

1 A bill to be entitled
 2 An act relating to Citizens Property Insurance Corporation
 3 residential property insurance rates; amending s. 627.351,
 4 F.S.; providing additional legislative intent relating to
 5 coverage rates provided by the Citizens Property Insurance
 6 Corporation; specifying nonapplication of certain policy
 7 requirements in postal zip code areas lacking any
 8 competition for personal lines residential policies under
 9 certain circumstances; requiring the Financial Services
 10 Commission to adopt rules; requiring the Office of
 11 Insurance Regulation to periodically determine and
 12 identify postal zip code areas in which no competition
 13 exists for personal lines residential policies; deleting
 14 an obsolete rate methodology panel reporting requirement
 15 provision; providing an effective date.

16
 17 Be It Enacted by the Legislature of the State of Florida:

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 19 Section 1. Paragraph (d) of subsection (6) of section
 20 627.351, Florida Statutes, is amended to read:

21 627.351 Insurance risk apportionment plans.--

22 (6) CITIZENS PROPERTY INSURANCE CORPORATION.--

23 (d)1. It is the intent of the Legislature that the rates
 24 for coverage provided by the corporation be actuarially sound
 25 and not competitive with approved rates charged in the admitted
 26 voluntary market, so that the corporation functions as a
 27 residual market mechanism to provide insurance only when the
 28 insurance cannot be procured in the voluntary market. Rates

29 shall include an appropriate catastrophe loading factor that
30 reflects the actual catastrophic exposure of the corporation.

31 2.a. Except as provided in subparagraph 3., for each
32 county, the average rates of the corporation for each line of
33 business for personal lines residential policies excluding rates
34 for wind-only policies shall be no lower than the average rates
35 charged by the insurer that had the highest average rate in that
36 county among the 20 insurers with the greatest total direct
37 written premium in the state for that line of business in the
38 preceding year, except that with respect to mobile home
39 coverages, the average rates of the corporation shall be no
40 lower than the average rates charged by the insurer that had the
41 highest average rate in that county among the 5 insurers with
42 the greatest total written premium for mobile home owner's
43 policies in the state in the preceding year.

44 ~~b.3.~~ Rates for personal lines residential wind-only
45 policies must be actuarially sound and not competitive with
46 approved rates charged by authorized insurers. Corporation rate
47 manuals shall include a rate surcharge for seasonal occupancy.
48 To ensure that personal lines residential wind-only rates are
49 not competitive with approved rates charged by authorized
50 insurers, the corporation, in conjunction with the office, shall
51 develop a wind-only ratemaking methodology, which methodology
52 shall be contained in each rate filing made by the corporation
53 with the office. If the office determines that the wind-only
54 rates or rating factors filed by the corporation fail to comply
55 with the wind-only ratemaking methodology provided for in this
56 subsection, it shall so notify the corporation and require the

57 corporation to amend its rates or rating factors to come into
58 compliance within 90 days of notice from the office.

59 3. The provisions of sub-subparagraph 2.a. do not apply to
60 coverage provided by the corporation in any area of a postal zip
61 code for which the office determines that no competition exists
62 for personal lines residential policies. The provisions of sub-
63 subparagraph 2.b. do not apply to coverage provided by the
64 corporation in any area of a postal zip code for which the
65 office determines that no competition exists for personal lines
66 residential policies in the portion of the area of that postal
67 zip code that is eligible for wind-only coverage. In such postal
68 zip code areas, the rates for personal lines residential
69 coverage must only be actuarially sound and not excessive,
70 inadequate, or unfairly discriminatory and are subject to the
71 other provisions of this paragraph and s. 627.062. The
72 commission shall adopt rules establishing criteria for
73 determining whether no competition exists for personal lines
74 residential policies in an area of a postal zip code. Beginning
75 October 1, 2006, and each 3 months thereafter, the office shall
76 determine and identify for purposes of this subparagraph those
77 areas of postal zip codes for which no competition exists for
78 personal lines residential policies.

79 4. For the purposes of establishing a pilot program to
80 evaluate issues relating to the availability and affordability
81 of insurance in an area where historically there has been little
82 market competition, the provisions of sub-subparagraph 2.a.
83 ~~subparagraph 2.~~ do not apply to coverage provided by the
84 corporation in Monroe County if the office determines that a

85 reasonable degree of competition does not exist for personal
86 lines residential policies. The provisions of sub-subparagraph
87 2.b. subparagraph 3. do not apply to coverage provided by the
88 corporation in Monroe County if the office determines that a
89 reasonable degree of competition does not exist for personal
90 lines residential policies in the area of that county which is
91 eligible for wind-only coverage. In this county, the rates for
92 personal lines residential coverage shall be actuarially sound
93 and not excessive, inadequate, or unfairly discriminatory and
94 are subject to the other provisions of the paragraph and s.
95 627.062. The commission shall adopt rules establishing the
96 criteria for determining whether a reasonable degree of
97 competition exists for personal lines residential policies in
98 Monroe County. By March 1, 2006, the office shall submit a
99 report to the Legislature providing an evaluation of the
100 implementation of the pilot program affecting Monroe County.

101 5. Rates for commercial lines coverage shall not be
102 subject to the requirements of sub-subparagraph 2.a.
103 ~~subparagraph 2.~~, but shall be subject to all other requirements
104 of this paragraph and s. 627.062.

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

107 7. The corporation shall certify to the office at least
108 twice annually that its personal lines rates comply with the
109 requirements of this paragraph ~~subparagraphs 1. and 2.~~ If any
110 adjustment in the rates or rating factors of the corporation is
111 necessary to ensure such compliance, the corporation shall make
112 and implement such adjustments and file its revised rates and

113 rating factors with the office. If the office thereafter
 114 determines that the revised rates and rating factors fail to
 115 comply with the provisions of this paragraph ~~subparagraphs 1.~~
 116 ~~and 2.~~, the office ~~it~~ shall notify the corporation and require
 117 the corporation to amend its rates or rating factors in
 118 conjunction with its next rate filing. The office must notify
 119 the corporation by electronic means of any rate filing it
 120 approves for any insurer among the insurers referred to in sub-
 121 subparagraph 2.a ~~subparagraph 2.~~

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

126 9.~~a.~~ To assist the corporation in developing additional
 127 ratemaking methods to ensure ~~assure~~ compliance with this
 128 paragraph ~~subparagraphs 1. and 4.~~, the corporation shall appoint
 129 a rate methodology panel consisting of one person recommended by
 130 the Florida Association of Insurance Agents, one person
 131 recommended by the Professional Insurance Agents of Florida, one
 132 person recommended by the Florida Association of Insurance and
 133 Financial Advisors, one person recommended by the insurer with
 134 the highest voluntary market share of residential property
 135 insurance business in the state, one person recommended by the
 136 insurer with the second-highest voluntary market share of
 137 residential property insurance business in the state, one person
 138 recommended by an insurer writing commercial residential
 139 property insurance in this state, one person recommended by the

140 Office of Insurance Regulation, and one board member designated
 141 by the board chairman, who shall serve as chairman of the panel.

142 ~~b. By January 1, 2004, the rate methodology panel shall~~
 143 ~~provide a report to the corporation of its findings and~~
 144 ~~recommendations for the use of additional ratemaking methods and~~
 145 ~~procedures, including the use of a rate equalization surcharge~~
 146 ~~in an amount sufficient to assure that the total cost of~~
 147 ~~coverage for policyholders or applicants to the corporation is~~
 148 ~~sufficient to comply with subparagraph 1.~~

149 ~~e. Within 30 days after such report, the corporation shall~~
 150 ~~present to the President of the Senate, the Speaker of the House~~
 151 ~~of Representatives, the minority party leaders of each house of~~
 152 ~~the Legislature, and the chairs of the standing committees of~~
 153 ~~each house of the Legislature having jurisdiction of insurance~~
 154 ~~issues, a plan for implementing the additional ratemaking~~
 155 ~~methods and an outline of any legislation needed to facilitate~~
 156 ~~use of the new methods.~~

157 ~~d. The plan must include a provision that producer~~
 158 ~~commissions paid by the corporation shall not be calculated in~~
 159 ~~such a manner as to include any rate equalization surcharge.~~
 160 ~~However, without regard to the plan to be developed or its~~
 161 ~~implementation, producer commissions paid by the corporation for~~
 162 ~~each account, other than the quota share primary program, shall~~
 163 ~~remain fixed as to percentage, effective rate, calculation, and~~
 164 ~~payment method until January 1, 2004.~~

165 10. ~~By January 1, 2004,~~ The corporation shall develop a
 166 notice to policyholders or applicants that the rates of Citizens
 167 Property Insurance Corporation are intended to be higher than

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168 | the rates of any admitted carrier and providing other
169 | information the corporation deems necessary to assist consumers
170 | in finding other voluntary admitted insurers willing to insure
171 | their property.

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