

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: Banking and Insurance Committee

BILL: CS/SB 1012

INTRODUCER: Banking and Insurance Committee and Senator Geller

SUBJECT: Citizens Property Insurance Corporation - Deficit Assessment Relief

DATE: April 5 2006

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Emrich</u>	<u>Deffenbaugh</u>	<u>BI</u>	<u>Fav/CS</u>
2.	_____	_____	<u>GE</u>	_____
3.	_____	_____	<u>GA</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

Senate Bill 1012 provides a mechanism for funding the Citizens Property Insurance Corporation (Citizens), the Florida Catastrophe Fund, and the housing retrofitting programs under the Office of the Governor, under specified circumstances. The bill provides for the following:

1. If Citizens sustains a deficit due to the impact of one or more named hurricanes or tropical storms during any calendar year, including any deficit that resulted from such impact during the previous calendar year, but that was not realized until the current calendar year, the Citizens' Board of Governors must certify to the Revenue Estimating Conference the amount of the deficit.
2. The certification must be done by March 15th of the year following the year in which the deficit is incurred by Citizens.
3. By July 1st of the year of the certification, the Revenue Estimating Conference must estimate the net increased revenues accruing to the General Revenue Fund due to sales taxes imposed under ch. 212, F.S., for the fiscal year during which the impact occurred and for the following fiscal year, which increase is attributable to such impact.
4. By July 31st following such certification, the Chief Financial Officer must transfer moneys from the General Revenue Fund in an amount equal to the increased revenues estimated by the Revenue Estimating Conference as follows:
 - Forty percent to Citizens to be used to offset assessments that would otherwise have been made against assessable insurers and insureds under this provision.
 - Forty percent to the Florida Hurricane Catastrophe Fund.
 - Twenty percent to the Executive Office of the Governor for purposes of funding the housing retrofit program to be administered by the office.

5. If the estimated increased sales tax revenues are greater than the certified deficit by Citizens, the Chief Financial Officer must transfer an amount equal to such revenues from the General Revenue Fund as follows:
 - Eighty percent to the Florida Hurricane Catastrophe Fund.
 - Twenty percent to the Executive Office of the Governor for purposes of funding the housing retrofit program to be administered by the office.
6. If Citizens does not sustain a deficit, the Chief Financial Officer must transfer an amount equal to such revenues from the General Revenue Fund to the same entities and at the same percentages as outlined under 5., above.
7. The legislation also provides that subject to appropriations by the Legislature, the provisions of this act apply to the deficit incurred by Citizens for fiscal years 2004 and 2005.

The bill has a fiscal impact on state government as it mandates how any increased sales tax revenue attributable to hurricanes or tropical storms will be used.

This bill substantially amends sections 627.351 of the Florida Statutes.

II. Present Situation:

The 2004 & 2005 Hurricane Season

The 2004 and 2005 hurricane seasons were particularly destructive to Florida, with four hurricanes hitting Florida each year. The four hurricanes in 2004 resulted in 1.66 million insurance claims and \$20.9 billion dollars of insured losses in the Florida market.¹ Claim and loss statistics from the 2005 hurricanes are still in development and being reported, but as of March 17, 2006, the number of reported insurance claims totals 1.1 million and the gross insured losses in the state are estimated to be \$12.7 billion. Just for Hurricane Wilma alone, as of March 17, 2006, insurers have already paid over \$8.4 billion in insurance proceeds for claims.²

Additional Sales Tax Revenue from the 2004 & 2005 Hurricane Seasons

The 2004 and 2005 hurricane seasons generated sales tax revenue in an amount in excess of the amount that was anticipated. The increased sales tax revenue comes, in part, from additional purchases of building supplies for mitigation, repair, and rebuilding. The additional revenue is a nonrecurring revenue.

The Revenue Estimating Conference estimated the state received an additional \$751,900,000 in sales tax revenue as a result of the 2004 hurricane season. The amount was divided over two fiscal years as follows: \$319,800,000 for fiscal year 2004-2005 and \$432,100,000 for fiscal year 2005-2006. The Revenue Estimating Conference has not estimated the increased sales tax revenue resulting from the 2005 hurricanes.

¹ The Task Force on Long Term Solutions to Florida's Hurricane Insurance Market report adopted March 6, 2006, page 11. (citing the Office of Insurance Regulation's (OIR) disaster reporting data system)

² Information received from the OIR on March 22, 2006.

Although the state received increased sales tax revenue as a result of the 2004 hurricanes, it also spent large amounts of money due to the hurricanes, such as for beach restoration and for state matching funds for Federal Emergency Management Agency (FEMA) funds. The following chart outlines the state’s authorized and estimated expenditures of the increased sales tax revenue from the 2004 hurricane season:

2004 Hurricane Season			
FUNDS AVAILABLE	Recurring	Non-Rec.	Total
Incremental Increase to Revenue Estimate	0.0	751.9	751.9
Total Funds Available	0.0	751.9	751.9
EXPENDITURES (authorized & estimated)	Recurring	Non-Rec.	Total
State Match for FEMA Funds	0.0	403.0	403.0
BA - Emergency Food Stamp Services	0.0	1.3	1.3
BA - Grants to Public Schools	0.0	12.1	12.1
BA - Visit Florida for Tourism	0.0	4.8	4.8
SB 8-A Property Tax /Mobile Homes	0.0	35.1	35.1
SB 14-A Beaches and Dunes	0.0	64.6	64.6
SB 16-A Agricultural Programs	0.0	7.1	7.1
HB 1889 Doc Stamp Surplus for Housing	0.0	250.0	250.0
05/06 GAA Grants to Schools	0.0	12.7	12.7
Total State Expenditures	0.0	790.7	790.7
ENDING BALANCE	0.0	(38.8)	(38.8)

NOTE: Expenditures do not include the various loan programs.

Citizens Property Insurance Corporation -- Background

In 2002, the Florida Legislature created Citizens Property Insurance Corporation (Citizens) which combined the then existing Florida Residential Property and Casualty Joint Underwriting Association (RPCJUA) and the Florida Windstorm Underwriting Association (FWUA). Citizens is the state’s “insurer of last resort” and a property is eligible for coverage with Citizens only if there is no other offer from an authorized insurer.

Citizens operates under the direction of an 8-member Board of Governors, two each appointed by the Governor, Chief Financial Officer, the Senate President, and the Speaker of the House of Representatives for 3-year terms. The Chief Financial Officer also appoints a technical advisory board to provide information and advice to the Board of Governors. Citizens offers three types of property and casualty insurance in three separate accounts:

1. Personal Lines Account (PLA) which covers homeowners, mobile homeowners, dwelling fire, tenants, condominium unit owners and similar policies;

2. Commercial Lines Account (CLA) covering condominium associations, apartment buildings and homeowners associations; and
3. High-Risk Account (HRA) which covers personal lines windstorm-only policies, commercial residential wind-only policies and commercial non-residential wind-only policies.

As of February 28, 2006, Citizens provided coverage to 815,482 policyholders, making Citizens the second largest insurer in Florida. The numbers of policyholders in the three accounts are: PLA - 445,513, CLA - 3,167, and HRA - 366,802.³ Currently, Citizens is averaging 30,000 new applications for coverage per month. At this rate, it is soon likely to become the largest insurer in Florida.

The High-Risk Account provides windstorm only coverage. Citizens provides coverage in specially designated areas which have been determined to be particularly vulnerable to severe hurricane damage. In these “wind only” zones, private insurers may offer other peril insurance, but are not required to provide windstorm coverage. For the HRA policies in effect on February 28, 2006, Citizens reports approximately \$767 million generated in premiums, representing an exposure of approximately \$135 billion.⁴ The premiums generated by the HRA policies account for approximately 55 percent of all premiums generated and represents 64 percent of Citizens’ total exposure.

In 2004 and 2005, Citizens policyholders were impacted by all four hurricanes hitting Florida. Citizens reports 120,000 claims have been filed for the four 2004 hurricanes and 165,000 claims for the 2005 hurricanes. As of February 1, 2006, Citizens has paid over \$2.5 billion in claims for the 2004 hurricane season and an additional \$775 million in claims for the 2005 hurricane season.⁵ Hurricane Wilma was especially devastating for Citizens. This hurricane accounted for over 145,216 claims. As of February 28, 2006, Citizens has paid over \$1.3 billion in losses for Hurricane Wilma and estimates its total losses will be over \$2.3 billion.⁶

Citizens’ Deficits

Generally, if Citizens does not have adequate funds to pay claims in any of its three accounts (i.e. a deficit), it may levy regular assessments for each such account against property insurers, including surplus lines insurers, up to 10 percent of each insurer’s net written premium from the prior year for subject lines of business.⁷ The deficit amount is divided up only among property insurers (i.e. Citizens policyholders are not included).

An insurer must pay the company’s assessment share within 30 days of receipt of notification from Citizens; however, it can recoup its assessment share from its individual policyholders by adding a surcharge to the premium upon renewal of the policy. If this deficit collection is not

³ http://www.citizensfla.com/Exposure_Prem_Reports.asp (last viewed April 2, 2006).

⁴ *Id.*

⁵ See Citizens Property Insurance Corporation Board of Governor’s Report to the Florida Legislature dated February 1, 2006.

⁶ Data from Citizens as of March 13, 2006.

⁷ Subject lines of business that are subject to Citizens’ deficit assessment include insurance for: fire, industrial fire, allied lines, farm owners multiperil, homeowners multiperil, commercial multiperil, and mobile homes, and includes liability coverage on all such insurance except for inland marine and certain vehicle insurance other than the insurance on mobile homes used as permanent dwellings.

sufficient, Citizens may issue revenue bonds funded by multi-year emergency assessments collected by insurers as premium surcharges on all property insurance policyholders in the state, generally limited to 10 percent of premium, or 10 percent of the deficit, whichever is greater.

Citizens policyholders are charged a surcharge (called a “market equalization surcharge”) in the same percentage amount non-Citizens homeowners are charged. However, the amount Citizens expects to collect by its surcharge levy is not used to reduce the amount of assessment charged to Florida homeowners. In other words, Citizens collects money from Florida homeowners in an amount sufficient to cover its deficit and then collects an additional amount from its policyholders.

Currently, Citizens’ assessment base has about \$8.3 billion in premium, so a one-time regular assessment would generate about \$830 million.⁸

Prior to the 2004 hurricane season, Citizens had a surplus of about \$1.1 billion for its High Risk Account and \$700 million for the PLA/CLA combined. Citizens’ claims losses related to the 2004 hurricane season amounted to more than \$2.4 billion, depleting its entire surplus in the High Risk Account. Thus, Citizens incurred a \$516 million deficit in the HRA. The other two accounts (PLA and CLA) did not incur deficits.

The \$516 million deficit translates into statewide average 6.8 percent assessment on all non-Citizens insured homeowners in Florida. However, Citizens policyholders will also pay a 6.8 percent assessment, a “market equalization surcharge,” upon renewal of their policy. Historically, joint underwriting authorities have used an assessment mechanism to fund deficits.⁹ Florida’s assessment mechanism for the property and casualty joint underwriting authority has been in place since the mid 1970s. The following chart outlines the assessments made by the property and casualty joint underwriting authority since 1970:

Year	Account	Principal Storm(s)	Assessment Amount
1975	HRA	Hurricane Eloise	\$ 5.0 million
1985	HRA	Hurricane Elena	\$ 3.2 million
1992	HRA	Hurricane Andrew	\$ 16.2 million
1993	HRA	Winter Storm	\$ 3.2 million
1994	PLA	Non-hurricane	\$ 17.7 million
1995	HRA	Hurricane Opal	\$ 84 million
1995	PLA	Hurricane Opal	\$ 22.8 million
1998	HRA	Hurricane George and Tropical Storm Mitch	\$100 million

Source: Citizens Property Insurance Corporation (August 25, 2005)

Although all of the assessments outlined above were levied before the creation of Citizens, they were levied by the predecessor “insurer of last resort” for property and casualty insurance

⁸ Personal communication with representatives from Citizens.

⁹ See s. 617.3512, F.S.; s. 627.311(5)(d), F.S. (relating to the Florida Workers’ Compensation Joint Underwriting Association); s. 627.351(4)(e), F.S. (relating to the Medical Malpractice Joint Underwriting Association).

(i.e. the Florida Residential Property and Casualty Joint Underwriting Association (RPCJUA) or the Florida Windstorm Underwriting Association (FWUA)).

Citizens started the 2005 hurricane season with no surplus in the HRA.¹⁰ Because this account sustained losses again in 2005 as a result of the 2005 hurricanes, Citizens incurred a deficit for the second year in a row. Although Citizens does not have actuarially determined amounts of its 2005 deficit, it estimates the deficit in the High Risk Account will be \$1.7 billion, however, this amount includes worsening loss development for claims from 2004.

¹¹

Citizens started the 2005 hurricane season with an estimated \$162 million surplus in the PLA and \$25.7 million surplus in the CLA.¹² For 2005, Citizens estimates a deficit of \$82 million in the PLA and a deficit of \$4 million in the CLA for 2005.¹³

The assessment amount needed to cover the 2005 deficit has not yet been determined.

Florida Hurricane Catastrophe Fund

The Florida Hurricane Catastrophe Fund (FHCF or “fund”) is a tax-exempt trust fund created after Hurricane Andrew as a form of mandatory reinsurance for residential property insurers.¹⁴ All insurers that write residential property insurance in Florida are required to buy reimbursement coverage (reinsurance) on their residential property exposure through the FHCF. The FHCF is administered by the State Board of Administration (SBA) and is a tax-exempt source of reimbursement to property insurers for a selected percentage (45, 75, or 90 percent) of hurricane losses above the insurer’s retention/deductible.

Because the FHCF provides insurers an additional source of reinsurance to what is available in the private market, insurers are generally able to write more residential property insurance in the state than would otherwise be written. Because reinsurance purchased through the FHCF is significantly less expensive than private reinsurance, the FHCF also acts to lower residential property insurance premiums for consumers.

The FHCF must charge insurers the “actuarially indicated” premium for the coverage provided, based on hurricane loss projection models found acceptable by the Florida Commission on Hurricane Loss Projection Methodology. Each insurer’s “reimbursement premium” is different, based on the insured value of the residential property it insures, their location, construction type, deductible amounts, and other factors.

Under current law, the maximum amount the FHCF must pay in any 1 year is \$15 billion, adjusted annually based on the percentage growth in fund exposure, but not to exceed the dollar growth in the cash balance of the fund.¹⁵ The total industry retention is \$4.5 billion per hurricane,

¹⁰ Personal communication from a representative of Citizens.

¹¹ *Id.*

¹² *Id.*

¹³ *Id.*

¹⁴ s. 215.555, F.S.

¹⁵ s. 215.555((4)(c)1., F.S.

also adjusted annually based on the FHCF's exposure (regardless of any change in the FHCF's cash balance).¹⁶

The FHCF generally operates on a "contract year." The contract year runs from June 1st to May 31st of the next calendar year. The start of hurricane season coincides with the start of the fund's contract year.

For the current 2005-06 contract year (June 1, 2005 – May 31, 2006), the insurance industry as a whole has an aggregate retention of \$4.5 billion, meaning the total of all individual insurer retentions/deductibles will hypothetically total to \$4.5 billion per event, assuming all participating insurers reached their retention. Although the insurance industry's aggregate deductible/retention totals \$4.5 billion, loss recovery from the FHCF is based on an individual insurer meeting its own retention prior to losses being reimbursed. The industry aggregate retention is expected to grow to \$5.3 billion for the 2006-2007 contract year.

Each insurer must meet a retention/deductible before FHCF monies are available to pay claims. The retention level for each insurer is different because the retention level is based on the amount of premium the insurer pays to the FHCF. Insurers with a high FHCF premium will absorb more as a retention/deductible than an insurer with a low FHCF premium. The insurer must meet its retention level for each storm in a hurricane season before the FHCF will step in to pay its claims. For insurers who experience losses due to multiple storms in a year, the insurer's full retention is applied to the two storms causing its two largest losses and its retention for the other storms causing loss is one-third of the full retention.¹⁷

As with the FHCF retention/deductible levels, every insurer participating in the FHCF has coverage based on its FHCF reimbursement premium. Each insurer has a maximum amount of coverage the FHCF will pay for claims each year. The maximum amount of coverage is different for each insurer because it is linked directly to the amount of premiums the insurer pays to the FHCF. Thus, insurers that pay higher premiums to the FHCF have more coverage than those that pay lower premiums. For the current contract year (2005-2006), the insurance industry as a whole is covered for up to \$15 billion, meaning \$15 billion is the most the FHCF will pay to the insurance industry on claims for a hurricane season. The coverage limit for the fund for the 2006-2007 contract year will remain at \$15 billion because the fund's capacity may not grow more than the growth in the fund's cash balance.

Additionally, insurers also choose a percentage level of reimbursement by the FHCF. By statute, insurers can select 45, 75, or 90 percent coverage reimbursement for losses that exceed its deductible/retention for each hurricane.¹⁸ Most insurers choose the 90 percent reimbursement percentage.¹⁹ This means once an insurer triggers FHCF coverage, 90 percent of its losses will be covered by the FHCF, up to the insurer's limit of coverage. Insurers may purchase additional reinsurance in the private market to cover their hurricane losses for amounts below the retention, amounts above their reimbursement limit, or for the coinsurance amount (e.g., 10 percent) that is the insurer's responsibility for the layer of coverage provided by the FHCF.

¹⁶ s. 215.555(1)(e)1., F.S.

¹⁷ s. 215.555(1)(e)4., F.S.

¹⁸ s. 215.555(1)(e)2., F.S.

¹⁹ Florida Hurricane Catastrophe Fund, Fiscal Year 2003-2004 Annual Report 23.

If the cash balance of the fund is not sufficient to cover losses, the law allows the issuance of revenue bonds, which are funded by emergency assessments on property and casualty policyholders.²⁰

The FHCF is authorized to levy emergency assessments against all property and casualty insurance premiums paid by policyholders (other than workers' compensation and, until June 1, 2007, medical malpractice), including surplus lines policyholders, when reimbursement premiums and other fund resources are insufficient to cover the fund's obligations.²¹ Annual assessments (which have never been levied) are capped at 6 percent of premium with respect to losses from any 1 year and a maximum of 10 percent of premium to fund hurricane losses from multiple years.²²

The FHCF is expected to pay out \$3.8 billion to insurers as a result of the 2004 hurricanes; to date, the fund has already paid \$3.5 billion to insurers. Because the amount paid in 2004 was less than the FHCF's cash balance, bonding was not necessary. However, the loss estimates for the FHCF are estimates and as losses develop, the actual payments may exceed the current estimates.

For the current 2005-2006 contract year, the fund's \$15 billion capacity consists of \$3 billion in cash (before losses) and \$12 billion in bonding capacity. The FHCF is expected to pay out \$3.3 billion to insurers as a result of the 2005 hurricane season; approximately \$2.2 billion has actually been paid by the fund to insurers. The remainder will be paid out as insurers request reimbursement and provide proof of losses.

Based on the latest data, the FHCF believes it may have a cash shortfall and will have to bond in order to pay claims from the 2005 hurricane season. The fund is currently estimating a cash shortfall of \$264 million.²³ However, the loss estimates for the FHCF are still preliminary and as losses develop, the estimated cash shortfall amount may change. The FHCF predicts it will have no cash on hand entering the 2006 hurricane season. This puts the FHCF at its greatest risk of having to issue bonds since its inception.

Because the FHCF is not likely to have cash to carry over to fund claims resulting from the 2006 hurricane season, it will have to rely solely on premiums collected in 2006 to reimburse insurers for losses. This makes bonding more likely if the fund has to pay claims as a result of 2006 hurricanes. The fund's anticipated premium revenue for 2006 is \$800 million.²⁴ However, premiums to the FHCF are paid by insurers in three installments, on June 1, October 1, and December 1, 2006. Thus, should an early season hurricane occur, it may be necessary for the FHCF to borrow money to cover losses. For low amounts of losses, this could be done with a simple loan. For large amounts of loss, revenue bonds would need to be issued.

²⁰ s. 215.555(6)(a)1., F.S., s. 215.555(6)(b)1., F.S.

²¹ s. 215.555(6)(b)1., F.S., s. 215.555(6)(b)(10), F.S.

²² s. 215.555(6)(b)2., F.S.

²³ Memorandum regarding FHCF Losses Update & Activity Report to the State Board of Administration from Coleman Stipanovich dated March 21, 2006.

²⁴ Florida Hurricane Catastrophe Fund 2006 *Ratemaking Formula Report to the State Board of Administration (March 27, 2006.)*

In summary, from the inception of the fund in 1993 until the 2004 hurricane season, the fund paid insurers for claims for only two hurricanes, Hurricanes Erin and Opal in 1995. Until 2004, the amount the FHCF paid to insurers totaled approximately \$13 million. Thus, going into the 2004 hurricane season the FHCF had accumulated over \$6 billion in cash. As a result of the 2004 hurricanes, the fund has spent or expects to spend almost \$3.8 billion of its cash reimbursing insurers for hurricane losses. Going into the 2005 hurricane season, the fund's cash had decreased to \$3 billion. With reimbursement to insurers for 2005 hurricane losses expected to be \$3.3 billion, the fund anticipates it may have to bond to pay claims and will start the 2006 hurricane season with no cash. Thus, it is important to note that the \$6 billion it took the FHCF to accumulate over ten years was depleted in just two years.

Hurricane Loss Mitigation Funding

Section 215.559, F.S. directs the Legislature to annually appropriate at least \$10 million from the FHCF, but no more than 35 percent of the investment income from the prior fiscal year for hurricane loss mitigation programs.²⁵ Actual annual legislative appropriations have ranged from the minimum \$10 million to \$30 million.

The Hurricane Loss Mitigation Program (Mitigation Program) within the Department of Community Affairs (DCA) was created in 1999, with an annual appropriation of \$10 million from the FHCF, to fund programs for improving the wind resistance of residences and mobile homes to prevent or reduce losses or reduce the costs of rebuilding after a disaster.²⁶ Three (\$3) million from the Mitigation Program is statutorily directed to retrofitting public facilities to be used as hurricane shelters while the remaining \$7 million, is appropriated for the Residential Construction Mitigation Program (RCMP) administered by DCA and statutorily allocated as follows:

- 40 percent (\$2.8 million) is used to inspect and improve tie-downs for mobile homes;
- 10 percent (\$700,000) is directed to the Type I Center of the State University System dedicated to hurricane research, e.g., Florida International University; and
- The remainder (50 percent or \$3.5 million) is generally directed to programs developed by the DCA with advice from an Advisory Council to help prevent or reduce losses to residences and mobile homes or to reduce the cost of rebuilding after a disaster.

One of the programs funded by the \$3.5 million allocation directs grants targeting homes in the Governor's designated Front Porch communities to provide hazard mitigation upgrades to low-to-moderate income homes.

III. Effect of Proposed Changes:

Section 1. Amends s. 627.351, F.S., pertaining to Citizens Corporation. The bill provides a mechanism for funding the Citizens Property Insurance Corporation (Citizens), the Florida Catastrophe Fund and the housing retrofitting programs under the Office of the Governor, under specified circumstances. The bill provides for the following:

²⁵ s. 215.555(7), F.S.

²⁶ s. 215.559, F.S.

1. If Citizens sustains a deficit due to the impact of one or more named hurricanes or tropical storms during any calendar year, including any deficit that resulted from such impact during the previous calendar year, but that was not realized until the current calendar year, the Citizens' Board of Governors must certify to the Revenue Estimating Conference the amount of the deficit.

2. The certification must be done by March 15th of the year following the year in which the deficit is incurred by Citizens.

3. By July 1st of the year of the certification, the Revenue Estimating Conference must estimate the net increased revenues accruing to the General Revenue Fund due to sales taxes imposed under ch. 212, F.S., for the fiscal year during which the impact occurred and for the following fiscal year, which increase is attributable to such impact.

4. By July 31st following such certification, the Chief Financial Officer must transfer moneys from the General Revenue Fund in an amount equal to the increased revenues estimated by the Revenue Estimating Conference as follows:

- Forty percent to Citizens to be used to offset assessments that would otherwise have been made against assessable insurers and insureds under this provision.
- Forty percent to the Florida Hurricane Catastrophe Fund.
- Twenty percent to the Executive Office of the Governor for purposes of funding the housing retrofit program to be administered by the office.

5. If the estimated increased sales tax revenues are greater than the certified deficit by Citizens, the Chief Financial Officer must transfer an amount equal to such revenues from the General Revenue Fund as follows:

- Eighty percent to the Florida Hurricane Catastrophe Fund.
- Twenty percent to the Executive Office of the Governor for purposes of funding the housing retrofit program to be administered by the office.

6. If Citizens does not sustain a deficit, the Chief Financial Officer must transfer an amount equal to such revenues from the General Revenue Fund to the same entities and at the same percentages as outlined under 5., above.

7. The legislation also provides that subject to appropriations by the Legislature, the provisions of this act apply to the deficit incurred by Citizens for fiscal years 2004 and 2005.

Section 2. Provides that the act will take effect upon becoming a law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Policyholders in the private insurance market are required to pay assessments to defray any Citizens' and FHCF deficit. Thus, providing funding for any deficits through increased sales tax revenue will eliminate or reduce the amount policyholders have to pay for the deficits. For the Citizens' deficit, the policyholders in the private market that are assessed are those who have residential property insurance in Florida. For the FHCF deficit, however, the policyholders in the private market that are assessed are all property and casualty policyholders, except workers' compensation and medical malpractice (for the next year). These policyholders include homeowners, automobile owners, and commercial property owners.

C. Government Sector Impact:

The provision in the bill under Section 1 which provides that the Revenue Estimating Conference must estimate the "net increased revenues" would refer to the incremental increase to revenue estimate (\$751.9 million) as outlined in the chart for the 2004 Hurricane Season (*see*, page 3, under Present Situation).

Local governments are required to pay assessments to defray any Citizens' and FHCF deficit. Thus, providing funding for any deficits through increased sales tax revenue will eliminate or reduce the amount local governments have to pay for the deficits.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Summary of Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
