

By Senator Bennett

21-1520-05

See HB

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

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

9
 10 Section 1. Paragraph (d) of subsection (6) of section
 11 627.351, Florida Statutes, is amended to read:

12 627.351 Insurance risk apportionment plans.--

13 (6) CITIZENS PROPERTY INSURANCE CORPORATION.--

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

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

1 rates of the corporation shall be no lower than the average
2 rates charged by ~~the insurer that had the highest average rate~~
3 ~~in that county among the 5 insurers with the greatest total~~
4 ~~written premium~~ for mobile home owner's policies in the state
5 in the preceding year.

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

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

9 | 4. Rates for commercial lines coverage shall not be
10 | subject to the requirements of subparagraph 2., but shall be
11 | subject to all other requirements of this paragraph and s.
12 | 627.062.

13 | 5. Nothing in this paragraph shall require or allow
14 | the corporation to adopt a rate that is inadequate under s.
15 | 627.062.

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

30 | 7. In addition to the rates otherwise determined
31 | pursuant to this paragraph, the corporation shall impose and

1 collect an amount equal to the premium tax provided for in s.
2 624.509 to augment the financial resources of the corporation.

3 8.a. To assist the corporation in developing
4 additional ratemaking methods to assure compliance with
5 subparagraphs 1. and 4., the corporation shall appoint a rate
6 methodology panel consisting of one person recommended by the
7 Florida Association of Insurance Agents, one person
8 recommended by the Professional Insurance Agents of Florida,
9 one person recommended by the Florida Association of Insurance
10 and Financial Advisors, one person recommended by the insurer
11 with the highest voluntary market share of residential
12 property insurance business in the state, one person
13 recommended by the insurer with the second-highest voluntary
14 market share of residential property insurance business in the
15 state, one person recommended by an insurer writing commercial
16 residential property insurance in this state, one person
17 recommended by the Office of Insurance Regulation, and one
18 board member designated by the board chairman, who shall serve
19 as chairman of the panel.

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

27 c. Within 30 days after such report, the corporation
28 shall present to the President of the Senate, the Speaker of
29 the House of Representatives, the minority party leaders of
30 each house of the Legislature, and the chairs of the standing
31 committees of each house of the Legislature having

1 jurisdiction of insurance issues, a plan for implementing the
2 additional ratemaking methods and an outline of any
3 legislation needed to facilitate use of the new methods.

4 d. The plan must include a provision that producer
5 commissions paid by the corporation shall not be calculated in
6 such a manner as to include any rate equalization surcharge.
7 However, without regard to the plan to be developed or its
8 implementation, producer commissions paid by the corporation
9 for each account, other than the quota share primary program,
10 shall remain fixed as to percentage, effective rate,
11 calculation, and payment method until January 1, 2004.

12 9. By January 1, 2004, the corporation shall develop a
13 notice to policyholders or applicants that the rates of
14 Citizens Property Insurance Corporation are intended to be
15 higher than the rates of any admitted carrier and providing
16 other information the corporation deems necessary to assist
17 consumers in finding other voluntary admitted insurers willing
18 to insure their property.

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