

By Senator Fasano

11-934-06

See HB 223

1                                   A bill to be entitled

2           An act relating to Citizens Property Insurance

3           Corporation residential property insurance

4           rates; amending s. 627.351, F.S.; providing

5           additional legislative intent relating to

6           coverage rates provided by the Citizens

7           Property Insurance Corporation; specifying

8           nonapplication of certain policy requirements

9           in postal zip code areas lacking any

10          competition for personal lines residential

11          policies under certain circumstances; requiring

12          the Financial Services Commission to adopt

13          rules; requiring the Office of Insurance

14          Regulation to periodically determine and

15          identify postal zip code areas in which no

16          competition exists for personal lines

17          residential policies; deleting an obsolete rate

18          methodology panel reporting requirement

19          provision; providing an effective date.

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

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23           Section 1. Paragraph (d) of subsection (6) of section

24 627.351, Florida Statutes, is amended to read:

25           627.351 Insurance risk apportionment plans.--

26           (6) CITIZENS PROPERTY INSURANCE CORPORATION.--

27           (d)1. It is the intent of the Legislature that the

28 rates for coverage provided by the corporation be actuarially

29 sound and not competitive with approved rates charged in the

30 admitted voluntary market, so that the corporation functions

31 as a residual market mechanism to provide insurance only when

1 | the insurance cannot be procured in the voluntary market.  
2 | Rates shall include an appropriate catastrophe loading factor  
3 | that reflects the actual catastrophic exposure of the  
4 | corporation.

5 |       2.a. Except as provided in subparagraph 3., for each  
6 | county, the average rates of the corporation for each line of  
7 | business for personal lines residential policies excluding  
8 | rates for wind-only policies shall be no lower than the  
9 | average rates charged by the insurer that had the highest  
10 | average rate in that county among the 20 insurers with the  
11 | greatest total direct written premium in the state for that  
12 | line of business in the preceding year, except that with  
13 | respect to mobile home coverages, the average rates of the  
14 | corporation shall be no lower than the average rates charged  
15 | by the insurer that had the highest average rate in that  
16 | county among the 5 insurers with the greatest total written  
17 | premium for mobile home owner's policies in the state in the  
18 | preceding year.

19 |       ~~b.3-~~ Rates for personal lines residential wind-only  
20 | policies must be actuarially sound and not competitive with  
21 | approved rates charged by authorized insurers. Corporation  
22 | rate manuals shall include a rate surcharge for seasonal  
23 | occupancy. To ensure that personal lines residential wind-only  
24 | rates are not competitive with approved rates charged by  
25 | authorized insurers, the corporation, in conjunction with the  
26 | office, shall develop a wind-only ratemaking methodology,  
27 | which methodology shall be contained in each rate filing made  
28 | by the corporation with the office. If the office determines  
29 | that the wind-only rates or rating factors filed by the  
30 | corporation fail to comply with the wind-only ratemaking  
31 | methodology provided for in this subsection, it shall so

1 | notify the corporation and require the corporation to amend  
2 | its rates or rating factors to come into compliance within 90  
3 | days of notice from the office.

4 |       3. The provisions of sub-subparagraph 2.a. do not  
5 | apply to coverage provided by the corporation in any area of a  
6 | postal zip code for which the office determines that no  
7 | competition exists for personal lines residential policies.  
8 | The provisions of sub-subparagraph 2.b. do not apply to  
9 | coverage provided by the corporation in any area of a postal  
10 | zip code for which the office determines that no competition  
11 | exists for personal lines residential policies in the portion  
12 | of the area of that postal zip code which is eligible for  
13 | wind-only coverage. In such postal zip code areas, the rates  
14 | for personal lines residential coverage must only be  
15 | actuarially sound and not excessive, inadequate, or unfairly  
16 | discriminatory and are subject to the other provisions of this  
17 | paragraph and s. 627.062. The commission shall adopt rules  
18 | establishing criteria for determining whether no competition  
19 | exists for personal lines residential policies in an area of a  
20 | postal zip code. Beginning October 1, 2006, and each 3 months  
21 | thereafter, the office shall determine and identify for  
22 | purposes of this subparagraph those areas of postal zip codes  
23 | for which no competition exists for personal lines residential  
24 | policies.

25 |       4. For the purposes of establishing a pilot program to  
26 | evaluate issues relating to the availability and affordability  
27 | of insurance in an area where historically there has been  
28 | little market competition, the provisions of sub-subparagraph  
29 | 2.a. ~~subparagraph 2.~~ do not apply to coverage provided by the  
30 | corporation in Monroe County if the office determines that a  
31 | reasonable degree of competition does not exist for personal

1 | lines residential policies. The provisions of sub-subparagraph  
2 | 2.b. ~~subparagraph 3.~~ do not apply to coverage provided by the  
3 | corporation in Monroe County if the office determines that a  
4 | reasonable degree of competition does not exist for personal  
5 | lines residential policies in the area of that county which is  
6 | eligible for wind-only coverage. In this county, the rates for  
7 | personal lines residential coverage shall be actuarially sound  
8 | and not excessive, inadequate, or unfairly discriminatory and  
9 | are subject to the other provisions of the paragraph and s.  
10 | 627.062. The commission shall adopt rules establishing the  
11 | criteria for determining whether a reasonable degree of  
12 | competition exists for personal lines residential policies in  
13 | Monroe County. By March 1, 2006, the office shall submit a  
14 | report to the Legislature providing an evaluation of the  
15 | implementation of the pilot program affecting Monroe County.

16 |         5. Rates for commercial lines coverage shall not be  
17 | subject to the requirements of sub-subparagraph 2.a.  
18 | ~~subparagraph 2.~~, but shall be subject to all other  
19 | requirements of this paragraph and s. 627.062.

20 |         6. Nothing in this paragraph shall require or allow  
21 | the corporation to adopt a rate that is inadequate under s.  
22 | 627.062.

23 |         7. The corporation shall certify to the office at  
24 | least twice annually that its personal lines rates comply with  
25 | the requirements of this paragraph ~~subparagraphs 1. and 2.~~ If  
26 | any adjustment in the rates or rating factors of the  
27 | corporation is necessary to ensure such compliance, the  
28 | corporation shall make and implement such adjustments and file  
29 | its revised rates and rating factors with the office. If the  
30 | office thereafter determines that the revised rates and rating  
31 | factors fail to comply with the provisions of this paragraph

1 ~~subparagraphs 1. and 2.,~~ the office ~~it~~ shall notify the  
2 corporation and require the corporation to amend its rates or  
3 rating factors in conjunction with its next rate filing. The  
4 office must notify the corporation by electronic means of any  
5 rate filing it approves for any insurer among the insurers  
6 referred to in sub-subparagraph 2.a ~~subparagraph 2.~~

7 8. In addition to the rates otherwise determined  
8 pursuant to this paragraph, the corporation shall impose and  
9 collect an amount equal to the premium tax provided for in s.  
10 624.509 to augment the financial resources of the corporation.

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

28 ~~b. By January 1, 2004, the rate methodology panel~~  
29 ~~shall provide a report to the corporation of its findings and~~  
30 ~~recommendations for the use of additional ratemaking methods~~  
31 ~~and procedures, including the use of a rate equalization~~

1 ~~surcharge in an amount sufficient to assure that the total~~  
2 ~~cost of coverage for policyholders or applicants to the~~  
3 ~~corporation is sufficient to comply with subparagraph 1.~~

4 ~~c. Within 30 days after such report, the corporation~~  
5 ~~shall present to the President of the Senate, the Speaker of~~  
6 ~~the House of Representatives, the minority party leaders of~~  
7 ~~each house of the Legislature, and the chairs of the standing~~  
8 ~~committees of each house of the Legislature having~~  
9 ~~jurisdiction of insurance issues, a plan for implementing the~~  
10 ~~additional ratemaking methods and an outline of any~~  
11 ~~legislation needed to facilitate use of the new methods.~~

12 ~~d. The plan must include a provision that producer~~  
13 ~~commissions paid by the corporation shall not be calculated in~~  
14 ~~such a manner as to include any rate equalization surcharge.~~  
15 ~~However, without regard to the plan to be developed or its~~  
16 ~~implementation, producer commissions paid by the corporation~~  
17 ~~for each account, other than the quota share primary program,~~  
18 ~~shall remain fixed as to percentage, effective rate,~~  
19 ~~calculation, and payment method until January 1, 2004.~~

20 10. ~~By January 1, 2004,~~ The corporation shall develop  
21 a notice to policyholders or applicants that the rates of  
22 Citizens Property Insurance Corporation are intended to be  
23 higher than the rates of any admitted carrier and providing  
24 other information the corporation deems necessary to assist  
25 consumers in finding other voluntary admitted insurers willing  
26 to insure their property.

27 Section 2. This act shall take effect July 1, 2006.  
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