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OIR Releases Details on New Reinsurance Program: Rate Filing for 2022-2023 Contract Year Due June 30

June 07, 2022

The Florida Office of Insurance Regulation has released an informational memorandum regarding the implementation of the new Reinsurance to Assist Policyholders (RAP) program.

The RAP program is part of Senate Bill 2-D, which Gov. Ron DeSantis signed into law on May 26, 2022. The memorandum provides 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

Florida Statutes section 215.5551 establishes the RAP program within the State Board of Administration. The RAP program authorizes a $2 billion 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.

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).

Measuring Cost Savings

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

- 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
- 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.

Please contact Erin VanSickle or any member of Carlton Fields' Insurance Regulatory Practice for additional information or assistance.

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