INFORMATIONAL MEMORANDUM OIR-22-02M ISSUED June 3, 2022
Florida Office of Insurance Regulation
David Altmaier, Commissioner

TO ALL PERSONAL AND COMMERCIAL RESIDENTIAL PROPERTY INSURERS AUTHORIZED TO DO BUSINESS IN FLORIDA

~ Senate Bill 2-D – Implementation of Items Relating to Reinsurance to Assist Policyholders (RAP) Program ~

On May 26, 2022, Governor Ron DeSantis signed Senate Bill 2D (SB 2D) into law. The majority of the bill is effective May 26, 2022. This bill makes important reforms designed to stabilize Florida's property market. In response, the Florida Office of Insurance Regulation (OIR) is issuing **Informational Memorandum OIR-22-02M** to all personal and commercial residential property insurers authorized to do business in Florida to notify them of the passage of the legislation and provide guidance to help facilitate the expedited review of rate filings related to the RAP program required by this bill.

Reinsurance Assistance to Policyholders (RAP) Program

Section 215.5551, Florida Statutes (F.S.), establishes the RAP program within the State Board of Administration. The RAP program authorizes a $2 billion dollar reimbursement layer of reinsurance for hurricane losses directly below the mandatory layer of the Florida Hurricane Catastrophe Fund (FHCF). More information regarding the RAP program is available on the board website here.

Required Rate Filing for the RAP Program

SB 2-D requires an insurer that participates in the RAP program for the 2022-2023 contract year to reduce its rates by making a rate filing or amending a pending rate filing with the OIR no later than June 30, 2022, to reflect the cost savings realized by participating in the RAP program. An insurer that defers using the RAP program until the 2023 contract year must reduce rates to reflect the cost savings realized by participating in the program in a rate filing submitted to the OIR no later than May 1, 2023. The insurer shall make no other changes to its rates in the filing.

OIR will expedite the review of such filings and has provided a streamlined rate filing process through the Insurance Regulation Filing System (IRFS).

The cost savings identified in the filing may be measured by either:

1) Providing a current reinsurance premium quote as if the RAP layer (or any part of it) had been purchased in the private reinsurance market and using this quote to estimate what the reinsurance premium would have been for the RAP layer. This premium is reduced by the expected RAP layer recoveries (measured using a hurricane catastrophe

model), adjusted by the LAE and variable expense costs and divided by the in-force premium; or

2) Using the expected RAP layer recoveries (measured using a hurricane catastrophe model), adjusted by the LAE and variable expense costs and divided by the in-force premium.

For either scenario, the reduction in the hurricane rates for the RAP cost savings needs to reflect the expected recoveries (measured using a hurricane catastrophe model) adjusted by variable expense cost (from the latest rate filing) divided by in-force hurricane premium.

If you have questions regarding this memorandum, please contact the OIR at InformationalMemoranda@floir.com.