

CHAMBER ACTION

1 The State Administration Appropriations Committee recommends the  
2 following:

3  
4 **Council/Committee Substitute**

5 Remove the entire bill and insert:

6 A bill to be entitled

7 An act relating to property insurance; amending s.  
8 627.062, F.S.; limiting an insurer's recoupment of  
9 reimbursement premium; providing limitations; amending s.  
10 627.0628, F.S.; limiting use of certain methodologies in  
11 determining hurricane loss factors for reimbursement  
12 premium rates in certain rate filings; creating s.  
13 627.06281, F.S.; requiring certain insurers and  
14 organizations to develop, maintain, and update a public  
15 hurricane loss projection model; providing reporting  
16 requirements for insurers; protecting trade secret  
17 information; amending s. 627.0629, F.S.; tightening a  
18 limitation on rate filings based on computer models under  
19 certain circumstances; amending s. 627.351, F.S.;  
20 providing additional legislative intent relating to the  
21 Citizens Property Insurance Corporation; specifying a  
22 limitation on dwelling limits for personal lines policies;  
23 revising appointment authority for members of the board of

24 | governors of the corporation; requiring creation of a  
 25 | Market Accountability Advisory Committee to assist the  
 26 | corporation for certain purposes; providing for  
 27 | appointment of committee members; providing for terms;  
 28 | requiring reports to the corporation; revising  
 29 | requirements for the plan of operation of the corporation;  
 30 | requiring the corporation to pay bonuses to carriers  
 31 | removing policies by assumption; providing for calculation  
 32 | of the bonus amount; providing eligibility for carriers to  
 33 | receive bonuses; deleting limitations on certain person  
 34 | lines residential wind-only policies; deleting an obsolete  
 35 | reporting requirement; specifying nonapplication of  
 36 | certain policy requirements in counties lacking reasonable  
 37 | degrees of competition for certain policies under certain  
 38 | circumstances; authorizing the commission to adopt rules;  
 39 | deleting an obsolete rate methodology panel reporting  
 40 | requirement provision; amending s. 627.411, F.S.; revising  
 41 | grounds for office disapproval of certain forms; amending  
 42 | s. 627.7015, F.S.; revising purpose and scope provisions  
 43 | relating to an alternative procedure for resolution of  
 44 | disputed property insurance claims; providing an  
 45 | additional criterion for excusing an insured from being  
 46 | required to submit to certain loss appraisal processes;  
 47 | amending s. 627.706, F.S.; revising definitions relating  
 48 | to sinkholes; creating s. 627.7065, F.S.; providing  
 49 | legislative findings; requiring the Department of  
 50 | Financial Services and the Office of the Insurance  
 51 | Consumer Advocate to consult with the Florida Geological

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52 Survey and the Department of Environmental Protection to  
 53 implement a statewide automated database of sinkholes and  
 54 related activity; providing requirements for the form and  
 55 content of the database; authorizing the Department of  
 56 Financial Services to require insurers to provide certain  
 57 information; providing for management of the database;  
 58 requiring the department to investigate sinkhole activity  
 59 reports and include findings and investigations in the  
 60 database; requiring the Department of Environmental  
 61 Protection to report on the database to the Governor,  
 62 Legislature, and Chief Financial Officer; authorizing the  
 63 Department of Financial services to adopt implementing  
 64 rules; requiring the Auditor General to perform an  
 65 operational audit of the Citizens Property Insurance  
 66 Corporation; specifying audit requirements; requiring a  
 67 report; requiring the board of governors of the Citizens  
 68 Property Insurance Corporation to submit a report to the  
 69 Legislature relating to property and casualty insurance;  
 70 specifying report requirements; providing for contingent  
 71 effect; providing effective dates.

72

73 Be It Enacted by the Legislature of the State of Florida:

74

75 Section 1. Subsection (5) of section 627.062, Florida  
 76 Statutes, is amended to read:

77 627.062 Rate standards.--

78 (5) With respect to a rate filing involving coverage of  
 79 the type for which the insurer is required to pay a

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80 reimbursement premium to the Florida Hurricane Catastrophe Fund,  
 81 the insurer may fully recoup in its property insurance premiums  
 82 any reimbursement premiums paid to the Florida Hurricane  
 83 Catastrophe Fund, together with reasonable costs of other  
 84 reinsurance, but may not recoup reinsurance costs that duplicate  
 85 coverage provided by the Florida Hurricane Catastrophe Fund. An  
 86 insurer may not recoup more than one year of reimbursement  
 87 premium at a time. Any under-recoupment from the prior year may  
 88 be added to the following year's reimbursement premium and any  
 89 over-recoupment shall be subtracted from the following year's  
 90 reimbursement premium.

91 Section 2. Paragraph (c) of subsection (1) and paragraph  
 92 (c) of subsection (3) of section 627.0628, Florida Statutes, are  
 93 amended to read:

94 627.0628 Florida Commission on Hurricane Loss Projection  
 95 Methodology.--

96 (1) LEGISLATIVE FINDINGS AND INTENT.--

97 (c) It is the intent of the Legislature to create the  
 98 Florida Commission on Hurricane Loss Projection Methodology as a  
 99 panel of experts to provide the most actuarially sophisticated  
 100 guidelines and standards for projection of hurricane losses  
 101 possible, given the current state of actuarial science. It is  
 102 the further intent of the Legislature that such standards and  
 103 guidelines must be used by the State Board of Administration in  
 104 developing reimbursement premium rates for the Florida Hurricane  
 105 Catastrophe Fund, and, subject to paragraph (3)(c), may be used  
 106 by insurers in rate filings under s. 627.062 unless the way in

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107 | which such standards and guidelines were applied by the insurer  
108 | was erroneous, as shown by a preponderance of the evidence.

109 | (3) ADOPTION AND EFFECT OF STANDARDS AND GUIDELINES.--

110 | (c) With respect to a rate filing under s. 627.062, an  
111 | insurer may employ actuarial methods, principles, standards,  
112 | models, or output ranges found by the commission to be accurate  
113 | or reliable to determine hurricane loss factors for use in a  
114 | rate filing under s. 627.062. Such, which findings and factors  
115 | are admissible and relevant in consideration of a rate filing by  
116 | the office or in any arbitration or administrative or judicial  
117 | review only if the office and the consumer advocate appointed  
118 | pursuant to s. 627.0613 have access to all of the assumptions  
119 | and factors that were used in developing the actuarial methods,  
120 | principles, standards, models, or output ranges and are not  
121 | precluded from disclosing such information in a rate proceeding.

122 | Section 3. Section 627.06281, Florida Statutes, is created  
123 | to read:

124 | 627.06281 Public hurricane loss projection model;  
125 | reporting of data by insurers.--Within 30 days after a written  
126 | request for loss data and associated exposure data by the office  
127 | or a type I center within the State University System  
128 | established to study mitigation, residential property insurers  
129 | and licensed rating and advisory organizations that compile  
130 | residential property insurance loss data shall provide loss data  
131 | and associated exposure data for residential property insurance  
132 | policies to the office or to a type I center within the State  
133 | University System established to study mitigation, as directed  
134 | by the office, for the purposes of developing, maintaining, and

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135 updating a public model for hurricane loss projections. The loss  
 136 data and associated exposure data provided shall be in writing.  
 137 Any loss data and associated exposure data provided pursuant to  
 138 this section that constitutes a trade secret as defined in s.  
 139 812.081, and as provided in s. 815.04(3), shall be subject to  
 140 the provisions of s. 815.045.

141 Section 4. Subsection (7) of section 627.0629, Florida  
 142 Statutes, is amended to read:

143 627.0629 Residential property insurance; rate filings.--

144 (7) Any rate filing that is based in whole or part on data  
 145 from a computer model may not exceed 15 ~~25~~ percent unless there  
 146 is a public hearing.

147 Section 5. Paragraphs (a), (c), and (d) of subsection (6)  
 148 of section 627.351, Florida Statutes, are amended to read:

149 627.351 Insurance risk apportionment plans.--

150 (6) CITIZENS PROPERTY INSURANCE CORPORATION.--

151 (a)1. The Legislature finds that actual and threatened  
 152 catastrophic losses to property in this state from hurricanes  
 153 have caused insurers to be unwilling or unable to provide  
 154 property insurance coverage to the extent sought and needed. It  
 155 is in the public interest and a public purpose to assist in  
 156 assuring that property in the state is insured so as to  
 157 facilitate the remediation, reconstruction, and replacement of  
 158 damaged or destroyed property in order to reduce or avoid the  
 159 negative effects otherwise resulting to the public health,  
 160 safety, and welfare; to the economy of the state; and to the  
 161 revenues of the state and local governments needed to provide  
 162 for the public welfare. It is necessary, therefore, to provide

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163 | property insurance to applicants who are in good faith entitled  
 164 | to procure insurance through the voluntary market but are unable  
 165 | to do so. The Legislature intends by this subsection that  
 166 | property insurance be provided and that it continues, as long as  
 167 | necessary, through an entity organized to achieve efficiencies  
 168 | and economies, while providing service to policyholders,  
 169 | applicants, and agents that is no less than the quality  
 170 | generally provided in the voluntary market, all toward the  
 171 | achievement of the foregoing public purposes. Because it is  
 172 | essential for the corporation to have the maximum financial  
 173 | resources to pay claims following a catastrophic hurricane, it  
 174 | is the intent of the Legislature that the income of the  
 175 | corporation be exempt from federal income taxation and that  
 176 | interest on the debt obligations issued by the corporation be  
 177 | exempt from federal income taxation.

178 |         2. The Residential Property and Casualty Joint  
 179 | Underwriting Association originally created by this statute  
 180 | shall be known, as of July 1, 2002, as the Citizens Property  
 181 | Insurance Corporation. The corporation shall provide insurance  
 182 | for residential and commercial property, for applicants who are  
 183 | in good faith entitled, but are unable, to procure insurance  
 184 | through the voluntary market. The corporation shall operate  
 185 | pursuant to a plan of operation approved by order of the office.  
 186 | The plan is subject to continuous review by the office. The  
 187 | office may, by order, withdraw approval of all or part of a plan  
 188 | if the office determines that conditions have changed since  
 189 | approval was granted and that the purposes of the plan require  
 190 | changes in the plan. For the purposes of this subsection,

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191 residential coverage includes both personal lines residential  
 192 coverage, which consists of the type of coverage provided by  
 193 homeowner's, mobile home owner's, dwelling, tenant's,  
 194 condominium unit owner's, and similar policies, and commercial  
 195 lines residential coverage, which consists of the type of  
 196 coverage provided by condominium association, apartment  
 197 building, and similar policies.

198 3. It is the intent of the Legislature that policyholders,  
 199 applicants, and agents of the corporation receive service and  
 200 treatment of the highest possible level but never less than that  
 201 generally provided in the voluntary market. It also is intended  
 202 that the corporation be held to service standards no less than  
 203 those applied to insurers in the voluntary market by the office  
 204 with respect to responsiveness, timeliness, customer courtesy,  
 205 and overall dealings with policyholders, applicants, or agents  
 206 of the corporation.

207 (c) The plan of operation of the corporation:

208 1. Must provide for adoption of residential property and  
 209 casualty insurance policy forms and commercial residential and  
 210 nonresidential property insurance forms, which forms must be  
 211 approved by the office prior to use. The corporation shall adopt  
 212 the following policy forms:

213 a. Standard personal lines policy forms that are  
 214 comprehensive multiperil policies providing full coverage of a  
 215 residential property equivalent to the coverage provided in the  
 216 private insurance market under an HO-3, HO-4, or HO-6 policy.

217 b. Basic personal lines policy forms that are policies  
 218 similar to an HO-8 policy or a dwelling fire policy that provide



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219 coverage meeting the requirements of the secondary mortgage  
220 market, but which coverage is more limited than the coverage  
221 under a standard policy.

222 c. Commercial lines residential policy forms that are  
223 generally similar to the basic perils of full coverage  
224 obtainable for commercial residential structures in the admitted  
225 voluntary market.

226 d. Personal lines and commercial lines residential  
227 property insurance forms that cover the peril of wind only. The  
228 forms are applicable only to residential properties located in  
229 areas eligible for coverage under the high-risk account referred  
230 to in sub-subparagraph (b)2.a.

231 e. Commercial lines nonresidential property insurance  
232 forms that cover the peril of wind only. The forms are  
233 applicable only to nonresidential properties located in areas  
234 eligible for coverage under the high-risk account referred to in  
235 sub-subparagraph (b)2.a.

236  
237 The dwelling limits for any personal lines policy in both the  
238 personal lines account and the high-risk account may not exceed  
239 \$1 million.

240 2.a. Must provide that the corporation adopt a program in  
241 which the corporation and authorized insurers enter into quota  
242 share primary insurance agreements for hurricane coverage, as  
243 defined in s. 627.4025(2)(a), for eligible risks, and adopt  
244 property insurance forms for eligible risks which cover the  
245 peril of wind only. As used in this subsection, the term:

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246 (I) "Quota share primary insurance" means an arrangement  
247 in which the primary hurricane coverage of an eligible risk is  
248 provided in specified percentages by the corporation and an  
249 authorized insurer. The corporation and authorized insurer are  
250 each solely responsible for a specified percentage of hurricane  
251 coverage of an eligible risk as set forth in a quota share  
252 primary insurance agreement between the corporation and an  
253 authorized insurer and the insurance contract. The  
254 responsibility of the corporation or authorized insurer to pay  
255 its specified percentage of hurricane losses of an eligible  
256 risk, as set forth in the quota share primary insurance  
257 agreement, may not be altered by the inability of the other  
258 party to the agreement to pay its specified percentage of  
259 hurricane losses. Eligible risks that are provided hurricane  
260 coverage through a quota share primary insurance arrangement  
261 must be provided policy forms that set forth the obligations of  
262 the corporation and authorized insurer under the arrangement,  
263 clearly specify the percentages of quota share primary insurance  
264 provided by the corporation and authorized insurer, and  
265 conspicuously and clearly state that neither the authorized  
266 insurer nor the corporation may be held responsible beyond its  
267 specified percentage of coverage of hurricane losses.

268 (II) "Eligible risks" means personal lines residential and  
269 commercial lines residential risks that meet the underwriting  
270 criteria of the corporation and are located in areas that were  
271 eligible for coverage by the Florida Windstorm Underwriting  
272 Association on January 1, 2002.

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273           b. The corporation may enter into quota share primary  
274 insurance agreements with authorized insurers at corporation  
275 coverage levels of 90 percent and 50 percent.

276           c. If the corporation determines that additional coverage  
277 levels are necessary to maximize participation in quota share  
278 primary insurance agreements by authorized insurers, the  
279 corporation may establish additional coverage levels. However,  
280 the corporation's quota share primary insurance coverage level  
281 may not exceed 90 percent.

282           d. Any quota share primary insurance agreement entered  
283 into between an authorized insurer and the corporation must  
284 provide for a uniform specified percentage of coverage of  
285 hurricane losses, by county or territory as set forth by the  
286 corporation board, for all eligible risks of the authorized  
287 insurer covered under the quota share primary insurance  
288 agreement.

289           e. Any quota share primary insurance agreement entered  
290 into between an authorized insurer and the corporation is  
291 subject to review and approval by the office. However, such  
292 agreement shall be authorized only as to insurance contracts  
293 entered into between an authorized insurer and an insured who is  
294 already insured by the corporation for wind coverage.

295           f. For all eligible risks covered under quota share  
296 primary insurance agreements, the exposure and coverage levels  
297 for both the corporation and authorized insurers shall be  
298 reported by the corporation to the Florida Hurricane Catastrophe  
299 Fund. For all policies of eligible risks covered under quota  
300 share primary insurance agreements, the corporation and the

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301 authorized insurer shall maintain complete and accurate records  
302 for the purpose of exposure and loss reimbursement audits as  
303 required by Florida Hurricane Catastrophe Fund rules. The  
304 corporation and the authorized insurer shall each maintain  
305 duplicate copies of policy declaration pages and supporting  
306 claims documents.

307 g. The corporation board shall establish in its plan of  
308 operation standards for quota share agreements which ensure that  
309 there is no discriminatory application among insurers as to the  
310 terms of quota share agreements, pricing of quota share  
311 agreements, incentive provisions if any, and consideration paid  
312 for servicing policies or adjusting claims.

313 h. The quota share primary insurance agreement between the  
314 corporation and an authorized insurer must set forth the  
315 specific terms under which coverage is provided, including, but  
316 not limited to, the sale and servicing of policies issued under  
317 the agreement by the insurance agent of the authorized insurer  
318 producing the business, the reporting of information concerning  
319 eligible risks, the payment of premium to the corporation, and  
320 arrangements for the adjustment and payment of hurricane claims  
321 incurred on eligible risks by the claims adjuster and personnel  
322 of the authorized insurer. Entering into a quota sharing  
323 insurance agreement between the corporation and an authorized  
324 insurer shall be voluntary and at the discretion of the  
325 authorized insurer.

326 3. May provide that the corporation may employ or  
327 otherwise contract with individuals or other entities to provide  
328 administrative or professional services that may be appropriate

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329 | to effectuate the plan. The corporation shall have the power to  
 330 | borrow funds, by issuing bonds or by incurring other  
 331 | indebtedness, and shall have other powers reasonably necessary  
 332 | to effectuate the requirements of this subsection. The  
 333 | corporation may, but is not required to, seek judicial  
 334 | validation of its bonds or other indebtedness under chapter 75.  
 335 | The corporation may issue bonds or incur other indebtedness, or  
 336 | have bonds issued on its behalf by a unit of local government  
 337 | pursuant to subparagraph (g)2., in the absence of a hurricane or  
 338 | other weather-related event, upon a determination by the  
 339 | corporation, subject to approval by the office, that such action  
 340 | would enable it to efficiently meet the financial obligations of  
 341 | the corporation and that such financings are reasonably  
 342 | necessary to effectuate the requirements of this subsection. The  
 343 | corporation is authorized to take all actions needed to  
 344 | facilitate tax-free status for any such bonds or indebtedness,  
 345 | including formation of trusts or other affiliated entities. The  
 346 | corporation shall have the authority to pledge assessments,  
 347 | projected recoveries from the Florida Hurricane Catastrophe  
 348 | Fund, other reinsurance recoverables, market equalization and  
 349 | other surcharges, and other funds available to the corporation  
 350 | as security for bonds or other indebtedness. In recognition of  
 351 | s. 10, Art. I of the State Constitution, prohibiting the  
 352 | impairment of obligations of contracts, it is the intent of the  
 353 | Legislature that no action be taken whose purpose is to impair  
 354 | any bond indenture or financing agreement or any revenue source  
 355 | committed by contract to such bond or other indebtedness.

356           4.a. Must require that the corporation operate subject to  
 357 the supervision and approval of a board of governors consisting  
 358 of 8 ~~7~~ individuals who are residents of this state, from  
 359 different geographical areas of this state, ~~appointed by the~~  
 360 ~~Chief Financial Officer~~. The Governor, the Chief Financial  
 361 Officer, the President of the Senate, and the Speaker of the  
 362 House of Representatives shall each appoint two members of the  
 363 board, effective August 1, 2005. The Chief Financial Officer  
 364 shall designate one of the appointees as chair. All board  
 365 members serve at the pleasure of the appointing officer ~~Chief~~  
 366 ~~Financial Officer~~. All board members, including the chair, must  
 367 be appointed to serve for 3-year terms beginning annually on a  
 368 date designated by the plan. Any board vacancy shall be filled  
 369 for the unexpired term by the appointing officer ~~Chief Financial~~  
 370 ~~Officer~~. The Chief Financial Officer shall appoint a technical  
 371 advisory group to provide information and advice to the board of  
 372 governors in connection with the board's duties under this  
 373 subsection. The executive director and senior managers of the  
 374 corporation shall be engaged by the board, as recommended by the  
 375 Chief Financial Officer and serve at the pleasure of the board  
 376 ~~Chief Financial Officer~~. The executive director is responsible  
 377 for employing other staff as the corporation may require,  
 378 subject to review and concurrence by the board and ~~office of~~ the  
 379 Chief Financial Officer.

380           b. The board shall create a Market Accountability Advisory  
 381 Committee to assist the corporation in developing awareness of  
 382 its rates and its customer and agent service levels in  
 383 relationship to the voluntary market insurers writing similar

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384 | coverage. The members of the advisory committee shall consist of  
 385 | the following ten persons, one of whom must be elected chair by  
 386 | the members of the committee: one representative appointed by  
 387 | each of the three largest property and casualty insurance agents  
 388 | independent trade associations in this state; three  
 389 | representatives appointed by the insurers with the three highest  
 390 | voluntary market share of residential property insurance  
 391 | business in the state; one representative from the Office of  
 392 | Insurance Regulation; one consumer appointed by the board who is  
 393 | insured by the corporation at the time of appointment to the  
 394 | committee; one representative appointed by the Florida  
 395 | Association of Realtors; and one representative appointed by the  
 396 | Florida Bankers Association. All members must serve for 3-year  
 397 | terms and may serve for consecutive terms. The committee shall  
 398 | report to the corporation at each board meeting on insurance  
 399 | market issues which may include rates and rate competition with  
 400 | the voluntary market; service, including policy issuance, claims  
 401 | processing, and general responsiveness to policyholders,  
 402 | applicants, and agents; and matters relating to depopulation.

403 |       5. Must provide a procedure for determining the  
 404 | eligibility of a risk for coverage, as follows:

405 |       a. Subject to the provisions of s. 627.3517, with respect  
 406 | to personal lines residential risks, if the risk is offered  
 407 | coverage from an authorized insurer at the insurer's approved  
 408 | rate under either a standard policy including wind coverage or,  
 409 | if consistent with the insurer's underwriting rules as filed  
 410 | with the office, a basic policy including wind coverage, the  
 411 | risk is not eligible for any policy issued by the corporation.

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412 If the risk is not able to obtain any such offer, the risk is  
413 eligible for either a standard policy including wind coverage or  
414 a basic policy including wind coverage issued by the  
415 corporation; however, if the risk could not be insured under a  
416 standard policy including wind coverage regardless of market  
417 conditions, the risk shall be eligible for a basic policy  
418 including wind coverage unless rejected under subparagraph 8.  
419 The corporation shall determine the type of policy to be  
420 provided on the basis of objective standards specified in the  
421 underwriting manual and based on generally accepted underwriting  
422 practices.

423 (I) If the risk accepts an offer of coverage through the  
424 market assistance plan or an offer of coverage through a  
425 mechanism established by the corporation before a policy is  
426 issued to the risk by the corporation or during the first 30  
427 days of coverage by the corporation, and the producing agent who  
428 submitted the application to the plan or to the corporation is  
429 not currently appointed by the insurer, the insurer shall:

430 (A) Pay to the producing agent of record of the policy,  
431 for the first year, an amount that is the greater of the  
432 insurer's usual and customary commission for the type of policy  
433 written or a fee equal to the usual and customary commission of  
434 the corporation; or

435 (B) Offer to allow the producing agent of record of the  
436 policy to continue servicing the policy for a period of not less  
437 than 1 year and offer to pay the agent the greater of the  
438 insurer's or the corporation's usual and customary commission  
439 for the type of policy written.



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440  
441 If the producing agent is unwilling or unable to accept  
442 appointment, the new insurer shall pay the agent in accordance  
443 with sub-sub-sub-subparagraph (A).

444 (II) When the corporation enters into a contractual  
445 agreement for a take-out plan, the producing agent of record of  
446 the corporation policy is entitled to retain any unearned  
447 commission on the policy, and the insurer shall:

448 (A) Pay to the producing agent of record of the  
449 corporation policy, for the first year, an amount that is the  
450 greater of the insurer's usual and customary commission for the  
451 type of policy written or a fee equal to the usual and customary  
452 commission of the corporation; or

453 (B) Offer to allow the producing agent of record of the  
454 corporation policy to continue servicing the policy for a period  
455 of not less than 1 year and offer to pay the agent the greater  
456 of the insurer's or the corporation's usual and customary  
457 commission for the type of policy written.

458  
459 If the producing agent is unwilling or unable to accept  
460 appointment, the new insurer shall pay the agent in accordance  
461 with sub-sub-sub-subparagraph (A).

462 b. With respect to commercial lines residential risks, if  
463 the risk is offered coverage under a policy including wind  
464 coverage from an authorized insurer at its approved rate, the  
465 risk is not eligible for any policy issued by the corporation.  
466 If the risk is not able to obtain any such offer, the risk is

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467 | eligible for a policy including wind coverage issued by the  
468 | corporation.

469 |       (I) If the risk accepts an offer of coverage through the  
470 | market assistance plan or an offer of coverage through a  
471 | mechanism established by the corporation before a policy is  
472 | issued to the risk by the corporation or during the first 30  
473 | days of coverage by the corporation, and the producing agent who  
474 | submitted the application to the plan or the corporation is not  
475 | currently appointed by the insurer, the insurer shall:

476 |       (A) Pay to the producing agent of record of the policy,  
477 | for the first year, an amount that is the greater of the  
478 | insurer's usual and customary commission for the type of policy  
479 | written or a fee equal to the usual and customary commission of  
480 | the corporation; or

481 |       (B) Offer to allow the producing agent of record of the  
482 | policy to continue servicing the policy for a period of not less  
483 | than 1 year and offer to pay the agent the greater of the  
484 | insurer's or the corporation's usual and customary commission  
485 | for the type of policy written.

486 |  
487 | If the producing agent is unwilling or unable to accept  
488 | appointment, the new insurer shall pay the agent in accordance  
489 | with sub-sub-sub-subparagraph (A).

490 |       (II) When the corporation enters into a contractual  
491 | agreement for a take-out plan, the producing agent of record of  
492 | the corporation policy is entitled to retain any unearned  
493 | commission on the policy, and the insurer shall:

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494 (A) Pay to the producing agent of record of the  
 495 corporation policy, for the first year, an amount that is the  
 496 greater of the insurer's usual and customary commission for the  
 497 type of policy written or a fee equal to the usual and customary  
 498 commission of the corporation; or

499 (B) Offer to allow the producing agent of record of the  
 500 corporation policy to continue servicing the policy for a period  
 501 of not less than 1 year and offer to pay the agent the greater  
 502 of the insurer's or the corporation's usual and customary  
 503 commission for the type of policy written.

504

505 If the producing agent is unwilling or unable to accept  
 506 appointment, the new insurer shall pay the agent in accordance  
 507 with sub-sub-sub-subparagraph (A).

508 6. Must include rules for classifications of risks and  
 509 rates therefor.

510 7. Must provide that if premium and investment income for  
 511 an account attributable to a particular calendar year are in  
 512 excess of projected losses and expenses for the account  
 513 attributable to that year, such excess shall be held in surplus  
 514 in the account. Such surplus shall be available to defray  
 515 deficits in that account as to future years and shall be used  
 516 for that purpose prior to assessing assessable insurers and  
 517 assessable insureds as to any calendar year.

518 8. Must provide objective criteria and procedures to be  
 519 uniformly applied for all applicants in determining whether an  
 520 individual risk is so hazardous as to be uninsurable. In making

521 | this determination and in establishing the criteria and  
522 | procedures, the following shall be considered:

523 |       a. Whether the likelihood of a loss for the individual  
524 | risk is substantially higher than for other risks of the same  
525 | class; and

526 |       b. Whether the uncertainty associated with the individual  
527 | risk is such that an appropriate premium cannot be determined.

528 |  
529 | The acceptance or rejection of a risk by the corporation shall  
530 | be construed as the private placement of insurance, and the  
531 | provisions of chapter 120 shall not apply.

532 |       9. Must provide that the corporation shall make its best  
533 | efforts to procure catastrophe reinsurance at reasonable rates,  
534 | to cover its projected 100-year probable maximum loss as  
535 | determined by the board of governors.

536 |       10. Must provide that in the event of regular deficit  
537 | assessments under sub-subparagraph (b)3.a. or sub-subparagraph  
538 | (b)3.b., in the personal lines account, the commercial lines  
539 | residential account, or the high-risk account, the corporation  
540 | shall levy upon corporation policyholders in its next rate  
541 | filing, or by a separate rate filing solely for this purpose, a  
542 | market equalization surcharge arising from a regular assessment  
543 | in such account in a percentage equal to the total amount of  
544 | such regular assessments divided by the aggregate statewide  
545 | direct written premium for subject lines of business for the  
546 | prior calendar year. Market equalization surcharges under this  
547 | subparagraph are not considered premium and are not subject to  
548 | commissions, fees, or premium taxes; however, failure to pay a

549 market equalization surcharge shall be treated as failure to pay  
550 premium.

551 11. The policies issued by the corporation must provide  
552 that, if the corporation or the market assistance plan obtains  
553 an offer from an authorized insurer to cover the risk at its  
554 approved rates, the risk is no longer eligible for renewal  
555 through the corporation.

556 12. Corporation policies and applications must include a  
557 notice that the corporation policy could, under this section, be  
558 replaced with a policy issued by an authorized insurer that does  
559 not provide coverage identical to the coverage provided by the  
560 corporation. The notice shall also specify that acceptance of  
561 corporation coverage creates a conclusive presumption that the  
562 applicant or policyholder is aware of this potential.

563 13. May establish, subject to approval by the office,  
564 different eligibility requirements and operational procedures  
565 for any line or type of coverage for any specified county or  
566 area if the board determines that such changes to the  
567 eligibility requirements and operational procedures are  
568 justified due to the voluntary market being sufficiently stable  
569 and competitive in such area or for such line or type of  
570 coverage and that consumers who, in good faith, are unable to  
571 obtain insurance through the voluntary market through ordinary  
572 methods would continue to have access to coverage from the  
573 corporation. When coverage is sought in connection with a real  
574 property transfer, such requirements and procedures shall not  
575 provide for an effective date of coverage later than the date of

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576 | the closing of the transfer as established by the transferor,  
577 | the transferee, and, if applicable, the lender.

578 |       14. Must provide that, with respect to the high-risk  
579 | account, any assessable insurer with a surplus as to  
580 | policyholders of \$25 million or less writing 25 percent or more  
581 | of its total countrywide property insurance premiums in this  
582 | state may petition the office, within the first 90 days of each  
583 | calendar year, to qualify as a limited apportionment company. In  
584 | no event shall a limited apportionment company be required to  
585 | participate in the portion of any assessment, within the high-  
586 | risk account, pursuant to sub-subparagraph (b)3.a. or sub-  
587 | subparagraph (b)3.b. in the aggregate which exceeds \$50 million  
588 | after payment of available high-risk account funds in any  
589 | calendar year. However, a limited apportionment company shall  
590 | collect from its policyholders any emergency assessment imposed  
591 | under sub-subparagraph (b)3.d. The plan shall provide that, if  
592 | the office determines that any regular assessment will result in  
593 | an impairment of the surplus of a limited apportionment company,  
594 | the office may direct that all or part of such assessment be  
595 | deferred as provided in subparagraph (g)4. However, there shall  
596 | be no limitation or deferment of an emergency assessment to be  
597 | collected from policyholders under sub-subparagraph (b)3.d.

598 |       15. Must provide that the corporation appoint as its  
599 | licensed agents only those agents who also hold an appointment  
600 | as defined in s. 626.015(3) with an insurer who at the time of  
601 | the agent's initial appointment by the corporation is authorized  
602 | to write and is actually writing personal lines residential

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603 | property coverage, commercial residential property coverage, or  
604 | commercial nonresidential property coverage within the state.

605 |       16. Must provide that for each carrier removing policies  
606 | by assumption from the personal lines account of the corporation  
607 | that carrier shall receive a minimum per policy bonus equal to  
608 | 12.5 percent of written premium for a minimum of 10,000 policies  
609 | removed with wind coverage in coastal counties, 15 percent of  
610 | written premium for a minimum of 30,000 policies removed with  
611 | wind coverage in coastal counties, and 17.5 percent of written  
612 | premium for a minimum of 50,000 policies removed with wind  
613 | coverage in coastal counties. In order to be eligible for such  
614 | per-policy bonus, the carrier must offer to issue and renew the  
615 | carrier's policy for a period of 3 years subsequent to the  
616 | expiration of the assumed policy. The carrier shall nonetheless  
617 | be eligible for such per-policy bonus if the policy is  
618 | voluntarily terminated by the insured at any time subsequent to  
619 | the insured's initial acceptance of coverage from the carrier.  
620 | Cancellation of a policy for nonpayment of premium by the  
621 | insured shall be deemed a voluntary termination by the insured.  
622 | Failure of the insured to accept the carrier's offer of renewal,  
623 | if such renewal is in accordance with the corporation's plan of  
624 | operations, shall be deemed a voluntary termination by the  
625 | insured.

626 |       (d)1. It is the intent of the Legislature that the rates  
627 | for coverage provided by the corporation be actuarially sound  
628 | and not competitive with approved rates charged in the admitted  
629 | voluntary market, so that the corporation functions as a  
630 | residual market mechanism to provide insurance only when the

631 insurance cannot be procured in the voluntary market. Rates  
 632 shall include an appropriate catastrophe loading factor that  
 633 reflects the actual catastrophic exposure of the corporation.

634 2. For each county, the average rates of the corporation  
 635 for each line of business for personal lines residential  
 636 policies excluding rates for wind-only policies shall be no  
 637 lower than the average rates charged by the insurer that had the  
 638 highest average rate in that county among the 20 insurers with  
 639 the greatest total direct written premium in the state for that  
 640 line of business in the preceding year, except that with respect  
 641 to mobile home coverages, the average rates of the corporation  
 642 shall be no lower than the average rates charged by the insurer  
 643 that had the highest average rate in that county among the 5  
 644 insurers with the greatest total written premium for mobile home  
 645 owner's policies in the state in the preceding year.

646 3. Rates for personal lines residential wind-only policies  
 647 must be actuarially sound and not competitive with approved  
 648 rates charged by authorized insurers. ~~However, for personal~~  
 649 ~~lines residential wind-only policies issued or renewed between~~  
 650 ~~July 1, 2002, and June 30, 2003, the maximum premium increase~~  
 651 ~~must be no greater than 10 percent of the Florida Windstorm~~  
 652 ~~Underwriting Association premium for that policy in effect on~~  
 653 ~~June 30, 2002, as adjusted for coverage changes and seasonal~~  
 654 ~~occupancy surcharges. For personal lines residential wind-only~~  
 655 ~~policies issued or renewed between July 1, 2003, and June 30,~~  
 656 ~~2004, the corporation shall use its existing filed and approved~~  
 657 ~~wind-only rating and classification plans, provided, however,~~  
 658 ~~that the maximum premium increase must be no greater than 20~~



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659 ~~percent of the premium for that policy in effect on June 30,~~  
660 ~~2003, as adjusted for coverage changes and seasonal occupancy~~  
661 ~~surcharges.~~ Corporation rate manuals shall include a rate  
662 surcharge for seasonal occupancy. To ensure that personal lines  
663 residential wind-only rates ~~effective on or after July 1, 2004,~~  
664 are not competitive with approved rates charged by authorized  
665 insurers, the corporation, in conjunction with the office, shall  
666 develop a wind-only ratemaking methodology, which methodology  
667 shall be contained in each a rate filing made by the corporation  
668 with the office ~~by January 1, 2004.~~ If the office thereafter  
669 determines that the wind-only rates or rating factors filed by  
670 the corporation fail to comply with the wind-only ratemaking  
671 methodology provided for in this subsection, it shall so notify  
672 the corporation and require the corporation to amend its rates  
673 or rating factors to come into compliance within 90 days of  
674 notice from the office. ~~The office shall report to the Speaker~~  
675 ~~of the House of Representatives and the President of the Senate~~  
676 ~~on the provisions of the wind-only ratemaking methodology by~~  
677 ~~January 31, 2004.~~

678 4. The provisions of subparagraph 2. do not apply to  
679 coverage provided by the corporation in any county for which the  
680 office determines that a reasonable degree of competition does  
681 not exist for personal lines residential policies. The  
682 provisions of subparagraph 3. do not apply to coverage provided  
683 by the corporation in any county for which the office determines  
684 that a reasonable degree of competition does not exist for  
685 personal lines residential policies in the area of that county  
686 which is eligible for wind-only coverage. In such counties, the

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687 rates for personal lines residential coverage shall be  
 688 actuarially sound and not excessive, inadequate, or unfairly  
 689 discriminatory and are subject to the other provisions of the  
 690 paragraph and s. 627.062. The commission may adopt rules  
 691 establishing the criteria for determining whether a reasonable  
 692 degree of competition exists for personal lines residential  
 693 policies. Beginning October 1, 2005, and each 6 months  
 694 thereafter, the office shall determine and identify those  
 695 counties for which a reasonable degree of competition does not  
 696 exist for purposes of subparagraphs 2. and 3., respectively.

697 ~~5.4.~~ Rates for commercial lines coverage shall not be  
 698 subject to the requirements of subparagraph 2., but shall be  
 699 subject to all other requirements of this paragraph and s.  
 700 627.062.

701 ~~6.5.~~ Nothing in this paragraph shall require or allow the  
 702 corporation to adopt a rate that is inadequate under s. 627.062.

703 ~~7.6.~~ The corporation shall certify to the office at least  
 704 twice annually that its personal lines rates comply with the  
 705 requirements of this paragraph ~~subparagraphs 1. and 2.~~ If any  
 706 adjustment in the rates or rating factors of the corporation is  
 707 necessary to ensure such compliance, the corporation shall make  
 708 and implement such adjustments and file its revised rates and  
 709 rating factors with the office. If the office thereafter  
 710 determines that the revised rates and rating factors fail to  
 711 comply with the provisions of this paragraph ~~subparagraphs 1.~~  
 712 ~~and 2.~~, it shall notify the corporation and require the  
 713 corporation to amend its rates or rating factors in conjunction  
 714 with its next rate filing. The office must notify the

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715 corporation by electronic means of any rate filing it approves  
716 for any insurer among the insurers referred to in subparagraph  
717 2.

718 8.7. In addition to the rates otherwise determined  
719 pursuant to this paragraph, the corporation shall impose and  
720 collect an amount equal to the premium tax provided for in s.  
721 624.509 to augment the financial resources of the corporation.

722 9.8.a. To assist the corporation in developing additional  
723 ratemaking methods to assure compliance with this paragraph  
724 ~~subparagraphs 1. and 4.~~, the corporation shall appoint a rate  
725 methodology panel consisting of one person recommended by the  
726 Florida Association of Insurance Agents, one person recommended  
727 by the Professional Insurance Agents of Florida, one person  
728 recommended by the Florida Association of Insurance and  
729 Financial Advisors, one person recommended by the insurer with  
730 the highest voluntary market share of residential property  
731 insurance business in the state, one person recommended by the  
732 insurer with the second-highest voluntary market share of  
733 residential property insurance business in the state, one person  
734 recommended by an insurer writing commercial residential  
735 property insurance in this state, one person recommended by the  
736 Office of Insurance Regulation, and one board member designated  
737 by the board chairman, who shall serve as chairman of the panel.

738 ~~b. By January 1, 2004, the rate methodology panel shall~~  
739 ~~provide a report to the corporation of its findings and~~  
740 ~~recommendations for the use of additional ratemaking methods and~~  
741 ~~procedures, including the use of a rate equalization surcharge~~  
742 ~~in an amount sufficient to assure that the total cost of~~

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743 ~~coverage for policyholders or applicants to the corporation is~~  
744 ~~sufficient to comply with subparagraph 1.~~

745 ~~e. Within 30 days after such report, the corporation shall~~  
746 ~~present to the President of the Senate, the Speaker of the House~~  
747 ~~of Representatives, the minority party leaders of each house of~~  
748 ~~the Legislature, and the chairs of the standing committees of~~  
749 ~~each house of the Legislature having jurisdiction of insurance~~  
750 ~~issues, a plan for implementing the additional ratemaking~~  
751 ~~methods and an outline of any legislation needed to facilitate~~  
752 ~~use of the new methods.~~

753 ~~d. The plan must include a provision that producer~~  
754 ~~commissions paid by the corporation shall not be calculated in~~  
755 ~~such a manner as to include any rate equalization surcharge.~~  
756 ~~However, without regard to the plan to be developed or its~~  
757 ~~implementation, producer commissions paid by the corporation for~~  
758 ~~each account, other than the quota share primary program, shall~~  
759 ~~remain fixed as to percentage, effective rate, calculation, and~~  
760 ~~payment method until January 1, 2004.~~

761 10.9. ~~By January 1, 2004, The corporation shall develop a~~  
762 ~~notice to policyholders or applicants that the rates of Citizens~~  
763 ~~Property Insurance Corporation are intended to be higher than~~  
764 ~~the rates of any admitted carrier except when the provisions of~~  
765 ~~subparagraph 4. apply and providing other information the~~  
766 ~~corporation deems necessary to assist consumers in finding other~~  
767 ~~voluntary admitted insurers willing to insure their property.~~

768 Section 6. Subsection (1) of section 627.411, Florida  
769 Statutes, is amended to read:

770 627.411 Grounds for disapproval.--

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771 (1) The office shall disapprove any form filed under s.  
772 627.410, or withdraw any previous approval thereof, only if the  
773 form:

774 (a) Is in any respect in violation of, or does not comply  
775 with, this code.

776 (b) Contains or incorporates by reference, where such  
777 incorporation is otherwise permissible, any inconsistent,  
778 ambiguous, or misleading clauses, or exceptions and conditions  
779 which deceptively affect the risk purported to be assumed in the  
780 general coverage of the contract.

781 (c) Has any title, heading, or other indication of its  
782 provisions which is misleading.

783 (d) Is printed or otherwise reproduced in such manner as  
784 to render any material provision of the form substantially  
785 illegible.

786 (e) Contains provisions that are unfair or inequitable or  
787 contrary to the public policy of this state or that encourage  
788 misrepresentation.

789 (f)(e) Is for health insurance, and:

790 1. Provides benefits that are unreasonable in relation to  
791 the premium charged.†

792 ~~2. Contains provisions that are unfair or inequitable or~~  
793 ~~contrary to the public policy of this state or that encourage~~  
794 ~~misrepresentation;†~~

795 ~~2.3-~~ Contains provisions that apply rating practices that  
796 result in unfair discrimination pursuant to s. 626.9541(1)(g)2.

797 (g)(f) Excludes coverage for human immunodeficiency virus  
798 infection or acquired immune deficiency syndrome or contains

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799 | limitations in the benefits payable, or in the terms or  
 800 | conditions of such contract, for human immunodeficiency virus  
 801 | infection or acquired immune deficiency syndrome which are  
 802 | different than those which apply to any other sickness or  
 803 | medical condition.

804 | Section 7. Subsections (1) and (7) of section 627.7015,  
 805 | Florida Statutes, are amended to read:

806 | 627.7015 Alternative procedure for resolution of disputed  
 807 | property insurance claims.--

808 | (1) PURPOSE AND SCOPE.--This section sets forth a  
 809 | nonadversarial alternative dispute resolution procedure for a  
 810 | mediated claim resolution conference prompted by the need for  
 811 | effective, fair, and timely handling of property insurance  
 812 | claims. There is a particular need for an informal,  
 813 | nonthreatening forum for helping parties who elect this  
 814 | procedure to resolve their claims disputes because most  
 815 | homeowner's and commercial residential insurance policies  
 816 | obligate insureds to participate in a potentially expensive and  
 817 | time-consuming adversarial appraisal process prior to  
 818 | litigation. The procedure set forth in this section is designed  
 819 | to bring the parties together for a mediated claims settlement  
 820 | conference without any of the trappings or drawbacks of an  
 821 | adversarial process. Before resorting to these procedures,  
 822 | insureds and insurers are encouraged to resolve claims as  
 823 | quickly and fairly as possible. This section is available with  
 824 | respect to claims under personal lines and commercial  
 825 | residential policies for all claimants and insurers prior to  
 826 | commencing the appraisal process, or commencing litigation. If

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827 requested by the insured, participation by legal counsel shall  
 828 be permitted. Mediation under this section is also available to  
 829 litigants referred to the department by a county court or  
 830 circuit court. This section does not apply to commercial  
 831 coverages, to private passenger motor vehicle insurance  
 832 coverages, or to disputes relating to liability coverages in  
 833 policies of property insurance.

834 (7) If the insurer fails to comply with subsection (2) by  
 835 failing to notify a first-party claimant of its right to  
 836 participate in the mediation program under this section or if  
 837 the insurer requests the mediation, and the mediation results  
 838 are rejected by either party, the insured shall not be required  
 839 to submit to or participate in any contractual loss appraisal  
 840 process of the property loss damage as a precondition to legal  
 841 action for breach of contract against the insurer for its  
 842 failure to pay the policyholder's claims covered by the policy.

843 Section 8. Section 627.706, Florida Statutes, is amended  
 844 to read:

845 627.706 Sinkhole insurance; definitions.--

846 (1) Every insurer authorized to transact property  
 847 insurance in this state shall make available coverage for  
 848 insurable sinkhole losses on any structure, including contents  
 849 of personal property contained therein, to the extent provided  
 850 in the form to which the sinkhole coverage attaches.

851 (2) As used in this section and s. 627.7065, and as used  
 852 in connection with any policy providing coverage for sinkhole  
 853 losses:

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854        (a) "Sinkhole" means a landform created by subsidence of  
 855 soil, sediment, or rock as underlying strata are dissolved by  
 856 ground water. A sinkhole may form by collapse into subterranean  
 857 voids created by dissolution of limestone or dolostone or by  
 858 subsidence as these strata are dissolved.

859        (b) "Sinkhole loss" means structural damage to a the  
 860 building caused by sinkhole activity. Contents coverage shall  
 861 apply only if there is structural damage to the building caused  
 862 by sinkhole activity. Building coverage shall apply only to the  
 863 reasonable costs to stabilize the land and building if necessary  
 864 and to repair the damage to the foundation, subject to the  
 865 coverage and terms of the policy.

866        (c)(3) "Sinkhole activity loss" means actual physical  
 867 damage to the covered property ~~covered~~ arising out of or caused  
 868 by sudden settlement or collapse of the earth supporting such  
 869 property only when such settlement or collapse results from  
 870 movement or raveling of soils, sediments, or rock materials from  
 871 the surface into subterranean voids created by the effect ~~action~~  
 872 of water on a limestone or similar rock formation.

873        (3)(4) Every insurer authorized to transact property  
 874 insurance in this state shall make a proper filing with the  
 875 office for the purpose of extending the appropriate forms of  
 876 property insurance to include coverage for insurable sinkhole  
 877 losses.

878        Section 9. Section 627.7065, Florida Statutes, is created  
 879 to read:



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880        627.7065 Database of information relating to sinkholes;  
 881 the Department of Financial Services and the Department of  
 882 Environmental Protection.--

883        (1) The Legislature finds that there has been a dramatic  
 884 increase in the number of sinkholes and insurance claims for  
 885 sinkhole damage in the state during the past 10 years.  
 886 Accordingly, the Legislature recognizes the need to track  
 887 current and past sinkhole activity and to make the information  
 888 available for prevention and remediation activities. The  
 889 Legislature further finds that the Florida Geological Survey of  
 890 the Department of Environmental Protection has created a partial  
 891 database of some sinkholes identified in Florida, although the  
 892 database is not reflective of all sinkholes or insurance claims  
 893 for sinkhole damage. The Legislature determines that creating a  
 894 complete electronic database of sinkhole activity serves an  
 895 important purpose in protecting the public and in studying  
 896 property claims activities in the insurance industry.

897        (2) The Department of Financial Services, including the  
 898 employee of the Division of Consumer Services designated as the  
 899 primary contact for consumers on issues relating to sinkholes,  
 900 and the Office of the Insurance Consumer Advocate shall consult  
 901 with the Florida Geological Survey and the Department of  
 902 Environmental Protection to implement a statewide automated  
 903 database of sinkholes and related activity identified in the  
 904 state.

905        (3) Representatives of the Department of Financial  
 906 Services, with the agreement of the Department of Environmental  
 907 Protection, shall determine the form and content of the

908 | database. The content may include standards for reporting and  
 909 | investigating sinkholes for inclusion in the database and  
 910 | requirements for insurers to report to the departments the  
 911 | receipt of claims involving sinkhole loss and other similar  
 912 | activities. The Department of Financial Services may require  
 913 | insurers to report present and past data of sinkhole claims. The  
 914 | database also may include information of damage due to ground  
 915 | settling and other subsidence activity.

916 |       (4) The Department of Financial Services may manage the  
 917 | database or may contract for its management and maintenance. The  
 918 | Department of Environmental Protection shall investigate reports  
 919 | of sinkhole activity and include its findings and investigations  
 920 | in the database.

921 |       (5) The Department of Environmental Protection, in  
 922 | consultation with the Department of Financial Services, shall  
 923 | present a report of activities relating to the sinkhole  
 924 | database, including recommendations regarding the database and  
 925 | similar matters, to the Governor, the Speaker of the House of  
 926 | Representatives, the President of the Senate, and the Chief  
 927 | Financial Officer by December 31, 2005. The report may consider  
 928 | the need for the Legislature to create an entity to study the  
 929 | increase in sinkhole activity in the state and other similar  
 930 | issues relating to sinkhole damage, including recommendations  
 931 | and costs for staffing the entity. The report may include other  
 932 | information, as appropriate.

933 |       (6) The Department of Financial Services, in consultation  
 934 | with the Department of Environmental Protection, may adopt rules  
 935 | to implement the provisions of this section.

936           Section 10. The Auditor General shall perform an  
 937 operational audit, as defined in s. 11.45(1), Florida Statutes,  
 938 of Citizens Property Insurance Corporation created under s.  
 939 627.351(6), Florida Statutes. The scope of the audit shall also  
 940 include:

941           (1) An analysis of the corporation's infrastructure,  
 942 customer service, claims handling, accessibility of policyholder  
 943 information to the agent of record, take-out programs, take-out  
 944 bonuses, and financing arrangements.

945           (2) An evaluation of costs associated with the  
 946 administration and servicing of the policies issued by the  
 947 corporation to determine alternatives by which costs can be  
 948 reduced, customer service improved, and claims handling  
 949 improved.

950  
 951 The audit shall contain policy alternatives for the Legislature  
 952 to consider. The Auditor General shall submit a report to the  
 953 Governor, the President of the Senate, and the Speaker of the  
 954 House of Representatives no later than February 1, 2006.

955           Section 11. The board of governors of Citizens Property  
 956 Insurance Corporation created by section 627.351(6), Florida  
 957 Statutes, shall, by February 1, 2006, submit a report to the  
 958 President of the Senate, the Speaker of the House of  
 959 Representatives, the minority party leaders of the Senate and  
 960 the House of Representatives, and the chairs of the standing  
 961 committees of the Senate and the House of Representatives having  
 962 jurisdiction over matters relating to property and casualty

963 insurance. The report shall include the board's findings and  
 964 recommendations on the following issues:

965 (1) The number of policies and the aggregate premium of  
 966 Citizens Property Insurance Corporation, before and after  
 967 enactment of this act, and projections for future policy and  
 968 premium growth.

969 (2) Increases or decreases in availability of residential  
 970 property coverage in the voluntary market and the effectiveness  
 971 of this act in improving the availability of residential  
 972 property coverage in the voluntary market in the state.

973 (3) The board's efforts to depopulate the corporation and  
 974 the willingness of insurers in the voluntary market to avail  
 975 themselves of depopulation incentives.

976 (4) Further actions that could be taken by the Legislature  
 977 to improve availability of residential property coverage in the  
 978 voluntary and residual markets.

979 (5) Actions that the board has taken to restructure the  
 980 corporation and recommendations for legislative action to  
 981 restructure the corporation, including, but not limited to,  
 982 actions relating to claims handling and customer service.

983 (6) Projected surpluses or deficits and possible means of  
 984 providing funding to ensure the continued solvency of the  
 985 corporation.

986 (7) The corporation's efforts to procure catastrophe  
 987 reinsurance to cover its projected 100-year probable maximum  
 988 loss with specification as to what best efforts were made by the  
 989 corporation to procure such reinsurance.

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990           (8) Such other issues as the board determines are worthy  
 991 of the Legislature's consideration.

992           Section 12. (1) Section 2 of this act shall take effect  
 993 on the same date that House Bill 1939 or similar legislation  
 994 takes effect, if such legislation is adopted in the same  
 995 legislative session or an extension thereof and becomes a law.

996           (2) Section 3 of this act shall take effect on the same  
 997 date that House Bill 1939 or similar legislation takes effect,  
 998 if such legislation is adopted in the same legislative session  
 999 or an extension thereof and becomes a law.

1000           Section 13. Except as otherwise provided herein, this act  
 1001 shall take effect July 1, 2005.