

1 A bill to be entitled
 2 An act relating to the Citizens Property Insurance
 3 Corporation; amending s. 627.351, F.S.; revising criteria
 4 for rates for coverage provided by the corporation;
 5 providing an effective date.

6
 7 Be It Enacted by the Legislature of the State of Florida:

8
 9 Section 1. Paragraph (d) of subsection (6) of section
 10 627.351, Florida Statutes, is amended to read:

11 627.351 Insurance risk apportionment plans.--

12 (6) CITIZENS PROPERTY INSURANCE CORPORATION.--

13 (d)1. It is the intent of the Legislature that the rates
 14 for coverage provided by the corporation be actuarially sound,
 15 as determined by the corporation, but no higher than actuarially
 16 sound, and not competitive with approved rates charged in the
 17 admitted voluntary market, so that the corporation functions as
 18 a residual market mechanism to provide insurance only when the
 19 insurance cannot be procured in the voluntary market. Rates
 20 shall include an appropriate catastrophe loading factor that
 21 reflects the actual catastrophic exposure of the corporation.

22 2. For each county, the average rates of the corporation
 23 for each line of business for personal lines residential
 24 policies excluding rates for wind-only policies shall be no
 25 lower than the average rates charged by ~~the insurer that had the~~
 26 ~~highest average rate in that county among the 20~~ insurers with
 27 ~~the greatest total direct written premium~~ in the state for that
 28 line of business in the preceding year, except that with respect

29 to mobile home coverages, the average rates of the corporation
30 shall be no lower than the average rates charged by ~~the insurer~~
31 ~~that had the highest average rate in that county among the 5~~
32 ~~insurers with the greatest total written premium~~ for mobile home
33 owner's policies in the state in the preceding year.

34 3. Rates for personal lines residential wind-only policies
35 must be actuarially sound and not competitive with approved
36 rates charged by authorized insurers. However, for personal
37 lines residential wind-only policies issued or renewed between
38 July 1, 2002, and June 30, 2003, the maximum premium increase
39 must be no greater than 10 percent of the Florida Windstorm
40 Underwriting Association premium for that policy in effect on
41 June 30, 2002, as adjusted for coverage changes and seasonal
42 occupancy surcharges. For personal lines residential wind-only
43 policies issued or renewed between July 1, 2003, and June 30,
44 2004, the corporation shall use its existing filed and approved
45 wind-only rating and classification plans, provided, however,
46 that the maximum premium increase must be no greater than 20
47 percent of the premium for that policy in effect on June 30,
48 2003, as adjusted for coverage changes and seasonal occupancy
49 surcharges. Corporation rate manuals shall include a rate
50 surcharge for seasonal occupancy. To ensure that personal lines
51 residential wind-only rates effective on or after July 1, 2004,
52 are not competitive with approved rates charged by authorized
53 insurers, the corporation, in conjunction with the office, shall
54 develop a wind-only ratemaking methodology, which methodology
55 shall be contained in a rate filing made by the corporation with
56 the office by January 1, 2004. If the office thereafter

57 determines that the wind-only rates or rating factors filed by
58 the corporation fail to comply with the wind-only ratemaking
59 methodology provided for in this subsection, it shall so notify
60 the corporation and require the corporation to amend its rates
61 or rating factors to come into compliance within 90 days of
62 notice from the office. The office shall report to the Speaker
63 of the House of Representatives and the President of the Senate
64 on the provisions of the wind-only ratemaking methodology by
65 January 31, 2004.

66 4. Rates for commercial lines coverage shall not be
67 subject to the requirements of subparagraph 2., but shall be
68 subject to all other requirements of this paragraph and s.
69 627.062.

70 5. Nothing in this paragraph shall require or allow the
71 corporation to adopt a rate that is inadequate under s. 627.062.

72 6. The corporation shall certify to the office at least
73 twice annually that its personal lines rates comply with the
74 requirements of subparagraphs 1. and 2. If any adjustment in the
75 rates or rating factors of the corporation is necessary to
76 ensure such compliance, the corporation shall make and implement
77 such adjustments and file its revised rates and rating factors
78 with the office. If the office thereafter determines that the
79 revised rates and rating factors fail to comply with the
80 provisions of subparagraphs 1. and 2., it shall notify the
81 corporation and require the corporation to amend its rates or
82 rating factors in conjunction with its next rate filing. The
83 office must notify the corporation by electronic means of any

84 rate filing it approves for any insurer among the insurers
85 referred to in subparagraph 2.

86 7. In addition to the rates otherwise determined pursuant
87 to this paragraph, the corporation shall impose and collect an
88 amount equal to the premium tax provided for in s. 624.509 to
89 augment the financial resources of the corporation.

90 8.a. To assist the corporation in developing additional
91 ratemaking methods to assure compliance with subparagraphs 1.
92 and 4., the corporation shall appoint a rate methodology panel
93 consisting of one person recommended by the Florida Association
94 of Insurance Agents, one person recommended by the Professional
95 Insurance Agents of Florida, one person recommended by the
96 Florida Association of Insurance and Financial Advisors, one
97 person recommended by the insurer with the highest voluntary
98 market share of residential property insurance business in the
99 state, one person recommended by the insurer with the second-
100 highest voluntary market share of residential property insurance
101 business in the state, one person recommended by an insurer
102 writing commercial residential property insurance in this state,
103 one person recommended by the Office of Insurance Regulation,
104 and one board member designated by the board chairman, who shall
105 serve as chairman of the panel.

106 b. By January 1, 2004, the rate methodology panel shall
107 provide a report to the corporation of its findings and
108 recommendations for the use of additional ratemaking methods and
109 procedures, including the use of a rate equalization surcharge
110 in an amount sufficient to assure that the total cost of

111 coverage for policyholders or applicants to the corporation is
 112 sufficient to comply with subparagraph 1.

113 c. Within 30 days after such report, the corporation shall
 114 present to the President of the Senate, the Speaker of the House
 115 of Representatives, the minority party leaders of each house of
 116 the Legislature, and the chairs of the standing committees of
 117 each house of the Legislature having jurisdiction of insurance
 118 issues, a plan for implementing the additional ratemaking
 119 methods and an outline of any legislation needed to facilitate
 120 use of the new methods.

121 d. The plan must include a provision that producer
 122 commissions paid by the corporation shall not be calculated in
 123 such a manner as to include any rate equalization surcharge.
 124 However, without regard to the plan to be developed or its
 125 implementation, producer commissions paid by the corporation for
 126 each account, other than the quota share primary program, shall
 127 remain fixed as to percentage, effective rate, calculation, and
 128 payment method until January 1, 2004.

129 9. By January 1, 2004, the corporation shall develop a
 130 notice to policyholders or applicants that the rates of Citizens
 131 Property Insurance Corporation are intended to be higher than
 132 the rates of any admitted carrier and providing other
 133 information the corporation deems necessary to assist consumers
 134 in finding other voluntary admitted insurers willing to insure
 135 their property.

136 Section 2. This act shall take effect July 1, 2005.