

Bill No. HB 1937, 2nd Eng.

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CHAMBER ACTION

Senate

House

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Senator Garcia moved the following **amendment to amendment**  
(435620):

**Senate Amendment (with title amendment)**

On page 24, between lines 23 and 24,

insert:

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

2. For each county, the average rates of the corporation for each line of business for personal lines residential policies excluding rates for wind-only policies shall be no lower than the average rates charged by the insurer that had the highest average rate in that county among

Barcode 095560

1 the 20 insurers with the greatest total direct written premium  
 2 in the state for that line of business in the preceding year,  
 3 except that with respect to mobile home coverages, the average  
 4 rates of the corporation shall be no lower than the average  
 5 rates charged by the insurer that had the highest average rate  
 6 in that county among the 5 insurers with the greatest total  
 7 written premium for mobile home owner's policies in the state  
 8 in the preceding year.

9           3. Rates for personal lines residential wind-only  
 10 policies must be actuarially sound and not competitive with  
 11 approved rates charged by authorized insurers. However, for  
 12 personal lines residential wind-only policies issued or  
 13 renewed between July 1, 2002, and June 30, 2003, the maximum  
 14 premium increase must be no greater than 10 percent of the  
 15 Florida Windstorm Underwriting Association premium for that  
 16 policy in effect on June 30, 2002, as adjusted for coverage  
 17 changes and seasonal occupancy surcharges. For personal lines  
 18 residential wind-only policies issued or renewed between July  
 19 1, 2003, and June 30, 2004, the corporation shall use its  
 20 existing filed and approved wind-only rating and  
 21 classification plans, provided, however, that the maximum  
 22 premium increase must be no greater than 20 percent of the  
 23 premium for that policy in effect on June 30, 2003, as  
 24 adjusted for coverage changes and seasonal occupancy  
 25 surcharges. Corporation rate manuals shall include a rate  
 26 surcharge for seasonal occupancy. To ensure that personal  
 27 lines residential wind-only rates effective on or after July  
 28 1, 2004, are not competitive with approved rates charged by  
 29 authorized insurers, the corporation, in conjunction with the  
 30 office, shall develop a wind-only ratemaking methodology,  
 31 which methodology shall be contained in a rate filing made by

Bill No. HB 1937, 2nd Eng.

Barcode 095560

1 the corporation with the office by January 1, 2004. If the  
 2 office thereafter determines that the wind-only rates or  
 3 rating factors filed by the corporation fail to comply with  
 4 the wind-only ratemaking methodology provided for in this  
 5 subsection, it shall so notify the corporation and require the  
 6 corporation to amend its rates or rating factors to come into  
 7 compliance within 90 days of notice from the office. The  
 8 office shall report to the Speaker of the House of  
 9 Representatives and the President of the Senate on the  
 10 provisions of the wind-only ratemaking methodology by January  
 11 31, 2004.

12 4. For the purposes of establishing a pilot program to  
 13 evaluate issues relating to the availability and affordability  
 14 of insurance in an area where historically there has been  
 15 little market competition, the provisions of subparagraph 2.  
 16 do not apply to coverage provided by the corporation in Monroe  
 17 County if the office determines that a reasonable degree of  
 18 competition does not exist for personal lines residential  
 19 policies. The provisions of subparagraph 3. do not apply to  
 20 coverage provided by the corporation in Monroe County if the  
 21 office determines that a reasonable degree of competition does  
 22 not exist for personal lines residential policies in the area  
 23 of that county which is eligible for wind-only coverage. In  
 24 this county, the rates for personal lines residential coverage  
 25 shall be actuarially sound and not excessive, inadequate, or  
 26 unfairly discriminatory and are subject to the other  
 27 provisions of this paragraph and s. 627.062. The commission  
 28 shall adopt rules establishing the criteria for determining  
 29 whether a reasonable degree of competition exists for personal  
 30 lines residential policies in Monroe County. By March 1, 2006,  
 31 the office shall submit a report to the Legislature providing

Barcode 095560

1 an evaluation of the implementation of the pilot program  
2 affecting Monroe County.

3 ~~5.4.~~ Rates for commercial lines coverage shall not be  
4 subject to the requirements of subparagraph 2., but shall be  
5 subject to all other requirements of this paragraph and s.  
6 627.062.

7 ~~6.5.~~ Nothing in this paragraph shall require or allow  
8 the corporation to adopt a rate that is inadequate under s.  
9 627.062.

10 ~~7.6.~~ The corporation shall certify to the office at  
11 least twice annually that its personal lines rates comply with  
12 the requirements of subparagraphs 1. and 2. If any adjustment  
13 in the rates or rating factors of the corporation is necessary  
14 to ensure such compliance, the corporation shall make and  
15 implement such adjustments and file its revised rates and  
16 rating factors with the office. If the office thereafter  
17 determines that the revised rates and rating factors fail to  
18 comply with the provisions of subparagraphs 1. and 2., it  
19 shall notify the corporation and require the corporation to  
20 amend its rates or rating factors in conjunction with its next  
21 rate filing. The office must notify the corporation by  
22 electronic means of any rate filing it approves for any  
23 insurer among the insurers referred to in subparagraph 2.

24 ~~8.7.~~ In addition to the rates otherwise determined  
25 pursuant to this paragraph, the corporation shall impose and  
26 collect an amount equal to the premium tax provided for in s.  
27 624.509 to augment the financial resources of the corporation.

28 ~~9.8-a.~~ To assist the corporation in developing  
29 additional ratemaking methods to assure compliance with  
30 subparagraphs 1. and ~~5. 4.~~, the corporation shall appoint a  
31 rate methodology panel consisting of one person recommended by

Bill No. HB 1937, 2nd Eng.

Barcode 095560

1 the Florida Association of Insurance Agents, one person  
2 recommended by the Professional Insurance Agents of Florida,  
3 one person recommended by the Florida Association of Insurance  
4 and Financial Advisors, one person recommended by the insurer  
5 with the highest voluntary market share of residential  
6 property insurance business in the state, one person  
7 recommended by the insurer with the second-highest voluntary  
8 market share of residential property insurance business in the  
9 state, one person recommended by an insurer writing commercial  
10 residential property insurance in this state, one person  
11 recommended by the Office of Insurance Regulation, and one  
12 board member designated by the board chairman, who shall serve  
13 as chairman of the panel.

14       b. By January 1, 2004, the rate methodology panel  
15 shall provide a report to the corporation of its findings and  
16 recommendations for the use of additional ratemaking methods  
17 and procedures, including the use of a rate equalization  
18 surcharge in an amount sufficient to assure that the total  
19 cost of coverage for policyholders or applicants to the  
20 corporation is sufficient to comply with subparagraph 1.

21       c. Within 30 days after such report, the corporation  
22 shall present to the President of the Senate, the Speaker of  
23 the House of Representatives, the minority party leaders of  
24 each house of the Legislature, and the chairs of the standing  
25 committees of each house of the Legislature having  
26 jurisdiction of insurance issues, a plan for implementing the  
27 additional ratemaking methods and an outline of any  
28 legislation needed to facilitate use of the new methods.

29       d. The plan must include a provision that producer  
30 commissions paid by the corporation shall not be calculated in  
31 such a manner as to include any rate equalization surcharge.

Bill No. HB 1937, 2nd Eng.

Barcode 095560

1 However, without regard to the plan to be developed or its  
 2 implementation, producer commissions paid by the corporation  
 3 for each account, other than the quota share primary program,  
 4 shall remain fixed as to percentage, effective rate,  
 5 calculation, and payment method until January 1, 2004.

6 ~~10.9.~~ By January 1, 2004, the corporation shall  
 7 develop a notice to policyholders or applicants that the rates  
 8 of Citizens Property Insurance Corporation are intended to be  
 9 higher than the rates of any admitted carrier and providing  
 10 other information the corporation deems necessary to assist  
 11 consumers in finding other voluntary admitted insurers willing  
 12 to insure their property.

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15 ===== T I T L E A M E N D M E N T =====

16 And the title is amended as follows:

17 On page 61, line 21, after the semicolon,

18  
 19 insert:

20 establishing a pilot program; specifying  
 21 nonapplication of certain policy requirements  
 22 in a county lacking reasonable degrees of  
 23 competition for certain policies under certain  
 24 circumstances; requiring the commission to  
 25 adopt rules;

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