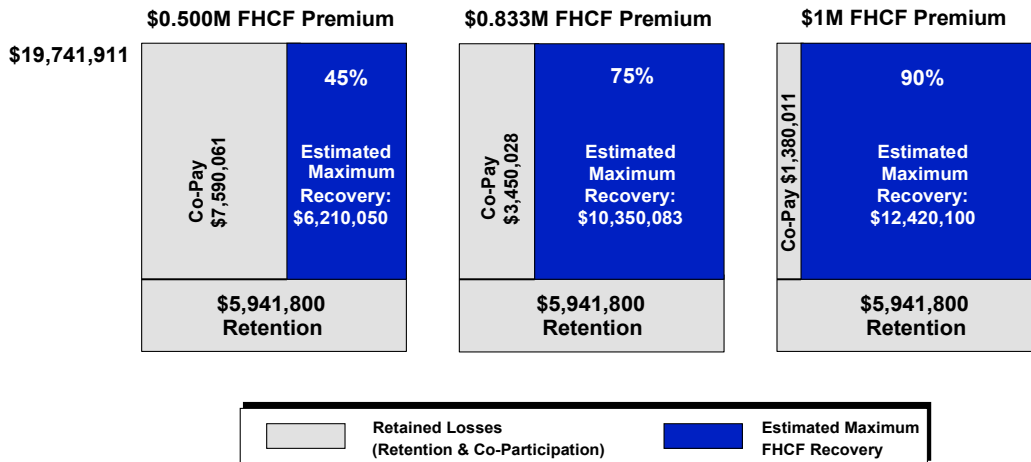
<u>Projected Maximum Claims Paying Capacity</u>	/	<u>Estimated Aggregate FHCF Premium</u>	=	<u>Projected Payout Multiple</u>
\$17,000,000,000		\$1,368,744,897		12.4201

The maximum amount a company could recover from the FHCF under the Contract Year is calculated as follows:

$$\text{FHCF Annual Reimbursement Premium} \times \text{Final Payout Multiple} = \text{Maximum Recovery}$$

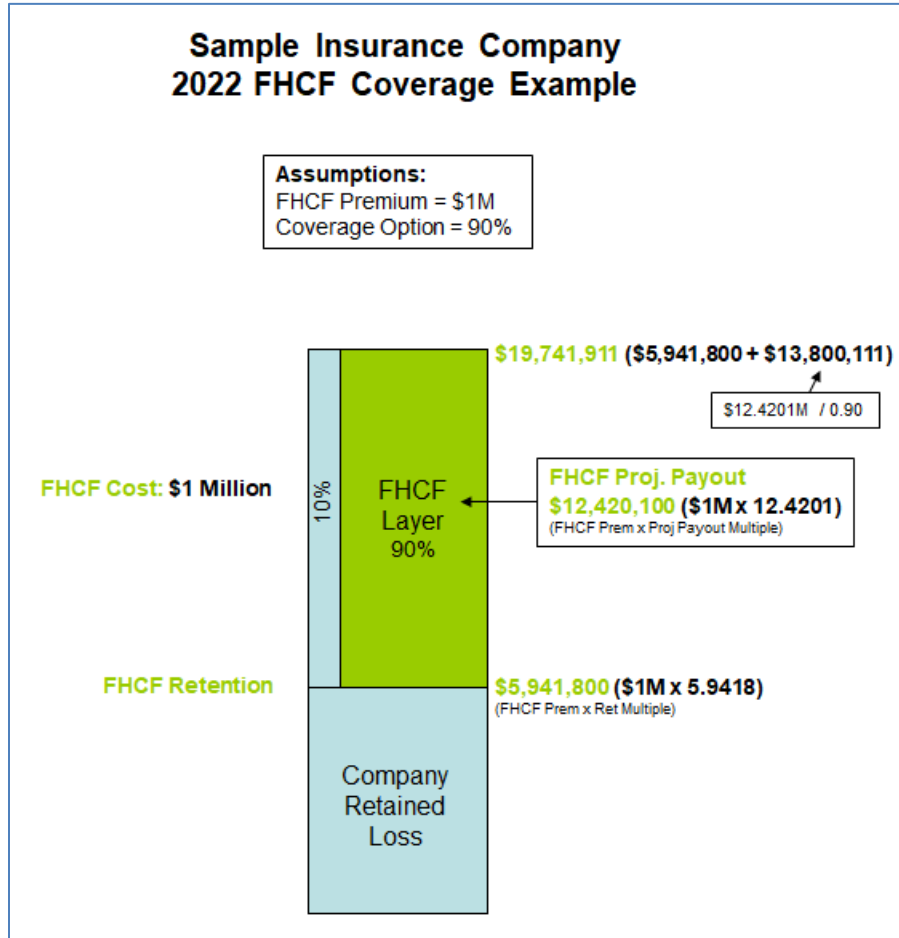
The final payout multiple will equal \$17 billion divided by the total reimbursement premiums billed as of December 31<sup>st</sup>. This is, in effect, a company's market share of the FHCF's estimated claims-paying capacity. Note that this factor includes the additional 10% of FHCF reimbursed losses paid as an allowance for loss adjustment expense. Also, it must be emphasized that all reported claims are subject to verification prior to reimbursement and will be further reviewed during subsequent examinations by the SBA.

FHCF reimbursement is the selected percentage (45%, 75%, or 90% coverage level) of covered losses above a company's retention. For a company with a ground-up subject loss of approximately \$19.7 million, the FHCF coverage reimbursements for each coverage level is illustrated below and on the following page (illustration not drawn to scale and 10% loss adjustment expense allowance not taken into consideration).





Following is another illustration of the FHCF structure at the 90% coverage option.



See the section on Drop-Down Retention (discussed earlier) for additional information on the loss reimbursement structure.

## EMERGENCY ASSESSMENT

To service any outstanding post-event revenue bonds, as the term is defined in Section 215.555(2)(g), Florida Statutes, and to reimburse insurers for their reimbursable losses under a covered event, the SBA may direct the Office of Insurance Regulation to levy an emergency assessment. The maximum assessment is 6% in any Contract Year, up to a cumulative assessment of 10%. The assessment applies to all property and casualty lines of business in Florida, including property and casualty lines of business of surplus lines, but excludes those lines specifically exempted in Section 215.555, F.S. (currently, workers' compensation, medical malpractice, accident and health, and National Flood Insurance Program policies). There were no post-event revenue bonds outstanding as of June 1, 2022.

For more information regarding emergency assessments, including assessable lines, please review Rule 19-8.013, F.A.C., entitled "Revenue Bonds Issued Pursuant to Section 215.555(6), Florida Statutes" (available online at [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf)).

## REPORTING REQUIREMENTS – LOSS DATA

Section 215.555, Florida Statutes, requires that companies report their losses from covered events for the Contract Year by filing a Proof of Loss Report, Form FHCF-L1A, no later than December 31<sup>st</sup>, and quarterly thereafter. Under certain circumstances, earlier reporting may be required. Loss reporting procedures are further clarified in the Contract, available online at [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf). All loss reports are filed electronically using the FHCF Online Claims System (see the next section herein for details).

Companies are required to report estimated incurred ground-up losses for covered policies on both an incurred basis and a paid basis. The FHCF will reimburse the allowance for loss adjustment expense, limited to 10% of reimbursable losses, which will be calculated by the FHCF based on reported paid losses. Prior to reimbursement, a company's loss reports are reviewed and tested for reasonableness. As soon as practicable after receiving loss reports, the FHCF will determine and pay reimbursement amounts due to the insurer. Adjustments will be made, as necessary, following subsequent loss reports. Note that companies must submit a Detailed Claims Listing to support the losses reported in its first Proof of Loss Report submission for a specific hurricane that qualifies the company for reimbursement under that hurricane. Instructions for the Detailed Claims Listing, as well as other periodic due dates, are specified in the Contract Year Detailed Claims Listing Instructions, Form FHCF-DCL.

FHCF reimbursement amounts will not be reduced by reinsurance paid or payable to the insurer from other sources.

Section 215.555, Florida Statutes, also provides for advances in the interim for insurers that may otherwise become insolvent, Citizens, and limited apportionment companies which meet certain criteria.

## ONLINE LOSS REPORTING

The FHCF Online Claims System must be used to submit loss reports and Detailed Claims Listings, when required. It may also be used to view prior online loss report submissions and payment documentation. The system may be accessed online at [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf).

Once the online registration process is fully complete, a company will be able to electronically certify, "sign," and submit FHCF loss reports. A maximum of seven users may be registered (at least two users must be officers since Proof of Loss Reports require sign-off by two officers). All users may enter loss data, but only officers will be given system submission rights. Officer authority will be verified by the FHCF and an Officer Registration letter must be signed by each officer and the original returned to the FHCF as instructed on the letter. This Officer Registration letter will be kept on file by the FHCF and allows a system "signature" based on the officer login.

## COMMUTATION OF LOSSES

The Contract calls for the commutation of FHCF losses not less than three years or more than five years after the end of the Contract Year in which losses occurred. While a company may request that the SBA consider beginning the commutation process after three years and before five years, doing so is at the discretion of the SBA. Any remaining claims and losses which are not finally settled and which may be reimbursable losses under the Contract will be reported to the FHCF and a final reimbursement will be determined and issued. The Contract also provides for mutually agreed upon commutations for zero dollars prior to the aforementioned three-year point if a company does not expect any reimbursements from the FHCF. For more information regarding the commutation process, see paragraph (3)(d) of Article X – Reports and Remittances, of the Contract.

## FHCF EXAMINATIONS

The SBA has two separate examination programs to test the accuracy and completeness of exposure data and the accuracy of losses reported to the FHCF. The examinations are limited in scope and should not be relied upon by the insurer as a determination of complete compliance with the applicable FHCF statutes, rules, and reporting requirements.

For an exposure examination, it is important that companies retain all records, information, and policy level details that are used to prepare the Data Call submission required to be sent to the FHCF by September 1<sup>st</sup> of the Contract Year. The Advance Preparation Instructions for an exposure examination are listed in FHCF Form-EAP1 for the applicable Contract Year.

For a claims examination, a company is required to retain a Detailed Claims Listing to support any Proof of Loss Report submitted to the FHCF for an advance or reimbursement. In addition, a company must provide claims files and any other records needed to support reported losses. Detailed information required for a claims examination is listed in FHCF Form-LAP1 for the applicable Contract Year.

The SBA notifies a company at least 60 days prior to the commencement of an examination and provides detailed instructions for preparing data, records, and reports for use by the examiner. Companies are required to provide advance records within 30 days of the date of the notice letter. If delays in providing required information result in the SBA having to reschedule an examination, and expenses are incurred in addition to the usual and customary costs of the examination, the company may be required to reimburse the FHCF for those expenses.

Companies are required to retain detailed records of all reported exposures and losses until the FHCF has completed an examination and commutation for the Contract Year (if applicable) has been concluded. Retention of records is imperative, as an examination may result in a re-filing or other corrective action, or an adjustment to a company's FHCF premium or loss recovery.

## LEGISLATION AND SBA RULES

As indicated in the introductory section of this Handbook, the FHCF was created in 1993 by the Florida Legislature. The enabling legislation is codified in Section 215.555, Florida Statutes.

Specific policies and provisions of the FHCF are outlined in the rules of the SBA. The rulemaking process includes workshops, public hearings, and final approval by the SBA Trustees. The rules are continually being updated in order to accommodate new procedures and forms necessary for the administration of the FHCF. All proposed amendments to the rules are published in the *Florida Administrative Register*. Once the proposed amendments have been adopted, the rules, as amended, are published in the Florida Administrative Code. All rules (proposed or adopted) are available online at [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf).

### Rules of the SBA – Contract Year

- 19-8.001 Purpose
- 19-8.010 Reimbursement Contract
- 19-8.012 De Minimis FHCF Premium and Ineligibility for Participation Exemptions
- 19-8.013 Issuance of Revenue Bonds
- 19-8.028 Reimbursement Premium Formula
- 19-8.029 Insurer Reporting Requirements and Responsibilities

## FHCF KEY DATES

### June

- Data Call sent to current participants.
- 1 - Start of the FHCF Contract Year.
- 30 - Exposure “as of” date (insurance in force as of June 30<sup>th</sup> of the Contract Year).

### July

- 1 - First provisional premium installment invoiced.
- 1 - Participating companies can begin Data Call file validation using *WIRE*.

### August

- Annual rule adoption process for the next Contract Year begins.
- 1 - First provisional premium installment due.
- 1 – Construction code mappings, proposed methodology for reporting mixed-occupancy single structures, and proposed methodology for reporting of collateral protection policies, if applicable, should be submitted to Paragon no later than August 1<sup>st</sup>.

### September

- 1 - Deadline to petition for De Minimis exemption.
- 1 - Data Call submission in *WIRE* due (insurance in force as of June 30<sup>th</sup> of the Contract Year).
- 15 - Second provisional premium installment invoiced.

### October

- FHCF exposure examinations for Contract Year 2022/2023 begin.
- 1 - Second provisional premium installment due.

### November

- 15 - Final premium installment invoiced (based on June 30<sup>th</sup> exposure).
- Data Call sent to New Participants.
- 30 – Exposure “as of” date (insurance in force as of November 30<sup>th</sup> of the Contract Year).

### December

- 1 - Final premium payment due.
- 31 - Initial POL due for the current Contract Year (if there is a covered event(s)).

### February

- Reimbursement Contract, applicable Addenda, and Company Contact Information Form (for the subsequent Contract Year) sent via DocuSign.
- Projected Payout Summary is provided.
- 1 - Data Call submission in *WIRE* due from New Participants writing their first policy on or after June 1 but before December 1 (insurance in force as of November 30<sup>th</sup> of the Contract Year).

### February - March

- New Participants’ final premium installment invoiced (based on November 30<sup>th</sup> exposure).

### March

- 1 - Subsequent Contract Year Reimbursement Contract, applicable Addenda, and Company Contact Information Form due.
- 31 - Quarterly POL due for any hurricanes occurring during the current Contract Year under which the Company has exceeded or expects to exceed 50% of its FHCF retention.

### April

- 1 - New Participants’ final premium due.

## FREQUENTLY ASKED QUESTIONS for the 2022/2023 CONTRACT YEAR

To provide clarification and to assist companies in accurately reporting exposure and losses, the FHCF maintains a list of frequently asked questions and answers online at [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf). This list is updated each Contract Year as new questions arise regarding the new Data Call and loss reports. Please note that as this Handbook will not be updated until the next Contract Year, you should refer to the online version of the FAQs for the most up-to-date and comprehensive listing.

Questions are in five categories: Covered Policies, Exposure/Data Call Reporting, SBA Examination – Exposure Reporting, Loss Reporting, and SBA Examination – Loss Reporting. The following are the FAQs for the 2022/2023 Contract Year. For specific questions on using *WIRE*, refer to the frequently asked questions at [www.sbafla.com/fhcfwire/](http://www.sbafla.com/fhcfwire/).

### **Covered Policies**

#### **Antennas and Satellite Dishes**

Q: Is an antenna or satellite dish written as an endorsement to a covered policy covered?

A: Yes, if the antenna or satellite dish includes coverage for the wind/hurricane peril. However, per the Data Call instructions, exposure for these items should not be reported in your Data Call file since the items are on the list of Non-Reportable (But Covered) Exposure.

#### **Assisted Living Facilities**

Q: Are assisted living facilities covered?

A: Yes

#### **Bailee's Coverage**

Q: Is bailee's coverage provided to a condominium association covered by the FHCF?

A: No

#### **Barns with Apartments**

Q: Are barns with apartments covered by the FHCF?

A: No, neither barns nor barns with apartments or living quarters are covered by the FHCF.

Q: Is coverage for contents of a barn or a barn/apartment covered by the FHCF?

A: No. Since a barn or a barn/apartment is excluded under exclusion (14) of Article VI of the Reimbursement Contract and definition (24) in Article V states that structures listed in Article VI are not included in the definition of a residential structure, the contents or any other coverages of a barn or a barn/apartment would not be covered by the FHCF.

#### **Bed & Breakfast, and Boarding, Lodging, and Rooming Houses**

Q: Are these types of properties covered by the FHCF?

A: It depends. Generally, if the structure is used exclusively or predominantly for dwelling or habitational occupancies, it is covered by the FHCF. Beginning with Contract Year 2019, if a home or dwelling structure is insured under a personal lines residential policy form, it is deemed to have a habitational occupancy and to be a residential structure regardless of the term of occupancy. If the structure is insured under a commercial lines policy, it would only be covered by the FHCF if the structure is used exclusively or predominantly (50% or more of the total insured value) for habitational occupancies.

### **Business Personal Property**

Q: Commercial-Habitational Clarification #6 in the Data Call clarifies that for policies with a mix of commercial habitational and non-habitational structures, if the non-habitational structure is “used in relation to” the habitational structure (non-habitational structure is used solely by the occupants of the habitational structure or their guests), then the non-habitational structure exposure is reportable to the FHCF. Does the “used in relation to” rule also apply to business personal property?

A: Yes.

Q: Is business personal property insured on a commercial policy and housed in a dwelling (i.e., inventory or business property stored in a personal residence) covered by the FHCF?

A: No.

### **Collateral Protection**

Q: Are commercial-residential buildings insured under a collateral protection policy covered?

A: No. The only collateral protection policies covered by the FHCF are those issued to cover personal residences insured under a homeowners policy which protect both the lender and the borrower’s financial interest.

Q: Does the FHCF consider policies issued to cover mobile homes or individual condominium unit owners to fit the definition of policies issued to cover personal residences insured under a homeowners policy?

A: Yes.

Q: If our company cannot provide the supporting documentation that shows the policy was written in an amount at least equal to the coverage for the dwelling in place under the lapsed homeowners policy, is the policy covered by the FHCF?

A: No, unless your company has a methodology approved by the FHCF that shows the amount of the dwelling coverage on the policy is equal to or greater than 100% of the replacement cost of the dwelling. For more detail, refer to the definition of a covered policy in Article V of the Reimbursement Contract.

### **Collectible Property**

Q: Our company writes an inland marine policy that only covers \$750K of scheduled personal property (i.e., no coverage is provided for the residential structure). Is the policy covered?

A: No. The policy would be excluded under new exclusion (27) in Article VI of the Reimbursement Contract since it is a separate policy providing coverage for personal property and is not a homeowner’s, mobile homeowner’s, condominium unit owner’s, or tenant’s policy or an endorsement to such policy.

### **Commercial-Residential Policies – Mix of Commercial Habitational and Non-Habitational Structures**

Q: A commercial policy is written with \$25M of coverage for a residential condominium complex (\$20M) and a separate parking garage (\$5M). The garage is used for the residents of the complex and for paid public parking. Is the garage covered by the FHCF?

A: No. Since the garage is not used solely by the occupants of the condominium complex (or their guests), it is not covered based on Commercial-habitational clarification #6 of the Data Call.

### **Commercial-Residential Policies – Blanket Limits**

Q: Our company writes a commercial policy that insures multiple habitational structures and non-habitational structures. The coverage provided is a blanket limit that is written in an amount that is less than the total insured value of the property being insured. Is this policy covered?

A: No. If the blanket limit is less than the total insured value of the property being insured (covered and non-covered), then the policy is not covered by the FHCF based on exclusion (4) in Article VI of the Reimbursement Contract.

### **Computers/Radios/Signs/Valuable Papers**

Q: Are computers, radios, signs, and valuable papers covered?

A: Yes, if written under a covered policy. However, per the Data Call instructions, exposure for these items should not be reported in your Data Call file since the items are on the list of Non-Reportable (But Covered) Exposure.

### **Condominiums**

Q: If the owner of an individual condominium unit insured using a personal lines residential policy form uses the condominium as a primary or secondary home or residence, but has the option to occasionally rent out or lease the property, is the exposure reportable to the FHCF?

A: Yes. Beginning with Contract Year 2019, if a condominium unit is insured under a personal lines residential policy form, it is deemed to have a habitational occupancy and to be a residential structure regardless of the term of occupancy.

Q: If the owner of an individual condominium unit insured under a personal lines residential policy form does not use the condominium as a home or residence (non-owner occupied) and rents the unit out to other parties, would the condominium be covered by the FHCF?

A: Yes. Beginning with Contract Year 2019, if the condominium unit is insured under a personal lines residential policy form, it is deemed to have a habitational occupancy and to be a residential structure regardless of the term of occupancy and would be covered by the FHCF.

Q: Is an individual condominium unit (or home or mobile home) insured under a commercial lines policy form and used as a primary or secondary home or residence covered by the FHCF?

A: Yes.

Q: My company writes a commercial policy covering a condominium structure with a mix of individual units that are owner occupied and non-owner occupied. We are unable to determine how frequently the individual units are rented out. Is the condominium structure covered by the FHCF?

A: Yes. A condominium structure is deemed to have a habitational occupancy and to be a residential structure regardless of the term of occupancy of individual units. However, if it is classified and rated as a hotel, motel, or timeshare, the structure is not reportable based on definition (24) in Article V and exclusion (8) in Article VI of the Reimbursement Contract.

### **Dormitories**

Q: Are dormitories covered by the FHCF?

A: Yes.

### **Fraternity/Sorority Houses**

Q: Are fraternity and sorority houses covered by the FHCF?

A: Yes.

### **Grave Markers**

Q: Is an endorsement for increased coverage for grave markers covered by the FHCF?

A: Yes, if the endorsement provides coverage for hurricane losses. However, per the Data Call instructions, do not report exposure for grave markers in your Data Call file since it is on the list of Non-Reportable (But Covered) Exposure.

### **Homes Rented out for Temporary Purposes**

Q: If my company insures a home that is rented out on a short-term basis to other parties (e.g., rented during the summer months through Airbnb), is the home covered?

A: Yes. If the home is insured under a personal lines residential policy, it is deemed to have a habitational occupancy regardless of the term of its occupancy to other parties.

### **Homes Rented out for Commercial/Business Purposes**

Q: If a home insured under a commercial lines policy is rented out to different parties for vacation rentals on a daily, weekly or monthly basis (similar to a hotel or motel), is the home covered by the FHCF?

A: No, as the home is being used similarly as a hotel or motel, which is excluded under exclusion (8) in Article VI of the Reimbursement Contract.

### **Mobile Home Parks**

Q: My company writes a commercial policy covering a mobile home park, including individual mobile homes. We are unable to determine how frequently the individual mobile homes are rented out. Are those mobile homes covered by the FHCF?

A: Yes. Similar to a condominium structure which is deemed to have a habitational occupancy and to be a residential structure regardless of whether the individual units are owner or non-owner occupied, and regardless of the term of occupancy of individual units, the mobile homes are covered by the FHCF. However, if the mobile homes are classified and rated as a hotel, motel, or timeshare, those specific mobile homes are not reportable based on definition (24) in Article V and exclusion (8) in Article VI of the Reimbursement Contract.

### **Monasteries**

Q: Are monasteries covered by the FHCF?

A: Yes, if used as a residential structure.

### **Nursing Homes**

Q: Is a nursing home that is part of a retirement community covered?

A: A nursing home that is an integral part of a retirement community (i.e., the nursing home would not exist or operate separate and apart from the community) is covered as long as the retirement community primarily consists of habitational structures and the nursing home is used solely for the occupants (or their guests) of the habitational structures.

### **Quota Share Policies**

Q: Are quota share policies covered by the FHCF?

A: No (pursuant to exclusion (4)(b) under Article VI of the Reimbursement Contract). The only exception is primary quota share policies written by Citizens Property Insurance Corporation (Citizens) under Section 627.351(6)(c)2., Florida Statutes.

### **Recreational Vehicles**

Q: My company insures some recreational vehicles which are stationary. Are they covered by the FHCF?

A: Exclusion (16) in Article VI of the Reimbursement Contract excludes recreational vehicles that require licensing. If the recreational vehicles being insured require licensing, or your company does not know if licensing is required, they would not be covered by the FHCF. If your company has documentation that licensing is not required for a particular recreational vehicle and it is being used exclusively or predominantly as a primary or secondary residence, it would be covered by the FHCF.

### **Residences/Buildings Under Construction**

Q: Our company has several policies where the residence is being remodeled or added on to, but is still occupied by the insured. Would the FHCF exclusion (15), "Any exposure for builders risk coverage or new residential structures still under construction", under Article VI of the Reimbursement Contract apply to these, or would they still be covered?

A: If the addition is covered under a builder's risk policy or endorsement, then it would not be covered and should not be reported to the FHCF. However, the part of the home that is already constructed would be covered by the FHCF under a homeowners policy.



**Scheduled Personal Property in a Vault Off Premises** – written as an endorsement to a covered policy

Q: Our company insures an individual's scheduled personal property (i.e., jewelry and artwork) using an endorsement to a covered policy and the items are located in a vault off premises. Is the exposure reportable to the FHCF?

A: Yes, unless excluded under exclusion (28) under Article VI of the Reimbursement Contract

**Scheduled Personal Property** – written as an endorsement to an ex-wind policy

Q: Our company writes ex-wind policies that can be endorsed with coverage for scheduled personal property and the endorsement to exclude wind coverage does not apply to the scheduled personal property endorsement. Is the endorsement for scheduled personal property covered?

A: No. Exclusion (27) in Article VI of the Reimbursement Contract excludes policies separately providing personal property coverage when it is not a homeowner's, mobile homeowner's, condominium unit owner's, tenant's policy, or other policy covering a residential structure. Since the scheduled personal property endorsement is attached to an ex-wind policy and ex-wind policies are excluded from FHCF coverage, the endorsement is very similar to a policy separately covering personal property and is excluded from coverage.

**Specialized Fine Arts Risks** – written as an endorsement to a covered policy

Q: Are specialized fine arts risks covered by the FHCF?

A: It depends. Article VI, exclusion (28), of the Reimbursement Contract lists specific requirements that must be met for this type of exposure to be excluded from FHCF coverage. If the requirements under sections (a) or (b) are not met, the exposure must be reported.

Q: Our company writes an endorsement with a \$5M blanket limit for specialized fine arts risks and the requirements in section (a) of Article VI, exclusion (28) apply. Would this endorsement be excluded on that basis?

A: No. This risk would not qualify for exclusion under section (a) since the coverage provided is a blanket limit. In order to qualify for the exclusion under section (a), the coverage must be provided on a scheduled basis. However, under section (b) the property can be insured using a scheduled or blanket limit. If the requirements under section (b) are met, the endorsement should not be reported.

**Specialized Fine Arts Risks or Collectibles** – written as a stand-alone inland marine or similar policy

Q: Our company writes specialized fine arts risks and collectibles on a separate policy that is not associated or endorsed to another policy. Is this policy covered by the FHCF?

A: No. Exclusion (27) in Article VI of the Reimbursement Contract excludes any policy providing personal property coverage separate from coverage of personal property included in a homeowner's, mobile homeowner's, condominium unit owner's, or tenant's policy or other policy covering a residential structure or in an endorsement to such a policy.

**Stand-Alone Inland Marine Policy**

Q: Our company writes a stand-alone inland marine policy that can be associated with a residential homeowners policy. Is the stand-alone inland marine policy covered?

A: No, based on exclusion (27) in Article VI of the Reimbursement Contract.

**Vacant Properties**

Q: Are vacant properties intended for residential/habitational use covered by the FHCF?

A: Yes, provided the property has a certificate of occupancy. However, Exclusion (15) under Article VI of the Reimbursement Contract specifically excludes any exposure for builders risk coverage or new residential structures still under construction.

## **Exposure/Data Call Reporting**

### **Additional Living Expense (ALE)**

- Q: How should our company report ALE if written as a time element coverage without a stated dollar limit?
- A: Report exposure in an amount not to exceed 40% of the Residential Structure or 40% of the contents exposure based on the type of policy (e.g., a homeowners policy is usually based on structure versus a renters policy based on contents). Note that reported losses for time element ALE may not exceed the amount of exposure reported under the Data Call unless the policy limits for ALE have changed after June 30<sup>th</sup>.
- Q: Some of our company's programs provide ALE and loss of rents/fair rental value/loss of rental income coverages combined as Coverage D. How should we report this exposure?
- A: If the full Coverage D limit can be paid as ALE reimbursement, then report the full limit, but not to exceed the statutory limit of 40% of the insured value of a residential structure or its contents. If only a portion of the limit could be paid for ALE, report only that portion of limit applicable to ALE coverage. Also note that when requesting reimbursement from the FHCF, the FHCF will only reimburse the ALE loss not to exceed the lesser of the statutory limit or the amount reported to the FHCF under the Data Call.
- Q: If our company writes a policy with ALE coverage that is 4% each month for up to three months, how would the ALE be reported?
- A: Report exposure based on 12%.
- Q: If the ALE coverage on a Dwelling Form 2 or 3 is listed under the Other Coverages section of the policy form, is the exposure for this coverage reportable?
- A: Yes.
- Q: Our company allows a policyholder to select increased coverage on certain personal property (e.g., guns). However, these coverages are not scheduled personal property. The company considers the coverage as an increase in the Contents limit. The company also writes ALE coverage for a time period rather than a specific dollar limit. Should the company include the increased coverages in the Contents limit when calculating the amount of ALE to report?
- A: Yes.
- Q: Our company writes a condominium unit owners policy with an endorsement for coverage for rental to others. Should ALE be reported for the policy?
- A: It depends. If the unit is entirely rented to others, then the coverage on the policy would be for fair rental value and would not be covered by the FHCF. If the owner seasonally occupies the unit as a home or residence, then the ALE could be paid out to the owner and the exposure would be reportable to the FHCF.
- Q: Our company writes a condominium unit owners policy that provides betterment and improvements coverage or "four-walls" coverage (considered by our company to be structural coverage) and ALE coverage, but no coverage for Contents. Is the ALE coverage reportable to the FHCF?
- A: Yes, because coverage for the structure is provided. However, the reported ALE exposure should not exceed 40% of the structural coverage.
- Q: Our company provides ALE coverage on Residential Homeowners policies at an unlimited amount. How should the ALE coverage be reported to the FHCF?
- A: Since an unlimited dollar amount of coverage is provided, your company should report ALE at the maximum percent (40%) allowed.
- Q: Our company provides ALE coverage at a limit of 50% of the Building limit. Therefore, for a policy with a Building limit of \$200,000, we would provide \$100,000 of ALE limit. How would this be reported to the FHCF?

A: Because 40% is the statutory cap with respect to FHCF coverage, your company would only report \$80,000 of ALE exposure.

### **Appurtenant Structures**

Q: Our company writes a policy covering a pool for an apartment complex, but does not insure the apartment complex itself. Would the pool exposure be covered or reportable?

A: No. The pool exposure is not reportable to, or covered by, the FHCF since there is no coverage under the policy for a residential structure or the contents of a residential structure.

Q: Our company writes a commercial policy covering a condominium building as well as a pool added by endorsement. Would the pool exposure be covered or reportable?

A: If the pool is used solely by the occupants of the condominium building or their guests, it is reportable to, and covered by, the FHCF since there is coverage under the policy for the residential structure.

### **Assumption Agreements with Citizens**

Q: My company is planning an assumption on May 25<sup>th</sup> from Citizens. If an assumed policy has not renewed onto my company's books at June 30<sup>th</sup> and it is subsequently "untagged" after June 30<sup>th</sup>, should the "untagged" policy be excluded from our Data Call submission?

A: No. The status of the policy at June 30<sup>th</sup> determines whether the policy is reportable by your company. The assuming company must report all assumed policies under the Data Call unless Citizens has notified the assuming company on or prior to June 30, 2022 that a policy is eligible for an opt out. In such cases, Citizens shall report those policies under its Data Call submission. Refer to the 2022 Data Call instructions for additional clarification.

Q: If my company selected policies on May 1, 2022 for a July 19, 2022 assumption of covered policies from Citizens before June 30, 2022, meaning the actual assumption date is July 19<sup>th</sup>, can my company report the policies selected as our exposure on June 30, 2022?

A: No. The FHCF does not recognize the selected policies as exposure of your company until the assumption date of July 19, 2022.

### **Assignments or Assumption Agreements by Authorized Insurers**

Q. If my company is contemplating taking a book of business from an unsound insurer, whether through an assumption or an assignment, how would those policies be reported to the FHCF?

A. You should contact the SBA to discuss what options are available and the requirements that are unique to this type of transaction. **[Added 7/1/2022]**

### **Attachments, Endorsements or Riders**

Q: My company writes an endorsement that enhances the policy coverages provided on the basic Residential Homeowners policy form. One of the enhancements listed in the endorsement is an additional limit provided for home computer coverage which is listed as a modification to the additional coverages section of the policy. Is the additional limit required to be reported?

A: No. Per the Data Call instructions, exposure for computers should not be reported in your Data Call file since it is on the list of Non-Reportable (But Covered) Exposure items in the Data Call.

Q: Our company does not offer Appurtenant Structures as a standard coverage under a homeowners policy, but an Appurtenant Structures limit can be purchased via an endorsement. If a policyholder purchases the Appurtenant Structures endorsement, should this exposure be reported?

A: Yes.

Q: If a policy does not provide a stated limit on the dec page for Appurtenant Structures, but under "Other Coverages," Appurtenant Structures limit is provided as an additional 10% of the Building limit, should this exposure be reported?

A: Yes.

### **Building Additions and Alterations**

- Q: Our company writes a renters/tenants policy with Contents limit of \$50,000. The policy includes additional coverage written within the policy form for building additions and alterations of 10% of the Contents limit. A policyholder has purchased an endorsement to increase the building additions and alterations coverage to a total of 25% of the Contents limit. How much exposure should be reported to the FHCF for this policy?
- A: For renters/tenants policies, only the amount of building additions and alterations coverage in excess of that provided within the policy form, prior to the purchase of the endorsement, would be reportable. In this case, the additional 15% (\$7,500) of the Contents limit for building additions and alterations coverage is reportable, for a total of \$57,500 of exposure to be reported.
- Q: Our company's condominium unit owners policy provides for a dwelling limit (additions and alterations coverage) of \$1,000, which is listed on every condominium unit owners policy written by the company and is provided at no additional premium. Should this \$1,000 be reported?
- A: Yes. For condominium unit owners policies, the full wind/hurricane limit for the dwelling (i.e., additions and alterations coverage) is reportable, regardless of whether that is the basic limit alone (e.g., \$1,000) or the basic limit plus an increased limit.

### **Churches**

- Q: If a church and the adjacent parsonage are covered on a commercial policy, should the parsonage be reported as a "Commercial" or "Residential" type of business?
- A: If it is a two, three, or four-family dwelling, it should be reported with a FHCF type of business based on how your company rates the dwelling (either Residential or Commercial FHCF type of business). Dwellings housing more than four families should be reported as FHCF type of business Commercial (code "1").

### **Commercial Policy: Single Structure with a Mix of Commercial-Habitational and Commercial Non-Habitational or Business Occupancies**

- Q: My company writes a commercial policy covering a single structure used for both habitational and non-habitational purposes but the predominant use of the structure is habitational (based on a methodology for determining predominant use submitted to, and reviewed by, the FHCF Administrator). If the policy provides blanket or non-divisible coverage for that structure, how should our company report the exposure to the FHCF?
- A: Since the structure is predominantly habitational, the entire structure would be covered. However, if the blanket limit is less than the total insurable value of the structure, the structure is not insured to value and is not covered by the FHCF based on Article VI, exclusion (4) of the Reimbursement Contract.

### **Commercial Policy: Commercial-Habitational Clarifications**

- Q: If our company has a commercial policy that covers several habitational structures located in different ZIP Codes, and each dwelling has its own miscellaneous commercial structures, with which habitational structure should the miscellaneous structures be reported?
- A: They should be reported with the habitational structures to which they are related.
- Q: If our company has a commercial policy with several habitational structures located in the same ZIP Code with common miscellaneous commercial structures, but each habitational structure has a different construction code, with which habitational structure should the miscellaneous commercial structures be reported?
- A: The miscellaneous structures can be reported with the habitational structure(s) your company deems most appropriate.

### **Commercial Policy: Multiple Structures with a Combination of Habitational and Non-Habitational Exposure**

- Q: If a commercial policy covers multiple structures, where the primary structures are a combination of individual habitational and individual non-habitational structures, which structures should our company report to the FHCF?
- A: Your company must report only the habitational structure(s) and any other structure(s) used in relation to the habitational structure(s). "Used in relation to" is defined as any structure(s) that is (are) used solely by the occupants (or their guests) of the habitational structure(s) covered under the policy. If your company is unable to determine whether or not a non-habitational structure meets this requirement, do not include any of the exposure for that structure.
- Q: What if, in the preceding case, the policy has an indivisible aggregate deductible. How should our company report deductibles?
- A: Report each covered risk/building/exposure with the full blanket deductible amount.
- Q: Our company writes a commercial policy covering a retirement community with a beauty salon and recreation center. Should the beauty salon and recreation center be reported?
- A: It depends. If the beauty salon and recreation center are used in relation to the habitational structures, yes. "Used in relation to" is defined as any structure that is used solely by the occupants (or their guests) of the habitational structure. If a structure is not used in relation to the habitational structures or you are unable to make this determination, do not report the exposure for the structure. Also, refer to the Data Call Reporting Clarifications if a blanket deductible or blanket limit applies.

### **Commercial Policy: Multiple Location Policy with Non-Florida Risk (Non-Excess)**

- Q: Our company writes a commercial package policy covering habitational exposures located in several states. The policy is written with a blanket limit. How should the Florida risks be reported?
- A: If the blanket limit is less than the total insurable value for both covered and non-covered risks, then the policy is not covered by the FHCF based on exclusion (4) in Article VI of the Reimbursement Contract.

### **Computers/Radios/Signs/Valuable Papers**

- Q: In addition to \$50,000 of contents limit on a renter's policy, our company provides \$10,000 of coverage for a personal computer system written as scheduled personal property using an endorsement to the policy. How much contents limit should be reported?
- A: \$50,000 since exposure for computers is on the list of Non-Reportable (But Covered) Exposure items in the Data Call.
- Q: An apartment complex is covered on a commercial policy with \$500,000 for building and \$20,000 for contents. The policy also provides a coverage extension for valuable papers of \$2,500. This coverage is offered as part of the policy form and not by endorsement. How much exposure should be reported?
- A: \$520,000 since the coverage extension for valuable papers is on the list of Non-Reportable (But Covered) Exposure items in the Data Call.

### **Condominiums**

- Q: If a commercial policy covers a condominium complex, should our company report exposure for that policy as FHCF type of business Condominium Unit Owners (code "6")?
- A: The FHCF type of business Condominium Unit Owners refers to an individual condominium unit owner. If a commercial policy covers a 10-story, 100 unit condominium complex, for example, such exposure should be reported as FHCF type of business Commercial (code "1").

## Construction

Q: For a Residential Homeowners policy, my Company obtains the type of construction for an insured risk at the time an application is completed but the information is not collected in our company's system. Can my company report FHCF construction *Unknown* (code "11")?

A: No. If the type of construction is known on a primary policy, the applicable FHCF construction code must be reported. FHCF construction code "11" can only be reported if the construction is actually unknown. Note, this does not apply to scheduled personal property endorsements reported as a separate record from the primary policy record. A scheduled personal property endorsement can be reported with the primary policy construction or FHCF construction code "11" as long as the reporting option selected is applied consistently within an FHCF type of business.

Q: Our company obtains number of stories for commercial habitational, tenants, and condominium unit owners at the time an application is written, but the factor is not captured in our system. Is our company required to report an FHCF superior construction (code "7" or "16") if the number of stories is six or more?

A: Yes, as the number of stories is known.

Q: Our company documents at the time an application is written whether a commercial habitational structure has a reinforced concrete roof, or whether the structure applicable to a tenants or condominium unit owners policy has a reinforced concrete roof. However, this information is not captured in our system. Is our company required to report FHCF constructions *Masonry with Reinforced Concrete Roof* (code "15") or *Superior with Reinforced Concrete Roof* (code "16") when applicable?

A: Yes, as the existence of a reinforce concrete roof is known.

## Construction Mapping Worksheet

Q: If our company's construction definitions do not match those of the FHCF, are we required to complete the Construction Mapping Worksheet and submit to Paragon before submitting our Data Call file in *WIRE*?

A: Yes. As stated in the Data Call, proposed construction mappings are requested by August 1, 2022.

## Contents

Q: Our company writes a policy where the insured elected to increase the contents coverage above the standard amount provided in the policy form. Is the increased limit reportable?

A: Yes.

## Deductibles

Q: What if a policy covering multiple commercial-habitational risks has an indivisible aggregate deductible (blanket deductible); how should our company report deductibles?

A: Report each risk/building/exposure with the full blanket deductible amount.

Q: How should our company report the deductible for a policy written with a percentage deductible and a minimum dollar deductible?

A: Report the percentage deductible.

Q: Our company writes a commercial residential policy that covers multiple risks in multiple states. There are five residential risks on the policy that are located in Florida. The insured value for two of the risks is \$100,000 per location and the insured value for the remaining risks is \$500,000 per location. The hurricane deductible for Florida is a per occurrence deductible of 2% subject to a \$300,000 minimum. Are all five risks reportable and if so, what FHCF deductible code should be reported for each risk?

A: Yes, all five risks are reportable as long as the exclusions in Article VI of the Reimbursement Contract do not apply. Even though the two risks have an individual insured value that is less than the \$300,000 minimum dollar deductible, there could be a recovery for those locations since the deductible applies per occurrence and the sum of the insured value for all five locations exceeds

\$300,000. The Data Call instructs that in the case of a percentage deductible with a minimum dollar deductible, the percentage deductible is to be reported for each risk.

Q: Using the preceding example, all five risks are written with an individual value per location that is less than the \$300,000 minimum hurricane deductible; however, the sum of the individual insured values total \$400,000. Are the risks reportable and if so, what deductible code should be reported for each risk?

A: Similar to the preceding answer, all five risks are reportable since the sum of the insured values for the individual risks exceeds the minimum dollar deductible. However, if the sum of the insured values was less than \$300,000, meaning no recovery could occur from the FHCF, the risks would not be reportable. The percentage deductible is required to be reported for each risk.

Q: Our company writes a commercial residential policy that covers multiple risks in multiple states. There are four residential risks located in Florida and each location is written with an individual insured value \$100,000 and a per location hurricane deductible of \$300,000. Are the risks reportable to the FHCF since the insured limit for each location is below the per location hurricane deductible?

A: No, since the hurricane deductible applies per location, there would be no recovery from the FHCF. If the deductible had been written as a per occurrence deductible, the risks would be reportable since the aggregate insured limit of \$400,000 exceeds the \$300,000 per occurrence deductible.

Q: Our company writes a commercial residential policy that covers multiple risks in multiple states, but there is only one risk located in Florida with an insured value of \$20 million. The policy is written with a per occurrence deductible of 2% or a minimum of \$250,000. What FHCF deductible code should be reported for the Florida risk?

A: The Data Call instructs that in the case of a percentage deductible with a minimum dollar deductible, the percentage deductible is to be reported for each risk.

Q: Using the preceding example, if the deductible was a per location deductible of \$500,000 (i.e., a dollar-only deductible and no percentage deductible), what deductible code should be reported?

A: The Data Call instructions require that for policies written with a dollar-only deductible that is greater than \$50,000, the deductible must be converted to a percentage. In this example, the calculation would be  $\$500,000/\$20,000,000 = 2.5\%$  or a C3 deductible.

Q: Is a per occurrence deductible considered a blanket deductible?

A: Yes, as long as it is a per occurrence deductible that applies once to all locations.

Q: Our company has a commercial-residential policy with three primary dwellings located in the same ZIP Code and each dwelling has the same rating factors. Also, a percent deductible applies to each risk individually. Can our company combine the risks into one record with three risk counts for reporting purposes?

A: Yes.

Q: As a follow up to the previous question, if our company wrote the same type of policy insuring three risks but each risk had a separate dollar deductible amount or different constructions, are separate records required to be reported?

A: Yes.

### **Farmowners**

Q: A farmowners policy may have several coverages that relate to residential structures covered under the policy. What coverages are required to be reported for the residential structure?

A: Only coverages for the dwelling, other private structures appurtenant to dwellings, household personal property, additional living expense, and any increases to those coverages, should be reported.

Q: If a farmowners policy covers both residential and mobile home structures under the same policy, can both risks be reported under the "Residential" type of business?

- A: No. The mobile home risk is required to be reported as FHCF type of business Mobile Home (code “3”).
- Q: Are residential structures on a commercial farm covered under a commercial package policy required to be reported as a “Residential” type of business?
- A: Yes. Typically, the covered risks have a residential construction rather than a commercial construction. If the company can justify that the construction is commercial, then the FHCF may allow the company to report as FHCF type of business Commercial (code “1”). As noted above, any mobile home exposure must be reported as FHCF type of business Mobile Home (code “3”).
- Q: If our company writes farmowners policies or commercial policies covering farmowners risk, can we report exposure covering a variety of risks using the predominant type of business?
- A: No. The Commercial-Habitational Clarification regarding commercial policies that cover a variety of risks does not apply to farm coverage.

### **Loss Assessment**

- Q: Is loss assessment coverage reportable to the FHCF?
- A: No. Exclusion (21) under Article VI of the Reimbursement Contract excludes amounts paid to reimburse a policyholder for condominium association loss assessments or under similar coverages for contractual liabilities, so exposure for such coverage is not reportable under the Data Call. **[Added 7/1/2022]**

### **Outdoor Property**

- Q: Our company writes commercial policies with coverage provided for “outdoor property.” Is outdoor property reportable to the FHCF?
- A: If a policy provides coverage for outdoor property and the covered perils for this risk includes hurricane, the exposure is reportable to the FHCF unless that coverage is for specific named property identified under the Non-Reportable (But Covered) Exposure instructions.

### **Risk Counts**

- Q: If our company writes a Residential Homeowners policy with a scheduled personal property endorsement with a different deductible and we opt to report the endorsement as a separate record, should we report a risk count of 1 or 0 for the endorsement?
- A: It depends. If the endorsement has a different dollar or percent deductible other than zero or none, a risk count of 1 should be reported to capture the deductible. However, if the endorsement has zero or no deductible, then a risk count of 0 would be reported to avoid duplicating risks counts.

### **Roof Shape**

- Q: How should our company report the roof shape field for mobile homes?
- A: Generally, the FHCF would expect the Unknown code (2) applicable to this field to be reported for mobile home exposure. However, if the company does track any of this information, please report it as appropriate.
- Q: How should we report roof shape if one building has a combination of shapes?
- A: Roof shape should be determined by using the type of structure that exceeds 50% of the roof surface. For example, any individual exterior wall with a gable end exceeding 50% of the width of the exterior wall should be classified as “Gable or Other” roof shape.
- Q: Our company obtains the roof shape for insured risks at the time an application is written, but the factor is not captured in our system. Is our company required to report the roof shape?
- A: Yes, as the roof shape is known.

### **Scheduled Personal Property Endorsements**

- Q: A Residential Homeowners policy is written with an endorsement to cover scheduled personal property, which has a different deductible from the homeowners policy. Our company has opted to



report the endorsement as a separate record from the primary policy. When reporting the endorsement, are we required to report the deductible applicable to the endorsement?

A: No. Your company can report the deductible applicable to the endorsement or the primary policy, just as if you were including the homeowners and scheduled personal property under one record. However, whichever option your company chooses must be applied consistently within each FHCF type of business.

Q: An endorsement was reported with the construction code for the primary policy and a deductible code "RM," the deductible applicable to the endorsement. Is this considered an inconsistent application of the rating factors when the inconsistency occurs within a single endorsement?

A: No.

Q: A Residential Homeowners policy is written with an endorsement to cover scheduled personal property. The home was built in 2004, so the primary policy would be reported with 2004 as the year built. Our company has opted to report the endorsement as a separate record from the primary policy. When reporting the endorsement, are we required to report the year built as 2004?

A: No. Your company can report the year built applicable to the primary policy or "0" for unknown. However, whichever option your company chooses must be applied consistently within each FHCF type of business.

Q: If our company insures scheduled personal property in an endorsement to a covered policy, under which type of business should the endorsement be reported?

A: The exposure for the endorsement should be reported using the FHCF type of business the primary policy is associated with.

### **Screened Enclosures**

Q: Our company writes an endorsement that provides no additional Building limit when a screened enclosure is attached to the home but if the enclosure is not attached to the home, an additional limit is provided under Appurtenant Structures. We understand that exposure would only be required to be reported to the FHCF when an additional limit is provided. However, our company does not capture the information needed to know whether the enclosure is attached to the home or not. How should our company report the coverage provided by this endorsement?

A: Since your company is unable to determine whether the enclosure is attached to the home and the coverage provided by the endorsement could be additional exposure, you must report the limit provided by the endorsement. However, your company should take the steps needed to report this endorsement correctly in the future.

### **Structure Opening Protection**

Q: Although our company collects information for protective devices during the application and underwriting process, protective devices such as wood panels are not recognized by our company as structure opening protection. Should we report no structure opening protection, FHCF code "0" for these types of protective devices?

A: Yes. Since these types of protective devices are not recognized by your company as structure opening protection, it is proper to report the features as FHCF structure opening protection code "0." However, if your company had recognized protective devices such as wood panels as structure opening protection, then your company would have reported FHCF structure opening protection code "5" for these policies.

Q: If a structure was built in compliance with the Florida Building Code (FBC 2001 or later) and is located in the HVHZ (Miami-Dade or Broward counties), my company assumes that structure opening protection devices are installed and recognizes structure opening protection without any further verification. Should we report structure opening protection FHCF code "5" for these policies?

A: Yes. Since these risks are being recognized by your company as having structure opening protection, it is proper to report structure opening protection code "5." However, if your company did not recognize structure opening protection without further verification and required a completed

inspection, then your company would have reported FHCF structure opening protection code “0” for these policies.

### **Tenant Policies**

Q: Our company covers the owner’s property for a tenant occupied structure. Should the exposure be reported under the "Tenants" type of business?

A: No. The FHCF type of business Tenants (code “4”) is intended for non-owner occupied types of coverage. The exposure should be reported as applicable under the Commercial, Residential, Mobile Home, or Condominium Unit Owners type of business. Only the tenant’s contents coverage is reported under the Tenants type of business.

Q: Our company writes a policy covering a tenant that rents a mobile home. How should the policy be reported?

A: The Tenants type of business is not applicable to any covered mobile home exposure. The policy should be reported using FHCF type of business Mobile Home (code “3”).

### **Transaction Dates**

Q: My company compiled its exposure for its direct written business in effect at June 30<sup>th</sup> on July 15<sup>th</sup>. A cancellation effective June 15<sup>th</sup> was not processed until after August 1<sup>st</sup>, so the cancelled policy was reported to the FHCF. Would this be an error when my company is examined by the FHCF?

A: No. Since your company captured the data on July 15<sup>th</sup>, prior to the date the cancellation was processed, this would not be an error. However, any subsequent resubmissions of the data should include this transaction. Refer to the 2022 Data Call instructions for more information on reporting exposure as of June 30<sup>th</sup>.

Q: As a result of an examination, my company is required to resubmit its exposure data for policies assumed from Citizens which have not renewed onto my company’s books. If there were transactions that affected the exposure data at June 30<sup>th</sup> that our company was not able to process before the original data was captured, should our resubmission include an update that takes into account subsequent transactions?

A: No. If your company is reporting exposure data assumed from Citizens which has not renewed onto your company’s books, then the “freeze” date for the assumed policies is June 30<sup>th</sup> (regardless of subsequent processing of transactions with changes effective prior to June 30<sup>th</sup>).

### **Type of Business**

Q: If our company insures a boarding or rooming house, which type of business should it be reported under assuming it is a home or residence?

A: Your company should report the risk under the type of business it considers the risk written, Commercial or Residential.

Q: If our company insures a townhouse used as a home or residence, which type of business should it be reported under?

A: Your company should report the risk under the type of business it considers the risk written, Commercial or Residential.

Q: Under what FHCF type of business code should a policy that provides insurance to the renter of a condominium unit be reported?

A: FHCF type of business 4 (Tenants) should be used. FHCF type of business 6 (Condominium Unit Owners) is used when the policy is insuring the owner of an individual condominium unit and not the tenant of that unit.

Q: Our company insures individual condominium units on a commercial policy with only contents coverage. We are not able to distinguish between whether the coverage provided is for the condominium unit owner or the tenant of a condominium unit so which type of business should the exposure be reported under?

A: The company needs to be able to make this distinction but until such time, the exposure should be reported using FHCF type of business 6 for Condominium Unit Owners.

### **Year Built**

Q: My company obtains the year built for insured risks at the time an application is written but the factor is not captured in our system. Is my company required to report year built to the FHCF?

A: Yes, if the year built is known. A "0" can only be reported if the year built is unknown.

Q: Can my company report the model year for Mobile Home FHCF Year Built in the Data Call?

A: Yes, model year or the actual year of construction can be reported for Mobile Home FHCF Year Built.

## **SBA Examination – Exposure Reporting**

### **SBA Examination**

Q: Can my company get an extension to submit the advance records required to be submitted for an exam?

A: No, except for circumstances beyond the reasonable control of the company.

### **Exit Conference**

Q: Can our company request an exit conference with the SBA to discuss the exam findings?

A: Yes. This request should be sent to the SBA and a mutual time will be scheduled.

### **Resubmissions**

Q: Will our company incur any penalties if it is discovered through an exposure examination that we have reported data incorrectly?

A: If your company is required to resubmit its Data Call file, there will be a \$2,000 resubmission fee for each resubmission. There may also be additional premium due to the FHCF. Also, if your company received loss reimbursements for the same Contract Year, the Data Call resubmission may result in an excess reimbursement(s) having to be repaid to the FHCF.

Q: Can my company get an extension on filing a resubmission?

A: No, except for circumstances beyond the reasonable control of the company.

## **Loss Reporting**

### **FHCF Interim Loss Report**

Q: What is the purpose of the Interim Loss Report?

A: The Interim Loss Report provides the FHCF with information to determine its potential liability, and if necessary, the likely timing requirements for asset liquidation and revenue bond issuance.

### **FHCF Proof of Loss Report (POL)**

Q: When is our company required to submit a POL to the FHCF?

A: If the FHCF notifies its member companies that they are required to submit POL reports to the FHCF, the first mandatory filing is due by December 31 of the FHCF Contract Year (20XX) in which the hurricane occurred. Quarterly thereafter:

- A POL is due on **3/31/XX** from any company whose losses exceed or are expected to exceed 50% of its FHCF retention.
- A POL is due on **6/30/XX** from every company regardless of the amount of a company's loss.
- A POL is due on **9/30/XX** from any company which anticipates that its losses will exceed 100% of its FHCF retention.

- A POL is due from a company which anticipates that its losses will exceed 100% of its FHCF retention by **each subsequent 3/31/XX and 9/30/XX quarter-end** until the company has paid its policyholders in full.
- **ALL** companies must submit annual 6/30/XX and 12/31/XX POLs, regardless of their amount of loss, until FHCF losses have been commuted or the company has paid its policyholders in full. (See Article X of the Reimbursement Contract.)

A company may, at any time, voluntarily submit a POL for reimbursement.

Q: When completing the POL, should losses reported be cumulative or just for the period reported?

A: The losses reported should be cumulative but net of the policy deductibles, loss adjustment expenses, salvage and other recoveries.

### **Submission of FHCF Loss Reports**

Q: Can our company submit hardcopy loss reports to the FHCF?

A: No. All FHCF loss reports must be submitted online using the FHCF Online Claims System. See the Online Loss Reporting section of this Handbook for additional information, including system registration information.

### **Additional Living Expenses (ALE)**

Q: A company paid for damages to appurtenant structures, however there was no loss to the dwelling. There was also a payment to the policyholder for ALE with no supporting documents for the ALE payment. Will the FHCF reimburse the company for the ALE?

A: The FHCF does reimburse for ALE. However, in this instance, the FHCF would not reimburse the company since there is no documentation to support the payment.

Q: A company paid advances for ALE of \$1,000 and a letter was sent to each policyholder requiring receipts if any additional ALE was requested. This is allowed under the company's policy because it requires the policyholder to submit receipts when requested by the company to do so. Would the FHCF reimburse the company for the initial advance if no additional ALE was requested by the policyholder?

A: Yes.

Q: My company writes a residential homeowners policy with a time limit for ALE coverage rather than a dollar amount. When the insured reported the ALE loss to my company, the amount of the ALE loss was 50% of the Building limit. How should my company report the loss to the FHCF?

A: Your company is required to cap the ALE loss at the percentage of the Building limit that was used to report the exposure to the FHCF for this policy or other similar policies, but not to exceed 40% of the Building limit.

### **Buildings Under Construction**

Q: A company insures “buildings under construction.” If the buildings are planned to be residential, would the FHCF reimburse a company for losses to the buildings?

A: No, because the FHCF does not cover buildings under construction (excluded under Article VI of the Reimbursement Contract).

### **Commutation Clause**

Q: When does the FHCF commutation clause take effect?

A: Not less than 36 months or more than 60 months after the end of the FHCF Contract Year in which the hurricane took place, but shall not begin before the completion of the FHCF loss examination for the company and the resolution of all outstanding examination issues.

Q: Can our company initiate the commutation process, or will the FHCF notify us when the process should begin?

A: Once the SBA has closed your exposure and claims examination files for the applicable Contract Year, the FHCF will initiate the discussion of commuting losses. While a company may request that the SBA consider beginning the commutation process earlier, doing so is at the discretion of the SBA.

Q: If our company does not expect to receive any recoveries from the FHCF, can the commutation process begin earlier than 36 months after the end of the Contract Year?

A: Yes. Beginning with the 2017 Contract Year, Article X(d) of the Reimbursement Contract provides that the company and the SBA may mutually agree to initiate and complete a commutation for zero dollars prior to the 36-month point.

### **Deductibles**

Q: A company has two claims adjusted for two separate events. Should each claim be reported to the FHCF net of the policy deductible?

A: Yes.

Q: If a company opted to waive a policyholder’s deductible for subsequent events causing damage, can the loss reported to the FHCF include the deductible that has been waived?

A: No. All losses reported to the FHCF must be net of the policy deductible even if the company opted to waive that deductible.

Q: If a loss occurs on a policy that covers multiple types of risks (i.e., both covered and not covered by the FHCF) and my company applied the deductible to the insured risk that is not covered by the FHCF, are we required to report the portion of the loss covered by the FHCF net of the policy deductible?

A: Yes, because the FHCF Reimbursement Contract requires that a company’s loss be reported net of the policy deductible.

### **Detailed Claims Listing – File Layout**

Q: What are the file layout requirements for the Detailed Claims Listing?

A: The file layout for the Detailed Claims Listing is provided in the Detailed Claims Listing Instructions (Form FHCF-DCL) for the applicable FHCF Contract Year available online at [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf).

### **Effective Dates**

Q: My company writes a new policy covered by the FHCF effective July 15<sup>th</sup> of the Contract Year so the policy exposure is not required to be reported to the FHCF at June 30<sup>th</sup>. If a covered event occurs after July 15<sup>th</sup>, does my company have coverage for the loss on this policy?

A: Yes, as long as the policy is in effect on the date of loss.

### **Lightning**

Q: Is a claim caused by lightning covered by the FHCF?

A: It depends. A claim is covered if the company can show that the peril was a direct result of the hurricane for which the claim is reported.

### **Loss Assessment**

Q: Are loss assessment claims associated with a hurricane covered by the FHCF?

A: No. Exclusion (21) under Article VI of the Reimbursement Contract excludes amounts paid to reimburse a policyholder for condominium association loss assessments or under similar coverages for contractual liabilities.

### **Loss of Rents**

Q: If an insured's home sustains damage from a hurricane that renders it uninhabitable and the insured decides to move into a rental house he owns that is currently not occupied by tenants, can our company receive reimbursement from the FHCF for the loss of rental income from the rental house?

A: No, loss of rental income is not covered by the FHCF.

### **Mortgage Payments**

Q: If a company writes an endorsement to a covered policy that allows a policyholder to receive reimbursement for mortgage payments when a house is uninhabitable because of a hurricane, would the FHCF reimburse the company for the payments?

A: No.

### **Multiple Events**

Q: If there are multiple hurricanes during an FHCF Contract Year, should losses from each event be reported on separate POLs?

A: Yes.

### **Policyholder Fees**

Q: The definition of Losses in Section 215.555, Florida Statutes, includes amounts paid on behalf of, or inuring to the benefit of, the policyholder. Is there a limit to these losses that can be reported to the FHCF for amounts paid on behalf of, or inuring to the benefit of, the policyholder?

A: Yes. Under Article VI of the FHCF Reimbursement contract, any losses paid in excess of specific individual coverage limits (e.g., building, contents, Ordinance or Law, etc.) are excluded, even if total payments under the policy are within the aggregation of the individual policy limits. For example, if a policy had hurricane losses for building, contents, additional living expense, and Ordinance or Law, such loss amounts including amounts paid on behalf of, or inuring to the benefit of, the policyholder could be included up to the limit for those specific coverages. However, if there was no documented loss to appurtenant structures, that coverage limit could not be used to report amounts paid on behalf of, or inuring to the benefit of, the policyholder. Following are some examples.

Company Policy Limits					Loss Reporting Example				
	Policy Limit	O&L Allowance (25%)	Debris Removal (5%)	Total Limit	Property Loss	O&L Claim	Debris Removal Cost	Policyholder fees \$40,000	Total Reportable Loss
Coverage A	200,000	50,000	10,000	260,000	200,000	50,000	10,000	-	260,000
Coverage B	10,000	-	500	10,500	10,000	-	500	-	10,500
Coverage C	70,000	-	3,500	73,500	70,000	-	3,500	-	73,500
Coverage D	20,000	-	-	20,000	20,000	-	-	-	20,000
TIV Reported	300,000								364,000
Max FHCF Limit for claims				364,000	All limits capped and entire amount of policyholder fees are excess of policy limits.				

Company Policy Limits					Loss Reporting Example				
	Policy Limit	O&L Allowance (25%)	Debris Removal (5%)	Total Limit	Property Loss	O&L Claim	Debris Removal Cost	Policyholder fees \$40,000	Total Reportable Loss
Coverage A	200,000	50,000	10,000	260,000	200,000	50,000	10,000	-	260,000
Coverage B	10,000	-	500	10,500	-	-	-	-	-
Coverage C	70,000	-	3,500	73,500	70,000	-	3,500	-	73,500
Coverage D	20,000	-	-	20,000	20,000	-	-	-	20,000
TIV Reported	300,000								353,500
Max FHCF Limit for claims				364,000	There is no claim for Coverage B; that limit cannot be used for policyholder fees.				

Company Policy Limits					Loss Reporting Example				
	Policy Limit	O&L Allowance (25%)	Debris Removal (5%)	Total Limit	Property Loss	O&L Claim	Debris Removal Cost	Policyholder fees \$40,000	Total Reportable Loss
Coverage A	200,000	50,000	10,000	260,000	200,000	50,000	10,000	-	260,000
Coverage B	10,000	-	500	10,500	-	-	-	-	-
Coverage C	70,000	-	3,500	73,500	50,000	-	3,500	20,000	73,500
Coverage D	20,000	-	-	20,000	15,000	-	-	5,000	20,000
TIV Reported	300,000								353,500
Max FHCF Limit for claims				364,000	Only remaining limit available for policyholder fees is \$20K for Coverage C and \$5K for Coverage D.				

Company Policy Limits					Loss Reporting Example				
	Policy Limit	O&L Allowance (25%)	Debris Removal (5%)	Total Limit	Property Loss	O&L Claim	Debris Removal Cost	Policyholder fees \$40,000	Total Reportable Loss
Coverage A	200,000	50,000	10,000	260,000	200,000	40,000	-	10,000	250,000
Coverage B	10,000	-	500	10,500	-	-	-	-	-
Coverage C	70,000	-	3,500	73,500	50,000	-	1,500	22,000	73,500
Coverage D	20,000	-	-	20,000	15,000	-	-	5,000	20,000
TIV Reported	300,000								343,500
Max FHCF Limit for claims				364,000	Only remaining limit available for policyholder fees is \$10K for O&L, \$20K for Coverage C, \$2K for Coverage C Debris Removal, and \$5K for Coverage D.				

## Reimbursements

Q: Under what conditions would our company have to return reimbursements to the FHCF?

A: The FHCF Reimbursement Contract addresses the right of the SBA to seek the return of “excess loss reimbursements or advances.” Such excess amounts could result from a variety of issues, such as:

- An incorrect exposure submission or resubmission (resubmitted data results in a change to a company’s premium, retention, and maximum reimbursement);
  - An incorrect POL (over-reported losses);
  - Incorrect calculation of reinsurance recoveries (over-reported losses);
  - Subsequent readjustment of policyholder claims, including subrogation and salvage (subsequent POL indicates a company is eligible for reimbursements at a level less than what has already been reimbursed);
  - Incorrect calculations of reimbursement premiums or retentions (on the part of the FHCF);
- or

- Payments in excess of the projected payout (on the part of the FHCF).

Q: In the event of an excess loss reimbursement or advance, will our company be penalized?

A: Interest will be charged on excess loss reimbursements based on the average rate earned by the SBA for the FHCF for the first four months of the applicable FHCF contract year. If the excess loss reimbursement is due to incorrect information provided by a company, interest will accrue at this rate plus 5%. Interest on advances will be charged the prime rate as published in the Wall Street Journal on the first business day of the Contract Year (adjusted annually). Interest on excess advances will be charged the prime rate plus 5%.

Q: We understand that the FHCF performs some “reasonableness” checks on POL filings prior to issuing reimbursements. What kind of errors have been detected in the past during this review?

A: On occasion, the checks have identified errors with a company’s exposure submission under the Data Call. However, more often, errors are related to incorrectly reported losses such as:

- Florida hurricane losses under policies not covered by the FHCF (commercial non-residential, auto, ex-wind, etc.);
- Florida hurricane losses under covered policies that aren’t covered by the FHCF (e.g., storm surge, but no wind damage; loss of rents on an apartment building);
- Residential losses in other states (e.g., Florida hurricane causes damage in Georgia as well);
- Non-hurricane losses occurring elsewhere in Florida within the same timeframe as a hurricane (e.g., hurricane damage in southern Florida, fire damage in Tallahassee); and
- Wind losses in another state (e.g., Texas wind loss) occurring within the same timeframe as Florida hurricane.

### **Retention**

Q: How do I calculate our company’s retention for the mandatory FHCF coverage?

A: Your company’s retention is equal to its FHCF premium for the Contract Year in which the hurricane occurred times the applicable FHCF Retention Multiple (based on the coverage level elected by your company for the same Contract Year).

Your company’s final FHCF premium invoice, assuming that your company has submitted timely, complete, and accurate exposure data as outlined in the Data Call applicable to the Contract Year in which the hurricane occurred, is mailed to your company no later than November 15<sup>th</sup> of each Contract Year. A listing of finalized premiums and selected coverage levels is also posted online at [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf) typically in early December. If your company plans to submit a Proof of Loss Report prior to the November billing, and your company has already sent in its Data Call submission, contact the FHCF Administrator at 800-689-3863 or [FHCFAdministrator@paragon.aonbenfield.com](mailto:FHCFAdministrator@paragon.aonbenfield.com) for information regarding your company’s FHCF premium calculation.

### **Ultimate Net Losses**

Q: What is the definition of Ultimate Net Losses?

A: As defined in the FHCF Reimbursement Contract, this term means a company’s losses under FHCF Covered Policies for a specific hurricane (1) prior to the application of the company’s FHCF retention and reimbursement percentage; (2) excluding loss adjustment expenses; and (3) net of salvages and all other recoveries, excluding reinsurance recoveries.

Q: Are Ultimate Net Losses net of our company’s policy deductibles?

A: Yes. As your company would net a policyholder’s \$500 wind deductible against any claims payment(s) made to that policyholder, that \$500 is not a loss to your company and should not be reported to the FHCF as Ultimate Net Losses.



## **SBA Examination – Loss Reporting**

Q: What type of records must my company retain for claims examinations?

A: Refer to the POL Report available online at [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf) for a list of items required to be retained.

Q: On the Detailed Claims Listing, is our company required to break out the paid losses for an individual claim by building, appurtenant structures, contents, and additional living expenses?

A: Yes. However, your company is not required to break out the outstanding losses to this level of detail.

Q: How long is our company required to retain the Detailed Claims Listing to support the POL?

A: The Detailed Claims Listing must be retained until the SBA has completed its examination of your company's claims and commutation for the Contract Year has been concluded.

Q: Will my company incur any penalties if it is discovered through an exam that we have reported loss data incorrectly?

A: If loss data is reported incorrectly, your company may be required to submit a new POL depending on the significance of the errors. If, as a result of the corrected loss data, your company owes previously reimbursed funds back to the FHCF, interest will be charged on the excess reimbursement.

Q: If the SBA conducts an exam of our company's losses and we agree with an error that was uncovered during the exam, should we go ahead and file an updated POL with the corrections or wait until we receive the exam report?

A: Your company can voluntarily submit an updated POL since interest charges may accumulate on any excess reimbursements.

Q: Can our company request an exit conference with the SBA to discuss the claims exam findings?

A: Yes. This request should be sent to the SBA and a mutual time will be scheduled.

## **SUMMARY**

While this Handbook summarizes the key features of the FHCF based on current legislation, please note that the FHCF may be affected by legislative changes, as well as ongoing changes to the rules of the SBA. We would encourage companies to review current legislation and any rules applicable to issues affecting them.

Individuals listed in the directory on the next page may be contacted with specific questions about the FHCF.

## DIRECTORY

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### **For specific questions regarding:**

Examination Program	Tim Butler or Marcie Vernon – SBA
Claims Reporting	Martin Helgestad or Kathy Mackenthun - Paragon
Contract Execution	Holly Bertagnolli or Martin Helgestad – Paragon
Exposure Reporting	Kathy Mackenthun or Martin Helgestad - Paragon
Exposure Resubmissions	Patti Elsbernd – SBA
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