

By the Committee on Banking and Insurance and Senator
Diaz-Balart

311-1950-98

1 A bill to be entitled
2 An act relating to property insurance; amending
3 ss. 627.7013, 627.7014, F.S.; providing
4 findings relating to the moratorium on
5 hurricane-related cancellations and nonrenewals
6 of personal lines residential policies and
7 condominium association policies, respectively;
8 deleting provisions relating to accelerated
9 exposure reduction plans; providing
10 circumstances under which the sections are
11 inoperative; delaying the future repeal date of
12 the sections; providing an effective date.

13
14 Be It Enacted by the Legislature of the State of Florida:

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16 Section 1. Subsection 627.7013, Florida Statutes, is
17 amended to read:

18 627.7013 Orderly markets for personal lines
19 residential property insurance.--

20 (1) FINDINGS AND PURPOSE.--

21 (a) The Legislature finds that personal lines
22 residential property insurers, as a condition of doing
23 business in this state, have a responsibility to contribute to
24 an orderly market for personal lines residential property
25 insurance and that there is a compelling state interest in
26 maintaining an orderly market for personal lines residential
27 property insurance. The Legislature further finds that
28 Hurricane Andrew, which caused over \$15 billion of insured
29 losses in South Florida, has reinforced the need of consumers
30 to have reliable homeowner's insurance coverage; however, the
31 enormous monetary impact to insurers of Hurricane Andrew

1 claims has prompted insurers to propose substantial
2 cancellation or nonrenewal of their homeowner's insurance
3 policyholders. The Legislature further finds that the massive
4 cancellations and nonrenewals announced, proposed, or
5 contemplated by certain insurers constitute a significant
6 danger to the public health, safety, and welfare, and
7 destabilize the insurance market. In furtherance of the
8 overwhelming public necessity for an orderly market for
9 property insurance, the Legislature, in chapter 93-401, Laws
10 of Florida, imposed, for a limited time, a moratorium on
11 cancellation or nonrenewal of personal lines residential
12 property insurance policies. The Legislature further finds
13 that upon expiration of the moratorium, additional actions are
14 required to maintain an orderly market for personal lines
15 residential property insurance in this state. The purposes of
16 this section are to provide for a phaseout of the moratorium
17 and to require advance planning and approval for programs of
18 exposure reduction.

19 (b) The Legislature finds, as of the beginning of the
20 1996 Regular Session of the Legislature, that:

21 1. The conditions described in paragraph (a) remain
22 applicable to the property insurance market in this state in
23 1996 and are likely to remain applicable for several years
24 thereafter.

25 2. The Residential Property and Casualty Joint
26 Underwriting Association, a residual market mechanism created
27 to alleviate temporary unavailability of property insurance
28 coverage, remains the primary or exclusive source of new
29 property insurance coverage in significant portions of the
30 state.

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1 3. Recent enactments intended to restore a
2 competitive, private sector property insurance market,
3 including creation and enhancement of the Florida Hurricane
4 Catastrophe Fund, incentives for depopulation of the
5 Residential Property and Casualty Joint Underwriting
6 Association, incentives for hurricane loss mitigation and
7 prevention, creation of the Florida Commission on Hurricane
8 Loss Projection Methodology, and revisions of laws relating to
9 rates and coverages, are beginning to have their intended
10 effects; however, the market instability that persists could
11 frustrate these efforts to restore the market.

12 4. The moratorium completion provided in this section
13 is the least intrusive method for maintaining an orderly
14 market, insofar as it applies only to hurricane-related
15 cancellations and nonrenewals of personal lines residential
16 policies that were in force on the effective date, and insofar
17 as it allows an insurer annually to nonrenew up to 5 percent
18 of the total number of such policies as of the effective date.

19 (c) The Legislature finds, as of March 1, 1998, that:

20 1. The conditions described in paragraphs (a) and (b)
21 remain applicable to the property insurance market in this
22 state in 1998 and are likely to remain applicable for several
23 years thereafter.

24 2. The general instability of the market is reflected
25 by the following facts:

26 a. In spite of depopulation efforts under which
27 approximately 600,000 policies have been transferred from the
28 Residential Property and Casualty Joint Underwriting
29 Association to the voluntary market, the Joint Underwriting
30 Association, with approximately 370,000 policies in force,

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1 remains the primary or exclusive source of new property
2 insurance coverage in significant portions of the state.

3 b. The Florida Windstorm Underwriting Association is
4 growing rapidly, with more than 430,000 policies in force,
5 approximately half of which were initially issued after
6 January 1, 1997.

7 3. A further extension of the operation of this
8 section until June 1, 2001, will provide an opportunity for
9 the market to stabilize and for continuation of residual
10 market depopulation efforts.

11 (2) MORATORIUM COMPLETION.--

12 (a) As used in this subsection, the term "total number
13 of policies" means the number of an insurer's policies of a
14 specified type that were in force on June 1, 1996, or the date
15 on which this section became law, whichever was later.

16 (b) The following restrictions apply only to
17 cancellation or nonrenewal of personal lines residential
18 property insurance policies that were in force on June 1,
19 1996, or the date on which this section became law, whichever
20 was later.

21 1. In any 12-month period, an insurer may not cancel
22 or nonrenew more than 5 percent of such insurer's total number
23 of homeowner's policies, 5 percent of such insurer's total
24 number of mobile home owner's policies, or 5 percent of such
25 insurer's total number of personal lines residential policies
26 of all types and classes in the state for the purpose of
27 reducing the insurer's exposure to hurricane claims and may
28 not, with respect to any county, cancel or nonrenew more than
29 10 percent of its total number of homeowner's policies, 10
30 percent of its total number of mobile home owner's policies,
31 or 10 percent of its total number of personal lines

1 residential policies of all types and classes in the county
2 for the purpose of reducing the insurer's exposure to
3 hurricane claims. This subparagraph does not prohibit any
4 cancellations or nonrenewals of such policies for any other
5 lawful reason unrelated to the risk of loss from hurricane
6 exposure.

7 2.a. If, for any 12-month period, an insurer proposes
8 to cancel or nonrenew personal lines residential policies to
9 an extent not authorized by subparagraph 1. for the purpose of
10 reducing exposure to hurricane claims, the insurer must file a
11 phaseout plan with the department at least 90 days prior to
12 the effective date of the plan. In the plan, the insurer must
13 demonstrate to the department that the insurer is protecting
14 market stability and the interests of its policyholders. The
15 plan may not be implemented unless it is approved by the
16 department. In developing the plan, the insurer must consider
17 policyholder longevity, the use of voluntary incentives to
18 accomplish the reduction, and geographic distribution. The
19 insurer must demonstrate that under the plan the insurer will
20 not cancel or nonrenew more policies in the 12-month period
21 than the largest number of similar policies the insurer
22 canceled or nonrenewed for any reason in any 12-month period
23 between August 24, 1989, and August 24, 1992.

24 b. If the insurer considers the number of
25 cancellations and nonrenewals under sub-subparagraph a. to be
26 insufficient, the insurer may apply for approval of additional
27 cancellations or nonrenewals on the basis of an unreasonable
28 risk of insolvency. In evaluating a request under this
29 sub-subparagraph, the department shall consider and shall
30 require the insurer to provide information relevant to: the
31 insurer's size, market concentration, and general financial

1 condition; the portion of the insurer's business in this state
2 represented by personal lines residential property insurance;
3 the reasonableness of assumptions with respect to size,
4 frequency, severity, and path of hurricanes; the reinsurance
5 available to the insurer and potential recoveries from the
6 Florida Hurricane Catastrophe Fund; and the extent to which
7 the insurer's assets have been voluntarily transferred by
8 dividend or otherwise from the insurer to its stockholders,
9 parent companies, or affiliated companies since June 1, 1996,
10 or the date on which this section became law, whichever was
11 later. In the implementation of exposure reductions under this
12 sub-subparagraph, the department and the insurer shall
13 consider such factors as policyholder longevity, the use of
14 voluntary incentives to accomplish the exposure reduction, and
15 geographic distribution.

16 c. A policy shall not be counted as having been
17 canceled or nonrenewed for purposes of this subsection if any
18 of the following apply:

19 (I) The policy was canceled or nonrenewed for an
20 underwriting reason unrelated to the risk of loss from
21 hurricane exposure, nonpayment of premium, or any other lawful
22 reason that is unrelated to the risk of loss from hurricane
23 exposure. The department shall consider the reason specified
24 in the notice of cancellation or nonrenewal to be the reason
25 for the cancellation or nonrenewal unless the department finds
26 by a preponderance of the evidence that the stated reason was
27 not the insurer's actual reason for the cancellation or
28 nonrenewal.

29 (II) The cancellation or nonrenewal was initiated by
30 the insured.

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1 (III) The insurer has offered the policyholder
2 replacement or alternative coverage at approved rates, which
3 coverage meets the requirements of the secondary mortgage
4 market.

5 d. In addition to any other cancellations or
6 nonrenewals subject to the limitations in this subsection, a
7 policy shall be considered as having been canceled or
8 nonrenewed for purposes of this subsection if:

9 (I) The insurer implements a rate increase under the
10 use-and-file provisions of s. 627.062(2)(a)2., which rate
11 increase exceeds 150 percent of the increase ultimately
12 approved by the department, and, while the rate filing was
13 pending, the policyholder voluntarily canceled or nonrenewed
14 the policy and obtained replacement coverage from another
15 insurer, including the Residential Property and Casualty Joint
16 Underwriting Association; or

17 (II) The insurer reduces the commission to an agent by
18 more than 25 percent and the agent thereafter places the risk
19 with another insurer, including the Residential Property and
20 Casualty Joint Underwriting Association, the Florida Windstorm
21 Underwriting Association, or the Coastal Zone Insurance Plan.

22 e. The department must approve or disapprove an
23 application for a waiver within 90 days after the department
24 receives the application for waiver.

25 3. In addition to the cancellations or nonrenewals
26 authorized under this section, an insurer may cancel or
27 nonrenew policies to the extent authorized by an exemption
28 from or waiver of either the moratorium created by chapter
29 93-401, Laws of Florida, or the moratorium phaseout under
30 former s. 627.7013(2).

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1 4. Notwithstanding any provisions of this section to
2 the contrary, this section does not apply to any insurer that,
3 prior to August 24, 1992, filed notice of such insurer's
4 intent to discontinue writing insurance in this state under s.
5 624.430, and for which a finding has been made by the
6 department, the Division of Administrative Hearings of the
7 Department of Management Services, or a court that such notice
8 satisfied all requirements of s. 624.430. Nothing in this
9 section shall be construed to authorize an insurer to withdraw
10 from any line of property insurance business for the purpose
11 of reducing exposure to risk of hurricane loss if such
12 withdrawal commenced at any time that the moratorium under
13 chapter 93-401, Laws of Florida, or the moratorium phaseout
14 under this section is in effect.

15 5. The following actions by an insurer do not
16 constitute cancellations or nonrenewals for purposes of this
17 subsection:

18 a. The transfer of a risk from one admitted insurer to
19 another admitted insurer, unless the terms of the new or
20 replacement policy place the policyholder in default of a
21 mortgage obligation.

22 b. An increase in the hurricane deductible applicable
23 to the policy, unless the new deductible places the
24 policyholder in default of a mortgage obligation or the
25 deductible exceeds the limits specified in s. 627.701.

26 c. Any other lawful change in coverage that does not
27 place the policyholder in default of a mortgage obligation.

28 d. A cancellation or nonrenewal that is part of the
29 same action as the removal of a policy including windstorm or
30 hurricane coverage from the Residential Property and Casualty
31 Joint Underwriting Association.

1 6. In order to assure fair and effective enforcement
2 of this subsection, each insurer shall, no later than October
3 1, 1996, report to the department the policy number of each
4 policy subject to this subsection, arranged by county. The
5 report shall include the policy number for each personal lines
6 residential policy that was in force on June 1, 1996, or the
7 date this section became law, whichever was later. Beginning
8 October 1, 1996, each insurer shall also report, on a monthly
9 basis, all cancellations and nonrenewals of policies included
10 in such policy list and the reasons for the cancellations and
11 nonrenewals.

12 ~~7. An insurer that has an overconcentration of wind
13 risk in areas eligible for coverage under the Florida
14 Windstorm Underwriting Association may submit to the
15 department for approval an accelerated exposure reduction
16 plan. The plan, if approved, shall allow the insurer to
17 nonrenew additional policies for reasons of reducing hurricane
18 loss, beyond the amounts authorized elsewhere in this
19 paragraph, subject to the following conditions:~~

20 ~~a. All additional nonrenewals under this subparagraph
21 shall consist of nonrenewals of only the windstorm portion of
22 a policy, and shall be allowed only if the Florida Windstorm
23 Underwriting Association provides windstorm coverage to
24 replace the nonrenewed windstorm coverage.~~

25 ~~b. At the conclusion of the accelerated exposure
26 reduction plan, which shall be no later than 12 months after
27 the date of the first nonrenewal under such plan, the insurer
28 is prohibited from any further nonrenewals for purposes of
29 reducing hurricane loss until the expiration of this
30 subsection.~~

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1 ~~c. The total number of nonrenewals statewide for~~
2 ~~purposes of reduction of hurricane loss, under this~~
3 ~~subparagraph taken together with the other provisions of this~~
4 ~~paragraph, shall not exceed the total number of nonrenewals~~
5 ~~that would have been allowed statewide under subparagraph 1.~~
6 ~~between June 1, 1996, and the expiration of this subsection.~~

7 ~~d. Notwithstanding the provisions of s. 627.4133, the~~
8 ~~insurer must give the policyholder 45 days' advance notice of~~
9 ~~the nonrenewal of windstorm coverage under this subparagraph~~
10 ~~and the availability of such coverage through the Florida~~
11 ~~Windstorm Underwriting Association.~~

12 ~~e. The first nonrenewal under an accelerated exposure~~
13 ~~reduction program under this subparagraph may not take effect~~
14 ~~earlier than February 1, 1997.~~

15 ~~f. In reviewing the proposed accelerated exposure~~
16 ~~reduction plan, the department shall consider:~~

17 ~~(I) The degree to which the exposure reduction plan is~~
18 ~~necessary to address the insurer's overconcentration.~~

19 ~~(II) Prior levels of participation in writing~~
20 ~~voluntary wind coverage in areas eligible for coverage through~~
21 ~~the Florida Windstorm Underwriting Association.~~

22 ~~(III) The availability of wind coverage in the~~
23 ~~voluntary market for the subject risks.~~

24 ~~(IV) The capacity of the Florida Windstorm~~
25 ~~Underwriting Association to absorb the risks proposed to be~~
26 ~~covered by the association.~~

27 (c) The department may adopt rules to implement this
28 subsection.

29 (d) This section shall cease to operate when the
30 department determines that the insured value of all
31 residential properties insured by the Florida Windstorm

1 Underwriting Association and all properties insured by the
2 Residential Property and Casualty Joint Underwriting
3 Association under policies providing wind coverage, combined,
4 has remained below \$25 billion for 3 consecutive months, based
5 on exposure data reported to the department by the
6 associations.

7 (e)~~(d)~~ This subsection is repealed on June 1, 2001
8 ~~1999~~.

9 Section 2. Section 627.7014, Florida Statutes, is
10 amended to read:

11 627.7014 Orderly markets for condominium association
12 residential property insurance.--

13 (1) FINDINGS AND PURPOSE.--

14 (a) The Legislature finds:

15 1. That residential property insurers providing
16 condominium association coverage, as a condition of doing
17 business in this state, have a responsibility to contribute to
18 an orderly market for condominium association residential
19 property insurance and that there is a compelling state
20 interest in maintaining an orderly market for condominium
21 association residential property insurance.

22 2. That Hurricane Andrew, which caused over \$15
23 billion of insured losses in South Florida, has reinforced the
24 need of consumers to have reliable condominium association
25 insurance coverage; however, even more than 3 years after
26 Hurricane Andrew, the hurricane's enormous monetary impact is
27 causing insurers to propose substantial cancellation or
28 nonrenewal of their condominium association insurance
29 policyholders.

30 3. That the massive cancellations and nonrenewals
31 announced, proposed, or contemplated by certain insurers

1 constitute a significant danger to the public health, safety,
2 and welfare and destabilize the insurance market.

3 4. That the Residential Property and Casualty Joint
4 Underwriting Association, a residual market mechanism created
5 to alleviate temporary unavailability of property insurance
6 coverage, remains the primary or exclusive source of new
7 property insurance in significant portions of the state.

8 5. That recent enactments intended to restore a
9 competitive, private sector property insurance market,
10 including creation and enhancement of the Florida Hurricane
11 Catastrophe Fund, incentives for depopulation of the
12 Residential Property and Casualty Joint Underwriting
13 Association, incentives for hurricane loss mitigation and
14 prevention, creation of the Florida Commission on Hurricane
15 Loss Projection Methodology, and revisions of laws relating to
16 rates and coverages, are beginning to have their intended
17 effects; however, the market remains unstable.

18 6. That the moratorium created by this section is the
19 least intrusive method for maintaining an orderly market for
20 condominium association insurance, insofar as it applies only
21 to hurricane-related cancellations and nonrenewals of personal
22 lines residential policies that were in force on the effective
23 date of this section, and insofar as it allows an insurer
24 annually to nonrenew up to 5 percent of the total number of
25 such policies as of the effective date of this section.

26 (b) The Legislature finds, as of March 1, 1998, that:

27 1. The conditions described in paragraph (a) remain
28 applicable to the commercial residential property insurance
29 market in this state in 1998 and are likely to remain
30 applicable for several years thereafter.

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1 2. The general instability of the market is reflected
2 by the recent rapid growth of the Florida Windstorm
3 Underwriting Association, which had more than 9,700 commercial
4 residential policies in force as of December 31, 1997,
5 representing a 58 percent increase over the number of
6 commercial residential policies in force on December 31, 1996.

7 3. An extension of the operation of this section until
8 June 1, 2001, will provide an opportunity for the market to
9 stabilize and for continuation of residual market depopulation
10 efforts.

11 (c)~~(b)~~ The purposes of this section are to provide for
12 a temporary moratorium on hurricane-related cancellations and
13 nonrenewals of condominium association coverage and to require
14 advance planning and approval for programs of condominium
15 association exposure reduction.

16 (2) MORATORIUM.--

17 (a) As used in this subsection, the term "total number
18 of policies" means the number of an insurer's condominium
19 association policies providing windstorm or hurricane coverage
20 that were in force on the effective date of this section. The
21 following restrictions apply to the cancellation or nonrenewal
22 of condominium association residential property insurance
23 policies that were in force on the effective date of this
24 section:

25 1. In any 12-month period, an insurer may not cancel
26 or nonrenew more than 5 percent of its total number of
27 condominium association policies in the state for the purpose
28 of reducing the insurer's exposure to hurricane claims and may
29 not, with respect to any county, cancel or nonrenew more than
30 10 percent of its total number of condominium association
31 policies in the county for the purpose of reducing the

1 insurer's exposure to hurricane claims. This subparagraph does
2 not prohibit any cancellations or nonrenewals of such policies
3 for any other lawful reason unrelated to the risk of loss from
4 hurricane exposure.

5 2.a. If, for any 12-month period, an insurer proposes
6 to cancel or nonrenew condominium association policies to an
7 extent not authorized by subparagraph 1. for the purpose of
8 reducing exposure to hurricane claims, the insurer must file a
9 phaseout plan with the department at least 90 days prior to
10 the effective date of the plan. In the plan, the insurer must
11 demonstrate to the department that the insurer is protecting
12 market stability and the interests of its policyholders. The
13 plan may not be implemented unless it is approved by the
14 department. In developing the plan, the insurer must consider
15 policyholder longevity, the use of voluntary incentives to
16 accomplish the reduction, and geographic distribution. The
17 insurer must demonstrate that under the plan the insurer will
18 not cancel or nonrenew more policies in the 12-month period
19 than the largest number of similar policies the insurer
20 canceled or nonrenewed for any reason in any 12-month period
21 between August 24, 1989, and August 24, 1992.

22 b. If the insurer considers the number of
23 cancellations and nonrenewals under sub-subparagraph a. to be
24 insufficient, the insurer may apply for approval of additional
25 cancellations or nonrenewals on the basis of an unreasonable
26 risk of insolvency. In evaluating a request under this
27 sub-subparagraph, the department shall consider, and shall
28 require the insurer to provide information relevant to: the
29 insurer's size, market concentration, and general financial
30 condition; the portion of the insurer's business in this state
31 represented by condominium association residential property

1 insurance; the reasonableness of assumptions with respect to
2 size, frequency, severity, and path of hurricanes; and the
3 reinsurance available to the insurer and potential recoveries
4 from the Florida Hurricane Catastrophe Fund. In the
5 implementation of exposure reductions under this
6 sub-subparagraph, the department and the insurer shall
7 consider such factors as policyholder longevity, the use of
8 voluntary incentives to accomplish the exposure reduction, and
9 geographic distribution.

10 c. A policy shall not be counted as having been
11 canceled or nonrenewed for purposes of this subsection if any
12 of the following apply:

13 (I) The policy was canceled or nonrenewed for an
14 underwriting reason unrelated to the risk of loss from
15 hurricane exposure, nonpayment of premium, or any other lawful
16 reason that is unrelated to the risk of loss from hurricane
17 exposure. The department shall consider the reason specified
18 in the notice of cancellation or nonrenewal to be the reason
19 for the cancellation or nonrenewal unless the department finds
20 by a preponderance of the evidence that the stated reason was
21 not the insurer's actual reason for the cancellation or
22 nonrenewal.

23 (II) The cancellation or nonrenewal was initiated by
24 the insured.

25 (III) The insurer has offered the policyholder
26 replacement or alternative coverage at approved rates.

27 (IV) The risk is transferred from one admitted insurer
28 to another admitted insurer, unless the terms of the new or
29 replacement policy place the policyholder in default of a
30 mortgage obligation.

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1 (V) The hurricane deductible applicable to the policy
2 is increased unless the new deductible exceeds statutory
3 limits or places the policyholder in default of a mortgage
4 obligation.

5 (VI) Any other lawful change in coverage that does not
6 place the policyholder in default of a mortgage obligation is
7 made.

8 d. In addition to any other cancellations or
9 nonrenewals subject to the limitations in this subsection, a
10 policy shall be considered as having been canceled or
11 nonrenewed for purposes of this subsection if:

12 (I) The insurer implements a rate increase under the
13 use-and-file provisions of s. 627.062(2)(a)2., which rate
14 increase exceeds 150 percent of the increase ultimately
15 approved by the department, and, while the rate filing was
16 pending, the policyholder voluntarily canceled or nonrenewed
17 the policy and obtained replacement coverage from another
18 insurer, including the Residential Property and Casualty Joint
19 Underwriting Association; or

20 (II) The insurer reduces the commission to an agent by
21 more than 25 percent and the agent thereafter places the risk
22 with another insurer, including the Residential Property and
23 Casualty Joint Underwriting Association.

24 e. The department must approve or disapprove an
25 application for a waiver within 90 days after the department
26 receives the application for waiver.

27 3. Notwithstanding any provisions of this section to
28 the contrary, this section does not apply to any insurer that,
29 prior to August 24, 1992, filed notice of such insurer's
30 intent to discontinue writing insurance in this state under s.
31 624.430, and for which a finding has been made by the

1 department, the Division of Administrative Hearings of the
2 Department of Management Services, or a court that such notice
3 satisfied all requirements of s. 624.430. This section also
4 does not apply to any insurer that:

5 a. Collects at least 75 percent of its Florida
6 premiums from policies that include hurricane coverage
7 provided to condominium associations in coastal counties.

8 b. Collects at least 80 percent of its Florida
9 premiums from policies that include hurricane coverage
10 provided to condominium associations in Broward, Dade, and
11 Palm Beach Counties.

12 c. Has, annually since 1992:

13 (I) Increased its aggregate Florida premium volume
14 from policies that include hurricane coverage provided to
15 condominium associations in coastal counties.

16 (II) Increased its aggregate Florida premium volume
17 from policies that include hurricane coverage provided to
18 condominium associations in Broward, Dade, and Palm Beach
19 Counties.

20 (III) Increased its aggregate Florida exposure from
21 policies that include hurricane coverage provided to
22 condominium associations in coastal counties.

23 (IV) Increased its aggregate Florida exposure from
24 policies that include hurricane coverage provided to
25 condominium associations in Broward, Dade, and Palm Beach
26 Counties.

27 d. Has surplus as to policyholders of no more than
28 \$200 million as reflected in its annual statement for 1995.

29 4. In order to assure fair and effective enforcement
30 of this subsection, each insurer shall, no later than October
31 1, 1996, report to the department the policy number of each

1 policy subject to this subsection, arranged by county. The
2 report shall include the policy number for each condominium
3 association policy that was in force on the effective date of
4 this section. Beginning October 1, 1996, each insurer shall
5 also report, on a monthly basis, all cancellations and
6 nonrenewals of policies included in such policy list and the
7 reasons for the cancellations and nonrenewals.

8 ~~5. An insurer that has an overconcentration of wind~~
9 ~~risk in areas eligible for coverage under the Florida~~
10 ~~Windstorm Underwriting Association may submit to the~~
11 ~~department for approval an accelerated exposure reduction~~
12 ~~plan. The plan, if approved, shall allow the insurer to~~
13 ~~nonrenew additional policies for reasons of reducing hurricane~~
14 ~~loss, beyond the amounts authorized elsewhere in this~~
15 ~~paragraph, subject to the following conditions:~~

16 ~~a. All additional nonrenewals under this subparagraph~~
17 ~~shall consist of nonrenewals of only the windstorm portion of~~
18 ~~a policy, and shall be allowed only if the Florida Windstorm~~
19 ~~Underwriting Association provides windstorm coverage to~~
20 ~~replace the nonrenewed windstorm coverage.~~

21 ~~b. At the conclusion of the accelerated exposure~~
22 ~~reduction plan, which shall be no later than 12 months after~~
23 ~~the date of the first nonrenewal under such plan, the insurer~~
24 ~~is prohibited from any further nonrenewals for purposes of~~
25 ~~reducing hurricane loss until the expiration of this~~
26 ~~subsection.~~

27 ~~c. The total number of nonrenewals statewide for~~
28 ~~purposes of reduction of hurricane loss, under this~~
29 ~~subparagraph taken together with the other provisions of this~~
30 ~~paragraph, shall not exceed the total number of nonrenewals~~
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1 ~~that would have been allowed statewide under subparagraph 1.~~
2 ~~between June 1, 1996, and the expiration of this subsection.~~

3 ~~d. Notwithstanding the provisions of s. 627.4133, the~~
4 ~~insurer must give the policyholder 45 days' advance notice of~~
5 ~~the nonrenewal of windstorm coverage under this subparagraph~~
6 ~~and the availability of such coverage through the Florida~~
7 ~~Windstorm Underwriting Association.~~

8 ~~e. The first nonrenewal under an accelerated exposure~~
9 ~~reduction program under this subparagraph may not take effect~~
10 ~~earlier than February 1, 1997.~~

11 ~~f. In reviewing the proposed accelerated exposure~~
12 ~~reduction plan, the department shall consider:~~

13 ~~(I) The degree to which the exposure reduction plan is~~
14 ~~necessary to address the insurer's overconcentration.~~

15 ~~(II) Prior levels of participation in writing~~
16 ~~voluntary wind coverage in areas eligible for coverage through~~
17 ~~the Florida Windstorm Underwriting Association.~~

18 ~~(III) The availability of wind coverage in the~~
19 ~~voluntary market for the subject risks.~~

20 ~~(IV) The capacity of the Florida Windstorm~~
21 ~~Underwriting Association to absorb the risks proposed to be~~
22 ~~covered by the association.~~

23 (b) The department may adopt rules to implement this
24 subsection.

25 (c) This section shall cease to operate when the
26 department determines that the insured value of all
27 residential properties insured by the Florida Windstorm
28 Underwriting Association and all properties insured by the
29 Residential Property and Casualty Joint Underwriting
30 Association under policies providing wind coverage, combined,
31 has remained below \$25 billion for 3 consecutive months, based

1 on exposure data reported to the department by the
2 associations.

3 (d)(c) This subsection is repealed on June 1, 2001
4 ~~1999~~.

5 Section 3. This act shall take effect upon becoming a
6 law.

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8 STATEMENT OF SUBSTANTIAL CHANGES CONTAINED IN
9 COMMITTEE SUBSTITUTE FOR
10 Senate Bill 2054

11 Updates legislative findings as to the number of policies
12 issued by the Florida Windstorm Underwriting Association and
13 Residential Property and Casualty Joint Underwriting
14 Association.
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