

1 A bill to be entitled
 2 An act relating to the depopulation programs of
 3 Citizens Property Insurance Corporation; amending s.
 4 627.351, F.S.; providing that eligible surplus lines
 5 insurers may participate, in the same manner and on
 6 the same terms as an authorized insurer, in
 7 depopulation, take-out, or keep-out programs relating
 8 to policies removed from Citizens Property Insurance
 9 Corporation; providing certain exceptions, conditions,
 10 and requirements relating to such participation by a
 11 surplus lines insurer in the corporation's
 12 depopulation, take-out, or keep-out programs;
 13 authorizing information from underwriting files and
 14 confidential files to be released by the corporation
 15 to specified entities that are considering writing or
 16 underwriting risks insured by the corporation under
 17 certain circumstances; specifying that only the
 18 corporation's transfer of a policy file to an insurer,
 19 as opposed to the transfer of any file, changes the
 20 file's public record status; providing an effective
 21 date.

22
 23 Be It Enacted by the Legislature of the State of Florida:

24
 25 Section 1. Paragraphs (q) and (x) of subsection (6) of
 26 section 627.351, Florida Statutes, are amended to read:

27 627.351 Insurance risk apportionment plans.—
 28 (6) CITIZENS PROPERTY INSURANCE CORPORATION.—

29 (q)1. The corporation shall certify to the office its
30 needs for annual assessments as to a particular calendar year,
31 and for any interim assessments that it deems to be necessary to
32 sustain operations as to a particular year pending the receipt
33 of annual assessments. Upon verification, the office shall
34 approve such certification, and the corporation shall levy such
35 annual or interim assessments. Such assessments shall be
36 prorated as provided in paragraph (b). The corporation shall
37 take all reasonable and prudent steps necessary to collect the
38 amount of assessment due from each assessable insurer,
39 including, if prudent, filing suit to collect such assessment.
40 If the corporation is unable to collect an assessment from any
41 assessable insurer, the uncollected assessments shall be levied
42 as an additional assessment against the assessable insurers and
43 any assessable insurer required to pay an additional assessment
44 as a result of such failure to pay shall have a cause of action
45 against such nonpaying assessable insurer. Assessments shall be
46 included as an appropriate factor in the making of rates. The
47 failure of a surplus lines agent to collect and remit any
48 regular or emergency assessment levied by the corporation is
49 considered to be a violation of s. 626.936 and subjects the
50 surplus lines agent to the penalties provided in that section.

51 2. The governing body of any unit of local government, any
52 residents of which are insured by the corporation, may issue
53 bonds as defined in s. 125.013 or s. 166.101 from time to time
54 to fund an assistance program, in conjunction with the
55 corporation, for the purpose of defraying deficits of the
56 corporation. In order to avoid needless and indiscriminate

57 proliferation, duplication, and fragmentation of such assistance
58 programs, any unit of local government, any residents of which
59 are insured by the corporation, may provide for the payment of
60 losses, regardless of whether or not the losses occurred within
61 or outside of the territorial jurisdiction of the local
62 government. Revenue bonds under this subparagraph may not be
63 issued until validated pursuant to chapter 75, unless a state of
64 emergency is declared by executive order or proclamation of the
65 Governor pursuant to s. 252.36 making such findings as are
66 necessary to determine that it is in the best interests of, and
67 necessary for, the protection of the public health, safety, and
68 general welfare of residents of this state and declaring it an
69 essential public purpose to permit certain municipalities or
70 counties to issue such bonds as will permit relief to claimants
71 and policyholders of the corporation. Any such unit of local
72 government may enter into such contracts with the corporation
73 and with any other entity created pursuant to this subsection as
74 are necessary to carry out this paragraph. Any bonds issued
75 under this subparagraph shall be payable from and secured by
76 moneys received by the corporation from emergency assessments
77 under sub-subparagraph (b)3.d., and assigned and pledged to or
78 on behalf of the unit of local government for the benefit of the
79 holders of such bonds. The funds, credit, property, and taxing
80 power of the state or of the unit of local government shall not
81 be pledged for the payment of such bonds.

82 3.a. The corporation shall adopt one or more programs
83 subject to approval by the office for the reduction of both new
84 and renewal writings in the corporation. Beginning January 1,

85 | 2008, any program the corporation adopts for the payment of
86 | bonuses to an insurer for each risk the insurer removes from the
87 | corporation shall comply with s. 627.3511(2) and may not exceed
88 | the amount referenced in s. 627.3511(2) for each risk removed.
89 | The corporation may consider any prudent and not unfairly
90 | discriminatory approach to reducing corporation writings, and
91 | may adopt a credit against assessment liability or other
92 | liability that provides an incentive for insurers to take risks
93 | out of the corporation and to keep risks out of the corporation
94 | by maintaining or increasing voluntary writings in counties or
95 | areas in which corporation risks are highly concentrated and a
96 | program to provide a formula under which an insurer voluntarily
97 | taking risks out of the corporation by maintaining or increasing
98 | voluntary writings will be relieved wholly or partially from
99 | assessments under sub-subparagraphs (b)3.a. and b. However, any
100 | "take-out bonus" or payment to an insurer must be conditioned on
101 | the property being insured for at least 5 years by the insurer,
102 | unless canceled or nonrenewed by the policyholder. If the policy
103 | is canceled or nonrenewed by the policyholder before the end of
104 | the 5-year period, the amount of the take-out bonus must be
105 | prorated for the time period the policy was insured. When the
106 | corporation enters into a contractual agreement for a take-out
107 | plan, the producing agent of record of the corporation policy is
108 | entitled to retain any unearned commission on such policy, and
109 | the insurer shall either:

110 | (I) Pay to the producing agent of record of the policy,
111 | for the first year, an amount which is the greater of the
112 | insurer's usual and customary commission for the type of policy

113 written or a policy fee equal to the usual and customary
114 commission of the corporation; or

115 (II) Offer to allow the producing agent of record of the
116 policy to continue servicing the policy for a period of not less
117 than 1 year and offer to pay the agent the insurer's usual and
118 customary commission for the type of policy written. If the
119 producing agent is unwilling or unable to accept appointment by
120 the new insurer, the new insurer shall pay the agent in
121 accordance with sub-sub-subparagraph (I).

122 b. Any credit or exemption from regular assessments
123 adopted under this subparagraph shall last no longer than the 3
124 years following the cancellation or expiration of the policy by
125 the corporation. With the approval of the office, the board may
126 extend such credits for an additional year if the insurer
127 guarantees an additional year of renewability for all policies
128 removed from the corporation, or for 2 additional years if the
129 insurer guarantees 2 additional years of renewability for all
130 policies so removed.

131 c. There shall be no credit, limitation, exemption, or
132 deferment from emergency assessments to be collected from
133 policyholders pursuant to sub-subparagraph (b)3.d.

134 d. Notwithstanding any other provision of law, for
135 purposes of a depopulation, take-out, or keep-out program
136 adopted by the corporation, including an initial or renewal
137 offer of coverage made to a policyholder removed from the
138 corporation pursuant to such program, an eligible surplus lines
139 insurer may participate in the program in the same manner and on
140 the same terms as an authorized insurer, except as provided

141 under this sub-subparagraph.

142 (I) To qualify for participation, the surplus lines
 143 insurer must first obtain approval from the office for its
 144 depopulation, take-out, or keep-out plan and then comply with
 145 all of the corporation's requirements for the plan applicable to
 146 admitted insurers and with all statutory provisions applicable
 147 to the removal of policies from the corporation.

148 (II) In considering a surplus lines insurer's request for
 149 approval for its plan, the office must determine that the
 150 surplus lines insurer meets the following requirements:

151 (A) Maintains surplus of \$50 million on a company or
 152 pooled basis;

153 (B) Maintains an A.M. Best Financial Strength Rating of A-
 154 or better;

155 (C) Maintains reserves, surplus, reinsurance, and
 156 reinsurance equivalents sufficient to cover the insurer's 100-
 157 year probable maximum hurricane loss at least twice in a single
 158 hurricane season, and submits such reinsurance to the office to
 159 review for purposes of the take-out;

160 (D) Provides prominent notice to the policyholder before
 161 the assumption of the policy that surplus lines policies are not
 162 provided coverage by the Florida Insurance Guaranty Association,
 163 and an outline of any substantial differences in coverage
 164 between the existing policy and the policy being offered to the
 165 insured; and

166 (E) Provides similar policy coverage.

167
 168 This sub-sub-subparagraph does not subject any surplus lines

169 insurer to requirements in addition to part VIII of chapter 626.
 170 Surplus lines brokers making an offer of coverage under this
 171 sub-subparagraph are not required to comply with s.
 172 626.916(1)(a), (b), (c), and (e).

173 (III) In order to obtain approval for a plan, the surplus
 174 lines insurer must file the following with the office:

175 (A) Information requested by the office to demonstrate
 176 compliance with s. 624.404(3), including biographical
 177 affidavits, fingerprints processed pursuant to s. 624.34, and
 178 the results of a criminal history records checks for officers
 179 and directors of the insurer and its parent or holding company;

180 (B) A service-of-process consent and agreement form
 181 executed by the insurer;

182 (C) Proof that the insurer has been an eligible or
 183 authorized insurer for not less than 3 years;

184 (D) A duly authenticated copy of the insurer's current
 185 audited financial statement, in English, with all monetary
 186 values therein expressed in United States dollars, at an
 187 exchange rate then current and shown in the statement, in the
 188 case of statements originally made in the currencies of other
 189 countries, and with any additional information relative to the
 190 insurer as the office may request;

191 (E) A complete certified copy of the latest official
 192 financial statement required by the insurer's domiciliary state,
 193 if different from sub-sub-sub-subparagraph (D); and

194 (F) A copy of the United States trust account agreement,
 195 if applicable.

196

197 This sub-sub-subparagraph does not subject any surplus lines
198 insurer to requirements in addition to part VIII of chapter 626.
199 Surplus lines brokers making an offer of coverage under this
200 sub-subparagraph are not required to comply with s.
201 626.916(1) (a), (b), (c), and (e).

202 (IV) Within 10 days after the date of assumption, the
203 surplus lines insurer assuming policies from the corporation
204 must remit a special deposit equal to the unearned premium net
205 of unearned commissions on the assumed block of business to the
206 Department of Financial Services, Bureau of Collateral
207 Management. The surplus lines insurer must submit to the office
208 with the initial deposit an accounting of the policies assumed
209 and the amount of unearned premium for such policies along with
210 a sworn affidavit attesting to its accuracy by an officer of the
211 surplus lines insurer. Thereafter, the surplus lines insurer
212 must make a filing within 10 days after each calendar quarter,
213 attesting to the unearned premium in force for the previous
214 quarter on policies assumed from the corporation, and must
215 submit additional funds with that filing if the special deposit
216 is insufficient to cover the unearned premium on assumed
217 policies, or must receive a return of funds within 60 days if
218 the special deposit exceeds the amount of unearned premium
219 required for assumed policies. The special deposit is an asset
220 of the surplus lines insurer which is held by the department for
221 the benefit of state policyholders of the surplus lines insurer
222 in the event of the insolvency of the surplus lines insurer. If
223 an order of liquidation is entered in any state against the
224 surplus lines insurer, the department may use the special

225 deposit for payment of unearned premium or policy claims, return
226 all or part of the deposit to the domiciliary receiver, or use
227 the funds in accordance with any action authorized under part I
228 of chapter 631 or in compliance with any order of a court with
229 jurisdiction over the insolvency.

230 (V) Surplus lines brokers representing a surplus lines
231 insurer on a take-out program must obtain confirmation, in
232 written or e-mail form, from each producing agent in advance
233 stating that the agent is willing to participate in the take-out
234 program with the surplus lines insurer engaging in the take-out
235 program. The take-out program is also subject to s. 627.3517. If
236 a policyholder is selected for removal from the corporation by a
237 surplus lines insurer and an authorized insurer, the offer of
238 coverage from the authorized insurer shall be given priority by
239 the corporation.

240 4. The plan shall provide for the deferment, in whole or
241 in part, of the assessment of an assessable insurer, other than
242 an emergency assessment collected from policyholders pursuant to
243 sub-subparagraph (b)3.d., if the office finds that payment of
244 the assessment would endanger or impair the solvency of the
245 insurer. In the event an assessment against an assessable
246 insurer is deferred in whole or in part, the amount by which
247 such assessment is deferred may be assessed against the other
248 assessable insurers in a manner consistent with the basis for
249 assessments set forth in paragraph (b).

250 5. Effective July 1, 2007, in order to evaluate the costs
251 and benefits of approved take-out plans, if the corporation pays
252 a bonus or other payment to an insurer for an approved take-out

253 | plan, it shall maintain a record of the address or such other
254 | identifying information on the property or risk removed in order
255 | to track if and when the property or risk is later insured by
256 | the corporation.

257 | 6. Any policy taken out, assumed, or removed from the
258 | corporation is, as of the effective date of the take-out,
259 | assumption, or removal, direct insurance issued by the insurer
260 | and not by the corporation, even if the corporation continues to
261 | service the policies. This subparagraph applies to policies of
262 | the corporation and not policies taken out, assumed, or removed
263 | from any other entity.

264 | (x)1. The following records of the corporation are
265 | confidential and exempt from the provisions of s. 119.07(1) and
266 | s. 24(a), Art. I of the State Constitution:

267 | a. Underwriting files, except that a policyholder or an
268 | applicant shall have access to his or her own underwriting
269 | files. Confidential and exempt underwriting file records may
270 | also be released to other governmental agencies upon written
271 | request and demonstration of need; such records held by the
272 | receiving agency remain confidential and exempt as provided
273 | herein.

274 | b. Claims files, until termination of all litigation and
275 | settlement of all claims arising out of the same incident,
276 | although portions of the claims files may remain exempt, as
277 | otherwise provided by law. Confidential and exempt claims file
278 | records may be released to other governmental agencies upon
279 | written request and demonstration of need; such records held by
280 | the receiving agency remain confidential and exempt as provided

281 herein.

282 c. Records obtained or generated by an internal auditor
283 pursuant to a routine audit, until the audit is completed, or if
284 the audit is conducted as part of an investigation, until the
285 investigation is closed or ceases to be active. An investigation
286 is considered "active" while the investigation is being
287 conducted with a reasonable, good faith belief that it could
288 lead to the filing of administrative, civil, or criminal
289 proceedings.

290 d. Matters reasonably encompassed in privileged attorney-
291 client communications.

292 e. Proprietary information licensed to the corporation
293 under contract and the contract provides for the confidentiality
294 of such proprietary information.

295 f. All information relating to the medical condition or
296 medical status of a corporation employee which is not relevant
297 to the employee's capacity to perform his or her duties, except
298 as otherwise provided in this paragraph. Information that is
299 exempt shall include, but is not limited to, information
300 relating to workers' compensation, insurance benefits, and
301 retirement or disability benefits.

302 g. Upon an employee's entrance into the employee
303 assistance program, a program to assist any employee who has a
304 behavioral or medical disorder, substance abuse problem, or
305 emotional difficulty which affects the employee's job
306 performance, all records relative to that participation shall be
307 confidential and exempt from the provisions of s. 119.07(1) and
308 s. 24(a), Art. I of the State Constitution, except as otherwise

309 provided in s. 112.0455(11).

310 h. Information relating to negotiations for financing,
311 reinsurance, depopulation, or contractual services, until the
312 conclusion of the negotiations.

313 i. Minutes of closed meetings regarding underwriting
314 files, and minutes of closed meetings regarding an open claims
315 file until termination of all litigation and settlement of all
316 claims with regard to that claim, except that information
317 otherwise confidential or exempt by law shall be redacted.

318 2. If an authorized insurer, reinsurance intermediary,
319 eligible surplus lines insurer, or entity that has filed an
320 application with the office for licensure as a property and
321 casualty insurer in this state is considering writing or
322 assisting in the underwriting of a risk insured by the
323 corporation, relevant information from both the underwriting
324 files and confidential claims files may be released to the
325 insurer, reinsurance intermediary, eligible surplus lines
326 insurer, or entity that has filed an application with the office
327 for licensure as a property and casualty insurer in this state
328 provided the recipient ~~insurer~~ agrees in writing, notarized and
329 under oath, to maintain the confidentiality of such files. If a
330 policy file is transferred to an insurer, that policy file is no
331 longer a public record because it is not held by an agency
332 subject to the provisions of the public records law.
333 Underwriting files and confidential claims files may also be
334 released to staff and the board of governors of the market
335 assistance plan established pursuant to s. 627.3515, who must
336 retain the confidentiality of such files, except such files may

337 | be released to authorized insurers that are considering assuming
338 | the risks to which the files apply, provided the insurer agrees
339 | in writing, notarized and under oath, to maintain the
340 | confidentiality of such files. Finally, the corporation or the
341 | board or staff of the market assistance plan may make the
342 | following information obtained from underwriting files and
343 | confidential claims files available to licensed general lines
344 | insurance agents: name, address, and telephone number of the
345 | residential property owner or insured; location of the risk;
346 | rating information; loss history; and policy type. The receiving
347 | licensed general lines insurance agent must retain the
348 | confidentiality of the information received.

349 | 3. A policyholder who has filed suit against the
350 | corporation has the right to discover the contents of his or her
351 | own claims file to the same extent that discovery of such
352 | contents would be available from a private insurer in litigation
353 | as provided by the Florida Rules of Civil Procedure, the Florida
354 | Evidence Code, and other applicable law. Pursuant to subpoena, a
355 | third party has the right to discover the contents of an
356 | insured's or applicant's underwriting or claims file to the same
357 | extent that discovery of such contents would be available from a
358 | private insurer by subpoena as provided by the Florida Rules of
359 | Civil Procedure, the Florida Evidence Code, and other applicable
360 | law, and subject to any confidentiality protections requested by
361 | the corporation and agreed to by the seeking party or ordered by
362 | the court. The corporation may release confidential underwriting
363 | and claims file contents and information as it deems necessary
364 | and appropriate to underwrite or service insurance policies and

365 claims, subject to any confidentiality protections deemed
366 necessary and appropriate by the corporation.

367 4. Portions of meetings of the corporation are exempt from
368 the provisions of s. 286.011 and s. 24(b), Art. I of the State
369 Constitution wherein confidential underwriting files or
370 confidential open claims files are discussed. All portions of
371 corporation meetings which are closed to the public shall be
372 recorded by a court reporter. The court reporter shall record
373 the times of commencement and termination of the meeting, all
374 discussion and proceedings, the names of all persons present at
375 any time, and the names of all persons speaking. No portion of
376 any closed meeting shall be off the record. Subject to the
377 provisions hereof and s. 119.07(1)(d)-(f), the court reporter's
378 notes of any closed meeting shall be retained by the corporation
379 for a minimum of 5 years. A copy of the transcript, less any
380 exempt matters, of any closed meeting wherein claims are
381 discussed shall become public as to individual claims after
382 settlement of the claim.

383 Section 2. This act shall take effect upon becoming a law.