

Bill No. CS for CS for SB 1980

Barcode 114110

CHAMBER ACTION

Senate

House

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Senator Geller moved the following **amendment to amendment**  
(021596):

**Senate Amendment (with title amendment)**

On page 65, line 7, through  
page 70, line 18, delete those lines

and insert:

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

2.a. Except as provided in subparagraph 3., for each county, the average rates of the corporation for each line of business for personal lines residential policies excluding rates for wind-only policies shall be no lower than the

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

11 ~~b.3.~~ Rates for personal lines residential wind-only  
12 policies must be actuarially sound and not competitive with  
13 approved rates charged by authorized insurers. Corporation  
14 rate manuals shall include a rate surcharge for seasonal  
15 occupancy. To ensure that personal lines residential wind-only  
16 rates are not competitive with approved rates charged by  
17 authorized insurers, the corporation, in conjunction with the  
18 office, shall develop a wind-only ratemaking methodology,  
19 which methodology shall be contained in each rate filing made  
20 by the corporation with the office. If the office determines  
21 that the wind-only rates or rating factors filed by the  
22 corporation fail to comply with the wind-only ratemaking  
23 methodology provided for in this subsection, it shall so  
24 notify the corporation and require the corporation to amend  
25 its rates or rating factors to come into compliance within 90  
26 days of notice from the office.

27 3. The provisions of sub-subparagraph 2.a. do not  
28 apply to coverage provided by the corporation in any area of a  
29 postal zip code for which the office determines that no  
30 competition exists for personal lines residential policies.  
31 The provisions of sub-subparagraph 2.b. do not apply to

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

17           4. For the purposes of establishing a pilot program to  
 18 evaluate issues relating to the availability and affordability  
 19 of insurance in an area where historically there has been  
 20 little market competition, the provisions of sub-subparagraph  
 21 2.a. subparagraph 2. do not apply to coverage provided by the  
 22 corporation in Monroe County if the office determines that a  
 23 reasonable degree of competition does not exist for personal  
 24 lines residential policies. The provisions of sub-subparagraph  
 25 2.b. subparagraph 3. do not apply to coverage provided by the  
 26 corporation in Monroe County if the office determines that a  
 27 reasonable degree of competition does not exist for personal  
 28 lines residential policies in the area of that county which is  
 29 eligible for wind-only coverage. In this county, the rates for  
 30 personal lines residential coverage shall be actuarially sound  
 31 and not excessive, inadequate, or unfairly discriminatory and

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1 are subject to the other provisions of the paragraph and s.  
2 627.062. The commission shall adopt rules establishing the  
3 criteria for determining whether a reasonable degree of  
4 competition exists for personal lines residential policies in  
5 Monroe County. By March 1, 2006, the office shall submit a  
6 report to the Legislature providing an evaluation of the  
7 implementation of the pilot program affecting Monroe County.

8           5. Rates for commercial lines coverage shall not be  
9 subject to the requirements of sub-subparagraph 2.a.  
10 ~~subparagraph 2.~~, but shall be subject to all other  
11 requirements of this paragraph and s. 627.062.

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

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

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

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

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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 10. ~~By January 1, 2004,~~ The corporation shall develop  
13 a 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.

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

22 And the title is amended as follows:

23 On page 5, lines 13-15, delete those lines

24

25 and insert:

26 certain determination; providing additional  
27 legislative intent relating to coverage rates  
28 provided by the Citizens Property Insurance  
29 Corporation; specifying nonapplication of  
30 certain policy requirements in postal zip code  
31 areas lacking any competition for personal

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1 lines residential policies under certain  
2 circumstances; requiring the Financial Services  
3 Commission to adopt rules; requiring the Office  
4 of Insurance Regulation to periodically  
5 determine and identify postal zip code areas in  
6 which no competition exists for personal lines  
7 residential policies; deleting an obsolete rate  
8 methodology panel reporting requirement  
9 provision;

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