

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Budget Committee

BILL: SB 634

INTRODUCER: Senator Simmons

SUBJECT: Citizens Property Ins. Corp./Prohibited Activities

DATE: March 31, 2011

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Knudson</u>	<u>Burgess</u>	<u>BI</u>	Favorable
2.	<u>Wood</u>	<u>Yeatman</u>	<u>CA</u>	Favorable
3.	<u>Leadbeater</u>	<u>Meyer, C.</u>	<u>BC</u>	Favorable
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

This bill repeals s. 215.55951, F.S. The statute prohibits Citizens Property Insurance Corporation (Citizens) from seeking a rate or assessment increase based on either amendments to s. 215.5595, F.S., made by ch. 2008-66, L.O.F., or transfers enacted in ch. 2008-66, L.O.F., to the Insurance Capital Build-Up Incentive Program.

This bill repeals section 215.55951, Florida Statutes.

II. Present Situation:

Section 215.55951, F.S., prohibits Citizens from justifying a rate or assessment increase based on amendments enacted by ch. 2008-66, L.O.F., to s. 215.5595, F.S., the Insurance Capital Build-Up Incentive Program (“the Program”). The Legislature created the Program in 2006 to provide surplus note loans to insurers of up to \$25 million, repayable over 20 years at the 10-year Treasury bond rate. The Program was funded with a \$250 million dollar appropriation from the General Revenue Fund. To receive a loan, an insurer was required to contribute an equal amount of new capital, commit to meeting a specified minimum premium-to-surplus writing ratio for residential policies covering windstorm, and maintain at least a \$50 million surplus after receiving program funds. Thirteen insurers received surplus note loans pursuant to the 2006 Program totaling \$247.5 million dollars.¹

¹ In 2009, the Legislature required all principal, interest, and late fees received from insurers to be transferred to General Revenue.

Chapter 2008-66, L.O.F., revised the requirements for the Program, and committed an additional \$250 million to write new loans. The 2008 Program loans were intended to be funded by the transfer of \$250 million from Citizens surplus to the General Revenue Fund. The State Board of Administration would then have made quarterly transfers to Citizens of the principal and interest payments made on surplus loans funded by the transfer. The Legislature enacted s. 215.55951, F.S., prohibiting Citizens from using the 2008 amendments or transfers to justify rate or assessment increases. However, Governor Crist vetoed the transfer of Citizens surplus to fund the Program. As a result, no insurers received loans pursuant to the 2008 iteration of the Program due to a lack of funding.

III. Effect of Proposed Changes:

Section 1 repeals s. 215.55951, F.S., which currently prohibits Citizens from justifying a rate or assessment increase based on amendments enacted in ch. 2008-66, L.O.F., to the Insurance Capital Build-Up Incentive Program. Chapter 2008-66, L.O.F., funded the program by requiring Citizens to transfer \$250 million to the General Revenue Fund for transfer to the SBA to fund the Capital Build-Up Incentive Program. No loans were issued using Citizens monies because the transfer was vetoed by the Governor.

Section 2 provides an effective date of July 1, 2011.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Additional Information:

A. Committee Substitute – Statement of Substantial Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
