

FROM: Director, Worldwide Markets                      EXTN: 5998  
DATE: 6 January 2005                                      REF: Y3479  
SUBJECT: **Florida: Rule concerning the Multiple Hurricane Deductible Reimbursement Program**  
SUBJECT AREA(S): Contracts insuring residential property in Florida against hurricanes  
ATTACHMENTS: Appendix 1 - FLORIDA RULE 69JER05-01 MULTIPLE HURRICANE DEDUCTIBLE REIMBURSEMENT PROGRAM: SUMMARY OF PROVISIONS  
Appendix 2 – NOTICE OF MULTIPLE HURRICANE DEDUCTIBLE REIMBURSEMENT PROGRAM – RESIDENTIAL (DRAFT)

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ACTION POINTS: **Managing agents to note proposed requirements and to inform coverholders appropriately**

DEADLINE(S): **Required notices and application forms to be mailed to policyholders by Thursday 20 January 2005**

**Within 5 calendar days of this mailing, specified information about the claims concerned must be provided to the Florida Office of Insurance Regulation.**

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## Purpose of bulletin

To tell the market that:

- (a) the Florida Act relating to Hurricane Deductibles (“the Act”) came into force on 28 December 2004. This Act was the subject of Market Bulletin Y3473, issued by Worldwide Markets on 23 December 2004.
- (b) The Florida Department of Financial Services (“DFS”) proposes to put in place Rule 69JER05-01 “Multiple Hurricane Deductible Reimbursement Program”, which sets out details of the Program under the Act.

***Rule 69JER05-01 will require insurers to mail notices to their policyholders by 20 January 2005. Because of this deadline we are issuing this bulletin today to give market practitioners notice of the Rule’s requirements, so that they can start to make arrangements for compliance, although the Rule is not yet in force.***

Following consultation with Lloyd’s Market Association, Lloyd’s is seeking some changes to the Rule and its associated Notices. The final form that the Rule takes may therefore differ from the latest draft, although we expect any changes to be minor. We will inform the market of any such changes once the Rule is in force.

The requirements to which this bulletin refers affect underwriters and brokers underwriting or placing residential property risks from Florida. Note, in particular, the forthcoming deadline within which documents must be mailed to all appropriate policyholders.

## **The Multiple Hurricane Deductible Reimbursement Program (“the Program”)**

Details of the Program are set out in Appendix 1. In outline, the Program allows policyholders to apply to the Florida DFS for reimbursement of the portion of claims that were not paid because the insured property was damaged by two or more hurricanes in 2004 and where two or more deductibles were applied by insurers. The reimbursement is funded by the Florida Hurricane Catastrophe Fund. This applies to residential property claims and applications for reimbursement must be made by policyholders by 1 March 2005.

The obligations that the new Rule places on a Lloyd’s managing agent, if one or more of the syndicates that it manages have claims to which the Program applies, are as follows:

1. To mail specified documents to all residential property insurance policyholders who:
  - filed claims with the syndicate for two or more of the 2004 hurricanes; and
  - to whom the syndicate applied more than one hurricane deductible, whether there was a claim payment or not.

The documents that must be mailed are:

- the Notices and Application Forms specified in the Rule’s subsection (3).
- the information specified in the Rule’s subsection (5)(b). This serves as the insurer’s confirmation that an insurance claim was not paid in full or in part due to application of a deductible.

This mailing must be postmarked and mailed to policyholders **on or before Thursday 20 January 2005**.

2. To submit to the Florida Office of Insurance Regulation (“OIR” – part of the DFS) the information specified in the Rule’s subsection (6)(b). This information must be submitted within **5 calendar days of the mailing** referred to in paragraph 1 above.
3. To submit to the OIR, in addition, the insured’s full name as it appears on the policy and the address of the insured property. This information must be submitted **within 5 calendar days of receiving the DFS’s verification** of the policyholder’s claim for reimbursement of a deductible and authorisation by the policyholder to release information.
4. If a new claim is received from a policyholder which falls below the amount of a second or subsequent hurricane deductible, the managing agent must mail the documents referred to in paragraph 1 above to the policyholder **within 10 business days of its determination that a second hurricane deductible is applicable**.

Compliance with these requirements requires, firstly, identification of all the residential property claims to which a second or subsequent deductible applies and, secondly, mailing the required documents to the policyholders concerned. The Rule states that “Actions mandated by this rule to be performed by insurers may at the insurers’ discretion, be performed by representatives acting on the insurers’ behalf” (subsection (2)(c)). Managing agents may therefore seek to comply with this Rule by instructing coverholders to carry out the required actions.

When contracts are written on a subscription basis within the Lloyd’s market, Lloyd’s expects that the managing agent of the leading syndicate will assume responsibility for ensuring that the Rule is complied with. If a contract is split between Lloyd’s syndicates and companies, the subscribing underwriters should agree on the allocation of responsibility, provided the Lloyd’s managing agents concerned ensure that the Rule is complied with in full.

## **Further information**

If you have any queries about this bulletin please contact:

Lloyd's Worldwide Market Services  
Gallery 1, Box 190b  
Tel: 020 7327 6677  
Email: [market.services@lloyds.com](mailto:market.services@lloyds.com)

This bulletin has been sent to active underwriters and the compliance officers of managing agents and Lloyd's brokers.

Julian James  
Director  
Worldwide Markets

## Appendix 1

### FLORIDA RULE 69JER05-01 MULTIPLE HURRICANE DEDUCTIBLE REIMBURSEMENT PROGRAM: SUMMARY OF PROVISIONS

We expect the Rule to be set out in full on the Florida DFS website, once it is in force. The website address is: [www.fldfs.com/companies](http://www.fldfs.com/companies)

The Rule consists of ten subsections, which are set out below.

- (1) *Purpose and Scope*: “The purpose of this rule is to establish procedures and adopt forms for the implementation of the program for reimbursement of multiple hurricane deductibles on residential property claims...”

- (2) *Definitions*. This includes the following definition of “Insurer”:

“(c) Insurer: The term “insurer” as used in this rule includes surplus lines insurance carriers as well as authorized insurance carriers. Actions mandated by this rule to be performed by insurers may at the insurers’ discretion, be performed by representatives acting on the insurers’ behalf.”

It is clear that this Rule is intended to apply to surplus lines insurers, such as Lloyd’s underwriters.

- (3) *Specifies the forms to be used by insurers*: These forms will be available on the DFS website. The latest drafts of the residential notice and application form made available to Lloyd’s are set out in Appendix 2 The latest draft of the condominium association notice and application form are available if required from Worldwide Markets.

For sending to residential policyholders:

Form DFS-I1-1611 – Notice of Multiple Deductible Reimbursement Program – Residential  
Form DFS-I1-1612 – Multiple Deductible Reimbursement Application.

For sending to policyholders who are condominium associations:

Form DFS-I1-1613 – Notice of Multiple Deductible Reimbursement Program – Condo  
Form DFS-I1-1614 – Multiple Deductible Reimbursement Application.

- (4) *Acquiring Forms*.

Insurers can obtain the forms from their DFS, Division of Consumer Services disaster contact or from [www.FLDFS.com/deductible](http://www.FLDFS.com/deductible). (*website address not yet operational*).

Policyholders should get the forms from their insurer, although a policyholder who does not receive an application form from their insurer by 27 January 2005 may get it from the DFS.

- (5) *The notice process*.

- (a) Insurers shall mail the notice and application forms (from subsection (3)) to all residential property insurance policyholders who:
- filed claims with the insurer for two or more of the 2004 hurricanes; and
  - to whom the insurer applied more than one hurricane deductible, whether there was a claim payment or not.

**The mailing containing these forms must be postmarked and mailed on or before 20 January, 2005.**

- (b) The insurer shall include, as part of its mailing either on the application form or a separate document, information which shall serve as documentation from the insurer that an insurance claim was not paid in full or in part, due to application of a deductible. That data shall consist of the following items:
1. Policyholder name(s);
  2. Policy number;
  3. Address of covered property;
  4. Claim numbers of policy holder's hurricane claims;
  5. Amount of hurricane deductible applied under the policy to the claims;
  6. Amount of the payment made for each hurricane claim as at the time of the notice;
  7. Any additional information and documentation that the insurer is reasonably able to provide, without manual review of its claim information, that would show that an insurance claim was not paid in full or in part, due to application of a deductible.
- (c) If an insurer receives a claim for an amount which falls below the amount of a second or subsequent hurricane deductible, the insurer shall provide documentation to the policyholder that the claim is denied based on application of the deductible, and shall mail the notice and application forms referenced in subsection (3) above to the policyholder **within 10 business days of its determination that a second hurricane deductible is applicable.**
- (d) If an insurer receives a claim for an amount which, based on the policyholder's representation, falls below the amount of a policy deductible, the insurer is not required to adjust or verify the value of the claim. In such cases the documentation provided pursuant to paragraph (c) above may, at the election of the insurer, indicate that denial of the claim was based of the policyholder's valuation of the loss and that the insurer has not verified the valuation.
- (6) *Collection of data by the OIR.* Requires the OIR to collect data from residential property insurers regarding claims filed by policyholders for two or more hurricanes for the 2004 hurricane season.

**Within 5 calendar days of sending the notices and application forms** required under subsection (5), the insurer must submit the following information to the OIR:

1. Florida Company Code,
2. Company Name,
3. Policy Number,
4. Number of residential units insured under policy as to which the claim was filed,
5. Number of insured locations under policy,
6. Claim number,
7. Name of storm,
8. Amount of claim paid,
9. Deductible amount per insured location,
10. Amount of the claim to which the deductible was applied,

**Within 5 calendar days of receiving a request and verification from the DFS** of the policyholder's claim for reimbursement and authorization to release information the insurer must give the OIR the insured's full name as it appears on the policy and the address of the insured property.

- (7) *Claims submission process.* Sets out how policyholders must make their applications for reimbursement of deductibles.
- (a) Eligible policyholders apply on the application forms provided by insurers.
  - (b) Mailed application forms must be postmarked or actually received by 1 March, 2005.
  - (c) Policyholders whose property was damaged by two or more hurricanes in 2004, but who did not file a claim because of the existence of a hurricane deductible, must file a claim with their insurer to acquire an application form. They must submit this application along with documentation from the insurer, demonstrating that the insurer did not pay the claim in full or in part, due to application of the deductible.
- (8) *Different Insurers on the Risk for Different Hurricanes.* If the property was covered by an insurer during one hurricane and as a result of nonrenewal, cancellation or otherwise was covered by another unaffiliated insurer during a subsequent hurricane, the deductibles applied by the separate insurers shall not be aggregated to achieve eligibility for the reimbursement program.
- (9) *Rules for processing policyholder's claims for reimbursement.* Claims will be divided into two categories: Priority One and Priority Two. Priority One Claims are those of policyholders who received claims payments from their insurer for two or more hurricanes for which each payment was reduced by the full amount of the deductible. Priority Two Claims are all other claims of policyholders who meet the eligibility criteria. Priority One Claims will be paid before Priority Two Claims.
- (10) *Assignment of rights under the Program.* As the Program is for the benefit of policyholders only, no assignment of rights to reimbursement under the program is permitted. However, the right to reimbursement may be devised or inherited, or may be acquired by a lender under a mortgage agreement secured by the property to which the reimbursement application applies.

Appendix 2

## **NOTICE OF MULTIPLE HURRICANE DEDUCTIBLE REIMBURSEMENT PROGRAM - RESIDENTIAL**

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Under Florida law you may be eligible for reimbursement of multiple hurricane deductibles that have been applied to your insured losses.

On December 17, 2004, the Florida Legislature enacted legislation creating a program to reimburse policyholders for financial hardships suffered due to multiple hurricane deductibles being applied to their insured losses in 2004. You may have been subject to more than one deductible for hurricane-related losses in 2004.

After verification and subject to the adequacy of funds appropriated for this purpose under the program as explained below, the State of Florida will reimburse hurricane deductibles applied to your losses over and above the amount of one full hurricane deductible. The law requires that you incur \$100 for each hurricane claim you file after your first claim. You may receive up to \$10,000 for damage caused by two hurricanes, and up to \$20,000 for damage caused by three or more hurricanes.

If you received a grant from the Federal Emergency Management Administration (FEMA) or any other federal, state, county or municipal program to cover the cost of your deductible, you cannot receive reimbursement for the portion of your deductible that was covered by any such grants. If you received a grant to cover uninsured losses, or if you received a loan for your deductible amount, you may still file for reimbursement.

Eligibility for the Multiple Hurricane Deductible Reimbursement program is governed by House Bill 9A and Rule 69JER05-11. If the cumulative amounts of your hurricane claims do not exceed the amount of a single hurricane deductible as stated in your insurance policy, you will not be eligible for reimbursement under this program.

Please note that this law applies only to reimbursement of hurricane deductibles. Funding for this program is limited. Priority will be given to those individuals who have paid at least two full deductibles. The funding for this program is dependent on appropriations made by the Florida Legislature. The right to reimbursement is not assignable.

Please note that this program does not apply to losses under policies issued by the National Flood Insurance Program (NFIP).

**PRIVACY WARNING:** Portions of the information provided on this form will be considered public records and may be subject to disclosure under the Public Record Law, Florida Statute 119.07. Social Security Numbers are not subject to disclosure under the Public Record Law.

**FRAUD WARNING:** Knowingly providing false, incomplete or misleading information on this form for the purpose of obtaining reimbursement will constitute a felony pursuant to Florida Statute 817.234, and may be prosecuted.

**MULTIPLE HURRICANE DEDUCTIBLE REIMBURSEMENT APPLICATION –  
RESIDENTIAL**

Do not file an application unless the total amount of all your hurricane deductibles applied by your insurance company is greater than one full deductible plus \$100. The Department of Financial Services must receive this form by March 1, 2005. Please do not expect payment until after April 15, 2005.

Named Insured on Policy: \_\_\_\_\_  
 Social Security Number or FEIN Number. Your Social Security Number is required in order to process payment under this program pursuant to House Bill 9A. Social Security Numbers are not subject to disclosure under the Public Records Law. \_\_\_\_\_  
 Policy Number: \_\_\_\_\_  
 Insured Property Address: \_\_\_\_\_  
 Mailing Address if different from Property Address: \_\_\_\_\_  
 \_\_\_\_\_  
 Area Code/Telephone Number of Insured: Day \_\_\_\_\_ Evening \_\_\_\_\_  
 Email address (optional): \_\_\_\_\_  
 Insurance Company Name: \_\_\_\_\_

1. List the total amount of any grants received from FEMA or any other federal, state, county or municipal program for reimbursement of any hurricane deductibles..... \$ \_\_\_\_\_
2. The amount of your hurricane deductible listed on your policy ..... \$ \_\_\_\_\_
3. Amount of deductible applied to your first hurricane claim, or if the amount of the loss adjusted was below the deductible, the total amount of this claim as adjusted by your insurance company..... \$ \_\_\_\_\_  
 First Hurricane Claim # \_\_\_\_\_
4. Amount of deductible applied to your second hurricane claim, or if the amount of the loss adjusted was below the deductible, the total amount of this claim as adjusted by your insurance company... \$ \_\_\_\_\_  
 Second Hurricane Claim # \_\_\_\_\_
5. Amount of deductible applied to your third hurricane claim (if any), or if the amount of the loss adjusted was below the deductible, the total amount of this claim as adjusted by your insurance company. Third Hurricane Claim # \_\_\_\_\_ \$ \_\_\_\_\_
6. Amount of deductible applied to your fourth hurricane claim (if any), or if the amount of the loss adjusted was below the deductible, the total amount of this claim as adjusted by your insurance company. Fourth Hurricane Claim # \_\_\_\_\_ \$ \_\_\_\_\_
7. Add lines 3, 4, 5, and 6 and enter the total on this line. This is the total deductible amount applied to your 2004 hurricane losses. If the total listed here is less than the amount on line 2, do not submit this application..... \$ \_\_\_\_\_
8. Subtract line 1 from line 7. If the result is zero or less, do not submit this application.. \$ \_\_\_\_\_
9. If you filed two hurricane claims with your insurer, subtract \$100 from line 8. If you filed three hurricane claims, subtract \$200 from line 8. If you filed four hurricane claims, subtract \$300 from line 8. If the result is zero or less, do not submit this application. This is the estimated amount of reimbursement, subject to program limits and verification with your insurance company. Program limits are \$10,000 for two claims and \$20,000 for three or more claims. \$ \_\_\_\_\_

**Form DFS-11-1612 (Rev. 1/05)**

ATTENTION: False or fraudulent statements may lead to imprisonment.

***The right to reimbursement under this program is not assignable.***

I certify that I have not received any amounts to reimburse my hurricane deductible(s) from any federal, state, county or municipal agency or program aside from the amounts I have indicated in item (1) on page 2.

Signature \_\_\_\_\_ Date \_\_\_\_\_

I understand that knowingly providing false, incomplete or misleading information on this form for the purpose of obtaining reimbursement will constitute a felony pursuant to Florida Statute 817.234, and may be prosecuted accordingly.

Signature \_\_\_\_\_ Date \_\_\_\_\_

By signing this application, I am hereby applying for reimbursement of expenses related to multiple hurricane deductibles applied to my hurricane insurance losses. I certify that the above figures are correct and I am requesting the reimbursement indicated. I authorize the Florida Department of Financial Services to contact my insurance company to obtain any further information necessary to complete this claim for reimbursement.

Signature \_\_\_\_\_ Date \_\_\_\_\_

***Instructions for Completing the Notice of Multiple Deductible Reimbursement Program - Residential:***

- A. Review the information sent by your insurance company with this application form. Verify that the deductible amounts indicated for each claim agree with the information you have.
- B. Enter the amount you received in grants from federal, state, county or municipal agencies that were used to reimburse your deductible in item 1 on. Do NOT include amounts received in grants to cover uninsured losses, such as grants for loss abatement equipment (generators, tarpaulins, etc.) or grants to obtain temporary housing.
- C. Complete the remainder of this form based on the information provided by your insurance company. If you do not agree with the information provided by your insurance company, please complete the form based on the information you have and attach an explanation along with photocopies of supporting documentation. Please do not send originals of any supporting documentation.
- D. Sign the application, date it, and include your social security number. Your social security number may be necessary for tax reporting purposes.
- E. Return the completed form with attachments, including the information sent by your insurance company with this reimbursement application, to the Florida Department of Financial Services, Room 529, 200 East Gaines St., Tallahassee FL 32399-4213. **Please ensure that both pages 2 and 3 of this form are completed and mailed. Submitted forms must be postmarked or received by Tuesday, March 1, 2005. Electronic transmissions (email, facsimile) of Multiple Deductible Applications will NOT be accepted.**