

CHAMBER ACTION

1 The Insurance Committee recommends the following:

2
3 **Council/Committee Substitute**

4 Remove the entire bill and insert:

5 A bill to be entitled

6 An act relating to the Citizens Property Insurance
7 Corporation; amending s. 627.351, F.S.; revising criteria
8 for rates for coverage provided by the corporation;
9 deleting limitations on certain personal lines residential
10 wind-only policies; deleting an obsolete reporting
11 requirement; specifying nonapplication of certain policy
12 requirements in counties lacking reasonable degrees of
13 competition for certain policies under certain
14 circumstances; authorizing the Financial Services
15 Commission to adopt rules; deleting an obsolete rate
16 methodology panel reporting requirement provision;
17 providing an effective date.

18
19 Be It Enacted by the Legislature of the State of Florida:

20
21 Section 1. Paragraph (d) of subsection (6) of section
22 627.351, Florida Statutes, is amended to read:

23 627.351 Insurance risk apportionment plans.--

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24 (6) CITIZENS PROPERTY INSURANCE CORPORATION.--

25 (d)1. It is the intent of the Legislature that the rates
26 for coverage provided by the corporation be actuarially sound
27 and not competitive with approved rates charged in the admitted
28 voluntary market, so that the corporation functions as a
29 residual market mechanism to provide insurance only when the
30 insurance cannot be procured in the voluntary market. Rates
31 shall include an appropriate catastrophe loading factor that
32 reflects the actual catastrophic exposure of the corporation.

33 2. For each county, the average rates of the corporation
34 for each line of business for personal lines residential
35 policies excluding rates for wind-only policies shall be no
36 lower than the average rates charged by the insurer that had the
37 highest average rate in that county among the 20 insurers with
38 the greatest total direct written premium in the state for that
39 line of business in the preceding year, except that with respect
40 to mobile home coverages, the average rates of the corporation
41 shall be no lower than the average rates charged by the insurer
42 that had the highest average rate in that county among the 5
43 insurers with the greatest total written premium for mobile home
44 owner's policies in the state in the preceding year.

45 3. Rates for personal lines residential wind-only policies
46 must be actuarially sound and not competitive with approved
47 rates charged by authorized insurers. ~~However, for personal~~
48 ~~lines residential wind-only policies issued or renewed between~~
49 ~~July 1, 2002, and June 30, 2003, the maximum premium increase~~
50 ~~must be no greater than 10 percent of the Florida Windstorm~~
51 ~~Underwriting Association premium for that policy in effect on~~

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52 ~~June 30, 2002, as adjusted for coverage changes and seasonal~~
53 ~~occupancy surcharges. For personal lines residential wind only~~
54 ~~policies issued or renewed between July 1, 2003, and June 30,~~
55 ~~2004, the corporation shall use its existing filed and approved~~
56 ~~wind-only rating and classification plans, provided, however,~~
57 ~~that the maximum premium increase must be no greater than 20~~
58 ~~percent of the premium for that policy in effect on June 30,~~
59 ~~2003, as adjusted for coverage changes and seasonal occupancy~~
60 ~~surcharges. Corporation rate manuals shall include a rate~~
61 ~~surcharge for seasonal occupancy. To ensure that personal lines~~
62 ~~residential wind-only rates effective on or after July 1, 2004,~~
63 ~~are not competitive with approved rates charged by authorized~~
64 ~~insurers, the corporation, in conjunction with the office, shall~~
65 ~~develop a wind-only ratemaking methodology, which methodology~~
66 ~~shall be contained in each a rate filing made by the corporation~~
67 ~~with the office by January 1, 2004. If the office thereafter~~
68 ~~determines that the wind-only rates or rating factors filed by~~
69 ~~the corporation fail to comply with the wind-only ratemaking~~
70 ~~methodology provided for in this subsection, it shall so notify~~
71 ~~the corporation and require the corporation to amend its rates~~
72 ~~or rating factors to come into compliance within 90 days of~~
73 ~~notice from the office. The office shall report to the Speaker~~
74 ~~of the House of Representatives and the President of the Senate~~
75 ~~on the provisions of the wind-only ratemaking methodology by~~
76 ~~January 31, 2004.~~

77 4. The provisions of subparagraph 2. do not apply to
78 coverage provided by the corporation in any county for which the
79 office determines that a reasonable degree of competition does

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80 not exist for personal lines residential policies. The
81 provisions of subparagraph 3. do not apply to coverage provided
82 by the corporation in any county for which the office determines
83 that a reasonable degree of competition does not exist for
84 personal lines residential policies in the area of that county
85 which is eligible for wind-only coverage. In such counties, the
86 rates for personal lines residential coverage shall be
87 actuarially sound and not excessive, inadequate, or unfairly
88 discriminatory and are subject to the other provisions of this
89 paragraph and s. 627.062. The commission may adopt rules
90 establishing the criteria for determining whether a reasonable
91 degree of competition exists for personal lines residential
92 policies. Beginning October 1, 2005, and each 6 months
93 thereafter, the office shall determine and identify those
94 counties for which a reasonable degree of competition does not
95 exist for purposes of subparagraphs 2. and 3., respectively.

96 ~~5.4.~~ Rates for commercial lines coverage shall not be
97 subject to the requirements of subparagraph 2., but shall be
98 subject to all other requirements of this paragraph and s.
99 627.062.

100 ~~6.5.~~ Nothing in this paragraph shall require or allow the
101 corporation to adopt a rate that is inadequate under s. 627.062.

102 ~~7.6.~~ The corporation shall certify to the office at least
103 twice annually that its personal lines rates comply with the
104 requirements of this paragraph ~~subparagraphs 1. and 2.~~ If any
105 adjustment in the rates or rating factors of the corporation is
106 necessary to ensure such compliance, the corporation shall make
107 and implement such adjustments and file its revised rates and

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108 rating factors with the office. If the office thereafter
 109 determines that the revised rates and rating factors fail to
 110 comply with the provisions of this paragraph ~~subparagraphs 1.~~
 111 ~~and 2.~~, it shall notify the corporation and require the
 112 corporation to amend its rates or rating factors in conjunction
 113 with its next rate filing. The office must notify the
 114 corporation by electronic means of any rate filing it approves
 115 for any insurer among the insurers referred to in subparagraph
 116 2.

117 ~~8.7.~~ In addition to the rates otherwise determined
 118 pursuant to this paragraph, the corporation shall impose and
 119 collect an amount equal to the premium tax provided for in s.
 120 624.509 to augment the financial resources of the corporation.

121 ~~9.8.a.~~ To assist the corporation in developing additional
 122 ratemaking methods to assure compliance with this paragraph
 123 ~~subparagraphs 1. and 4.~~, the corporation shall appoint a rate
 124 methodology panel consisting of one person recommended by the
 125 Florida Association of Insurance Agents, one person recommended
 126 by the Professional Insurance Agents of Florida, one person
 127 recommended by the Florida Association of Insurance and
 128 Financial Advisors, one person recommended by the insurer with
 129 the highest voluntary market share of residential property
 130 insurance business in the state, one person recommended by the
 131 insurer with the second-highest voluntary market share of
 132 residential property insurance business in the state, one person
 133 recommended by an insurer writing commercial residential
 134 property insurance in this state, one person recommended by the

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135 Office of Insurance Regulation, and one board member designated
136 by the board chairman, who shall serve as chairman of the panel.

137 ~~b. By January 1, 2004, the rate methodology panel shall~~
138 ~~provide a report to the corporation of its findings and~~
139 ~~recommendations for the use of additional ratemaking methods and~~
140 ~~procedures, including the use of a rate equalization surcharge~~
141 ~~in an amount sufficient to assure that the total cost of~~
142 ~~coverage for policyholders or applicants to the corporation is~~
143 ~~sufficient to comply with subparagraph 1.~~

144 ~~e. Within 30 days after such report, the corporation shall~~
145 ~~present to the President of the Senate, the Speaker of the House~~
146 ~~of Representatives, the minority party leaders of each house of~~
147 ~~the Legislature, and the chairs of the standing committees of~~
148 ~~each house of the Legislature having jurisdiction of insurance~~
149 ~~issues, a plan for implementing the additional ratemaking~~
150 ~~methods and an outline of any legislation needed to facilitate~~
151 ~~use of the new methods.~~

152 ~~d. The plan must include a provision that producer~~
153 ~~commissions paid by the corporation shall not be calculated in~~
154 ~~such a manner as to include any rate equalization surcharge.~~
155 ~~However, without regard to the plan to be developed or its~~
156 ~~implementation, producer commissions paid by the corporation for~~
157 ~~each account, other than the quota share primary program, shall~~
158 ~~remain fixed as to percentage, effective rate, calculation, and~~
159 ~~payment method until January 1, 2004.~~

160 10.9. ~~By January 1, 2004,~~ The corporation shall develop a
161 notice to policyholders or applicants that the rates of Citizens
162 Property Insurance Corporation are intended to be higher than

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163 | the rates of any admitted carrier except when the provisions of
164 | subparagraph 4. apply and providing other information the
165 | corporation deems necessary to assist consumers in finding other
166 | voluntary admitted insurers willing to insure their property.

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