

# FREQUENTLY ASKED QUESTIONS (FAQ's) for the 2018/2019 CONTRACT YEAR

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*The following is provided for informational purposes only to provide clarification and to assist companies in accurately reporting exposure and losses. Although it is believed to be reliable, it is not guaranteed as to accuracy or completeness. The Florida Statutes, along with the Rules adopted by the State Board of Administration of Florida (SBA), are the authoritative source on all FHCF policies and requirements.*

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 FAQ's for the 2018/2019 Contract Year. For specific questions on using *WIRE*, refer to the frequently asked questions on that site 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 FHCF 2018 Reimbursement Contract and definition (27) 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**

Q: Is a bed & breakfast covered?

A: Yes, as long as it is not used solely for commercial purposes. Also, the risk would be reported using the FHCF type of business Residential (code "2"). However, if it is covered under a commercial policy covering a variety of risks, a company has the option to report based on the predominant FHCF type of business under that policy. See Commercial-Habitational Clarification #3 in the 2018 Data Call.

### **Boarding, Lodging, and Rooming Houses**

Q: Are boarding, lodging, and rooming houses covered by the FHCF?

A: No, if it is used solely for commercial purposes.

### **Business Personal Property**

Q: Commercial-Habitational Clarification #7 in the 2018 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.

### **Collectible Property**

Q: Our company writes a policy that only covers \$750K of scheduled personal property (i.e., no coverage is provided for the residential structure). How do I know if the policy is excluded under Article VI exclusion (27)(b) of the 2018 FHCF Reimbursement Contract?

A: The policy would be excluded under (27)(b) if the policy form is generally used by your company to cover only personal property, which could include property of a collectible nature, either on a scheduled basis or written under a blanket limit.

### **Commercial-Residential Policies**

Q: A commercial policy is written with \$25M of coverage for a residential condominium complex and a parking garage. A separate commercial policy provides \$10M coverage for a townhome complex that also uses the parking garage. Is the garage covered by the FHCF under the \$25M policy?

A: No. Since the garage is not used solely by the occupants of the condominium complex (or their guests), it is not covered. [ADDED 6/1/18]

### **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.

Q: Are computers written on a stand-alone inland marine policy covered?

A: Yes, if coverage is provided for the peril of wind and the policy is issued to an individual and not a business. However, per the Data Call instructions, exposure for computers 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 uses the condominium as a primary or secondary home or residence (owner occupied), but has the option to occasionally rent out or lease the property, is the exposure reportable to the FHCF?

A: Yes because the unit is owner occupied.

Q: If the owner of an individual condominium unit uses the condominium as a home or residence (owner occupied), but rents the condominium out for eight weeks during the year to eight different parties for vacation purposes (weekly rentals), would the condominium be covered by the FHCF?

A: Yes because the unit is owner occupied.

Q: If an individual condominium unit is non-owner occupied and the owner opts to lease the unit as a vacation property to 6 or more different parties in a 12-month period, is the condominium covered by the FHCF?

A: No because the unit is non-owner occupied and rented 6 or more times to different parties in a 12-month period.

Q: If the owner of an individual condominium unit does not use the condominium as a home or residence (non-owner occupied) and rents or leases the unit out on an annual basis to another party that does use the unit as a home or residence, is the exposure reportable to the FHCF?

A: Yes; although the unit is non-owner occupied, it is rented to less than 6 parties in a 12-month period.

Q: My company writes a commercial policy covering a condominium structure and we are currently unable to determine if the structure meets the requirements under exclusion (29) in Article VI of the Reimbursement Contract (i.e., more than 50% of the units are non-owner occupied and rented for 6 or more rental periods by different parties during the course of a 12-month period). Should we report the policy?

A: If there is information available that indicates that it is likely that a majority of the individual units are regularly rented out to guests on a short-term basis, the condominium structure should not be reported. In the absence of such information, if your company is unable to determine whether the exclusion applies to a particular condominium structure, the structure should be reported. However, your company should take immediate steps to obtain the information needed to determine whether the structure in fact is excluded under exclusion (29), as it affects your company's ability to properly report exposure data. At a minimum, the FHCF expects that your company will start capturing the necessary information upon policy renewal or at the time new policy applications are received or underwritten. Further note that if during the loss examination process the FHCF finds that a condominium structure is likely used exclusively or predominantly for non-habitational purposes, we would require your company to provide supporting information to the contrary or the FHCF would not cover the loss.

## **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 for temporary purposes, how do I determine whether this policy is excluded from coverage from the FHCF?

A: If the home is used solely for commercial purposes, or is non-owner occupied and rented out for six or more time periods by different parties during the course of a twelve month period, then it would be excluded from the FHCF. See exclusions (8) and (10) under Article VI of the FHCF 2018 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 2018FHCF 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.

### **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 2018 FHCF 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**

Q: Our company insures an individual's scheduled personal property, such as jewelry or artwork, and the items are located in a vault off premises. Is the exposure reportable to the FHCF?

A: Yes, unless excluded under exclusion (27) under Article VI of the 2018 FHCF Reimbursement Contract

### **Specialized Fine Arts Risks**

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

A: It depends. Article VI, exclusion (27), of the 2018 FHCF 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 a policy with a \$5M blanket limit for specialized fine arts risks and the requirements in section (a) of Article VI, exclusion (27) apply. Would this risk be excluded?

A: This risk would not qualify for exclusion under section (a) since the coverage is provided as 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 policy is excluded.

## **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. Exclusion (15) under Article VI of the 2018 FHCF 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 reported to 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. [ADDED 6/1/18]

### **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, 2018 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 2018 Data Call instructions for additional clarification.

Q: If my company selected policies on May 1, 2018 for a July 19, 2018 assumption of covered policies from Citizens before June 30, 2018, meaning the actual assumption date is July 19<sup>th</sup>, can my company report the policies selected as our exposure on June 30, 2018?

A: No. The FHCF does not recognize the selected policies as exposure of your company until the assumption date of July 19, 2018.

### **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.

### **Blanket Limit**

- Q: How does my company report a policy with a blanket limit when the total insured value of all risks (risks covered and not covered by the FHCF) is more than the blanket limit?
- A: In this case, the policyholder is either self-insuring a layer of coverage, or could be purchasing additional coverage from another insurer; in either case, that would exclude the policy from coverage by the FHCF pursuant to exclusion (4)(b) or (4)(c) of Article VI of the FHCF Reimbursement Contract. For example, a policy covers two residential apartment buildings with a total insurable value of \$100 million. The policy provides coverage with a \$25 million blanket limit. The policy is excluded because the total insured value (\$100 million) exceeds the blanket limit (\$25 million). [ADDED 10/26/2018]

### **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: 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 2018 Data Call Reporting Clarifications if a blanket deductible or blanket limit applies.

## **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. 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.

## **Condominium Unit Owners**

- 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 2018 Data Call, proposed construction mappings are requested by August 1, 2018.

### **Contents-Only Policies**

Q: If our company only insures the contents of a home that is owner occupied and coverage is provided for ALE, under which type of business should the policy be reported?

A: If the exposure is related to another policy (i.e., the policy for the dwelling), it should be reported as the FHCF type of business it is associated with. If the exposure is not associated with another policy, it should be reported as FHCF type of business Tenants (code "4").

### **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: How should our company report the deductible for a stand-alone inland marine policy when multiple risks are covered under the policy with different deductibles applicable to each risk?

A: Your company can report each risk separately with its own deductible code or General Clarification #3 in the 2018 Data Call allows the option of reporting the risks under one record using the deductible applicable to the most exposure. Whichever option your company chooses, it must be applied consistently across the non-commercial book of business.

Q: Our company writes a Condominium Unit Owners policy with a dwelling limit of \$65,000. The policy has a \$2,500 hurricane deductible and an endorsement is attached to the policy that describes the hurricane deductible as the lesser of the hurricane deductible or an amount equal to 2% of the limit of liability that applies to Coverage A when that limit is less than \$100,000. How should the deductible be reported to the FHCF?

A: In this case, the deductible would be \$1,300 (2% X \$65,000) and should be reported to the FHCF using an RB deductible code. However, if your company is unable to program your company's data to report the correct deductible, we will allow the hurricane deductible stated in the policy to be reported, which in this example would be an RC deductible.

- Q: Our company writes a commercial residential policy that covers multiple risks in multiple states. There is one residential risk on the policy that is located in Florida. The insured value for this risk is \$100,000 and the deductible for Florida is 2% subject to a \$300,000 minimum. What FHCF deductible code should be reported?
- 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 to the FHCF.
- Q: Using the preceding example, what if the risk was insured for \$25,000 and the deductible was 2% subject to a \$30,000 minimum, what FHCF deductible code should be reported?
- A: An FHCF deductible code C2.
- 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 FHCF 2018 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.

## **Outdoor Property**

- Q: Our company writes commercial policies with coverage provided for “outdoor property.” Outdoor property was included under the Non-Reportable (But Covered) Exposure section of the 2017 Data Call instructions, but was removed from this section of the 2018 Data Call. Is outdoor property now reportable to the FHCF?
- A: If a policy provides coverage for outdoor property, the exposure is reportable to the FHCF unless that coverage is for specific name property identified under the Non-Reportable (But Covered) Exposure instructions. Often a commercial policy form excludes coverage for named items outside the building such as fences, radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers, signs (other than signs attached to buildings), trees, shrubs or plants (other than “stock” of trees, shrubs or plants). Historically, the FHCF was seeing policies with a limited amount of coverage for outdoor property provided under the coverage extensions section of the policy form but the covered perils often did not include hurricane. Sometimes a company provided the insured coverage at higher limits and for all causes of loss, including wind or hurricane, using an endorsement specifically for outdoor property. However, with increased frequency, companies have been adding items under the outdoor coverage category that are reportable to the FHCF, such as pools and other smaller appurtenant structures. So as to ensure consistent treatment of such exposures between the participants of the FHCF, outdoor property was removed from the Non-Reportable (But Covered) section beginning with the 2018 Data Call. [ADDED 6/1/18]

## **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.
- Q: If our company reports a scheduled personal property endorsement to an ex-wind policy, should a risk count of 1 be reported for the endorsement?
- A: Yes, because the primary policy is not reported.

## **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: Our company writes a scheduled personal property endorsement to a Residential Homeowners policy that is written ex-wind yet the endorsement is not ex-wind. Can the endorsement be reported using FHCF type of business Residential (code "2")?

A: Yes. The Data Call instructions require the endorsement be reported using the type of business for the policy the endorsement is associated with.

Q: As a follow up to the question above, can our company report the rating factors of the primary ex-wind policy when reporting the endorsement?

A: Yes.

Q: Our company writes scheduled personal property endorsements to ex-wind policies and policies that provide wind coverage. The endorsements to ex-wind policies are reported with an FHCF construction code 11 "Unknown," which is not the construction code for the primary policy. However, the endorsements to the policies that provide wind coverage are reported with the construction code for the primary policy. Would this be considered an inconsistent application of the rating factors?

A: Yes, if it occurs within an FHCF type of business. Your company should make a decision to either report the construction code of the primary policy or the construction code of the endorsement and apply this consistently within an 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.

### **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.

### **Stand Alone Inland Marine**

Q: Our company writes a stand-alone inland marine policy that can be associated with a Residential Homeowners policy. Can the inland marine policy be reported using FHCF type of business Residential (code "2")?

A: Yes.

Q: As a follow up to the question above, can our company report the rating factors of the primary policy?

A: Yes. Your company has the option of reporting the rating factors of the primary policy or the inland marine policy as long as the option is applied consistently within a type of business.

### **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 page 5 of the 2018 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.

## **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 any company whose losses exceed or are expected to exceed 75% of its FHCF retention.
- 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 quarter-end** until the company has paid its policyholders in full.

- **ALL** companies must submit a yearly 12/31/XX POL 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 loss 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 2018 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. [ADDED 6/1/18]

### **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) under "FHCF Rules."

### **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 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.

## 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.

Q: Where are checks for loss reimbursements sent?

A: Per SBA policy, all advance and/or loss reimbursement checks are sent to the FHCF claims contact designated by the company on its notarized Company Contact Information form.

## 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) under “Insurer Information” 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 loss reimbursement examinations?

A: Refer to the POL Report available online at [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf) under "Insurer Information" – "Insurer Loss Reporting," 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 loss reimbursement exam findings?

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