HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 551 Citizens Property Insurance Corporation Deficit Assessment Relief
SPONSOR(S): Ryan
TIED BILLS: **IDEN./SIM. BILLS:** SB 1012

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Insurance Committee		Callaway	Cooper
2) Finance & Tax Committee			
3) Fiscal Council			
4) Commerce Council			
5)			

SUMMARY ANALYSIS

The bill provides a mechanism for funding future deficits of Citizens Property Insurance Corporation (Citizens) and the Florida Hurricane Catastrophe Fund (FHCF). The bill requires the Chief Financial Officer to transfer moneys in the General Revenue Fund attributable to increased sales tax revenue resulting from future hurricanes to Citizens to be used to eliminate or reduce any deficit in Citizens.

The bill outlines a procedure for the transfer of funds. If Citizens believes it will sustain a deficit due to claims from one or more hurricanes or tropical storms in a calendar year, the Citizens' Board of Governors must certify to the Revenue Estimating Conference the amount of the deficit. This certification must be done by March 15th of the year following the year in which the deficit is incurred by Citizens. By July 1st of the year of the certification, the Revenue Estimating Conference must estimate the net increased revenues to the General Revenue Fund due to sales taxes associated with the hurricanes or tropical storms. The estimate must be for the year during which the hurricane or tropical storm occurred and for the subsequent year.

By July 31st the Chief Financial Officer must transfer money from the General Revenue Fund to Citizens. The amount of money transferred is the amount of increased sales tax revenue estimated by the Revenue Estimating Conference; however, the amount cannot be more than the deficit amount certified by Citizens. Citizens must use the money transferred to offset its deficit, thus eliminating or reducing the assessment required by law to be made against property insurers and likely passed on to policyholders in the private market. If the increased sales tax revenue amount is more than the certified Citizens' deficit, the bill requires the remaining amount to be transferred to the FHCF.

The bill is prospective only in application. Accordingly, any increased sales tax revenue attributable to the 2004 and 2005 hurricanes cannot be used to fund the estimated Citizens' deficit ($1.7 billion) or the estimated FHCF deficit ($264 million) resulting from the 2005 hurricane season.

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. It has a fiscal impact on local governments and the private sector as the bill will likely eliminate or reduce the amount of assessment these entities pay to defray any future Citizens' and/or FHCF deficits.

The bill is effective upon becoming a law.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Provide Limited Government: This bill would require all the additional sales tax revenue the state receives due to hurricanes or tropical storms to be used to defray any deficit incurred by Citizens and any deficit incurred by the FHCF if there is any remaining revenue after Citizens' deficit is paid.

Promote Personal Responsibility: Using additional sales tax revenue to pay off Citizens' or the FHCF's deficits will eliminate or reduce the assessments Floridians are required by law to pay in order to eliminate these deficits.

B. EFFECT OF PROPOSED CHANGES:

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 are currently estimated at one million insurance claims and $14 billion in insured losses in Florida. Just for Hurricane Wilma alone, as of March 17, 2006 insurers have already paid over $8.3 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.

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.

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[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 based on data collected as of March 17, 2006.

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	Rec	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)	**Rec**	**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, 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 polices and commercial non-residential wind-only policies.

As of January 31, 2006, Citizens provided coverage to 796,524 policyholders, making Citizens the second largest insurer in Florida. The numbers of policyholders in the three accounts are: PLA -- 367,305; CLA -- 3,148, and HRA – 426,071.[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.

[3] http://www.citizensfla.com/Exposure_Prem_Reports.asp (last viewed March 8, 2006).

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 January 31, 2006, Citizens reports approximately $756 million generated in premiums, representing an exposure of approximately $134 billion.[4] The premiums generated by the HRA policies account for approximately 55% of all premiums generated and represents 64% 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 145,000 claims. As of February 28, 2006, Citizens has paid over $1 billion in losses for Hurricane Wilma and estimates its total losses will be over $2 billion.[6]

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% 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).

The 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 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% of premium, or 10% of the deficit, whichever is greater.

Citizens policyholders are charged a surcharge (called a “market equalization surcharge”) in the same percentage amount nonCitizens 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% assessment on all non-Citizens insured homeowners in Florida. However, Citizens policyholders will also pay a 6.8% assessment, a “market equalization surcharge,” upon renewal of their policy.

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4 Id.

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

6 Personal communication from a representative at Citizens on file with the Insurance Committee.

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.

8 Personal communication with representatives from Citizens on November 29, 2005.

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 (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 $1.6 billion.[11]

Citizens started the 2005 hurricane season with an estimated $62 million surplus in the PLA and $26 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 (FHCF or fund)

Background

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 who 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 could 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.

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[9] *See* s. 617.3512, F.S. (2005); s. 627.311(5)(d), F.S. (2005) (relating to the Florida Workers' Compensation Joint Underwriting Association); s. 627.351(4)(e), F.S. (2005) (relating to the Medical Malpractice Joint Underwriting Association)
[10] Personal communication from a representative of Citizens on file with the Insurance Committee.
[11] Personal communication from a representative of Citizens on file with the Insurance Committee.
[12] Personal communication from a representative of Citizens on file with the Insurance Committee.
[13] Personal communication from a representative of Citizens on file with the Insurance Committee.
[14] s. 215.555, F.S. (2005).

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, 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 $5.4 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 does not grow in years the fund's cash balance declines. This will happen in 2005 due to payouts on 2005 hurricane losses.

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,

[15] s. 215.555((4)(c)1., F.S. (2005).
[16] s. 215.555(1)(e)1., F.S. (2005).
[17] s. 215.555(1)(e)4., F.S. (2005).
[18] s. 215.555(1)(e)2., F.S. (2005).
[19] Florida Hurricane Catastrophe Fund, Fiscal Year 2003-2004 Annual Report 23.

amounts above their reimbursement limit, or for the coinsurance amount (e.g., 10%) that is the insurer's responsibility for the layer of coverage provided by the FHCF.

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% of premium with respect to losses from any 1 year and a maximum of 10% 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 equals $750 million. However, premiums to the FHCF are paid by insurers in three installments. Thus, $750 million is not likely to be available to pay claims at the start of the 2006-2007 contract year (June 1, 2006). Rather, the fund anticipates a cash inflow of $250 million by August 1, 2006, another $250 million by October 1, 2006, and a final $250 million by 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 bridge loan. For large amounts of loss, revenue bonds would need to be issued.

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.

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[20] s. 215.555(6)(a)1., F.S. (2005); s. 215.555(6)(b)1., F.S. (2005).
[21] s. 215.555(6)(b)1., F.S. (2005); s. 215.555(6)(b)(10), F.S. (2005).
[22] s. 215.555(6)(b)2., F.S. (2005).
[23] Memorandum regarding FHCF Losses Update & Activity Report to the State Board of Administration from Coleman Stipanovich dated March 21, 2006, on file with the Insurance Committee.

Changes Proposed By the Bill

The bill provides a mechanism for funding future deficits of Citizens and the FHCF. To that end, the bill requires the Chief Financial Officer to transfer moneys in the General Revenue Fund attributable to increased sales tax revenue resulting from future hurricanes to Citizens to be used to eliminate or reduce any deficit in Citizens.

The bill outlines a procedure for the transfer of funds. If Citizens believes it will sustain a deficit due to claims from one or more hurricanes or tropical storms in a calendar year, the Citizens' Board of Governors must certify to the Revenue Estimating Conference the amount of the deficit. This certification must be done by March 15th of the year following the year in which the deficit is incurred by Citizens. By July 1st of the year of the certification, the Revenue Estimating Conference must estimate the net increased revenues to the General Revenue Fund due to sales taxes associated with the hurricanes or tropical storms. The estimate must be for the year during which the hurricane or tropical storm occurred and for the subsequent year. The estimate must specify how much of the net increased revenues are attributable to the hurricane or tropical storm.

By July 31st the Chief Financial Officer must transfer money from the General Revenue Fund to Citizens. The amount of money transferred is the amount of increased sales tax revenue estimated by the Revenue Estimating Conference; however, the amount cannot be more than the deficit amount certified by Citizens. Citizens must use the money transferred to offset its deficit, thus eliminating or reducing the assessment required by law to be made against property insurers and likely passed on to policyholders.

If the increased sales tax revenue amount is more than the certified Citizens' deficit, the bill requires the remaining amount to be transferred to the Florida Hurricane Catastrophe Fund (FHCF). The bill does not specify how the FHCF must use the money. In other words, it does not require the FHCF to use the funds to pay off or reduce any deficit the fund incurs; however, it is anticipated the money would be used to defray any FHCF deficit.

The bill is prospective only in application. Accordingly, any increased sales tax revenue attributable to the 2004 and 2005 hurricanes cannot be used to fund the estimated Citizens' deficit ($1.7 billion) or the estimated FHCF deficit ($264 million) resulting from the 2005 hurricane season.

C. SECTION DIRECTORY:

Section 1. Provides a popular name, the "Citizens Insurance Relief Act."

Section 2. Amends subsection (6) of section 627.351, F.S. relating to Citizens Property Insurance Corporation.

Section 3. Provides an effective date of upon becoming law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

   This bill requires any additional sales tax revenue attributable to hurricanes or tropical storms to be transferred to Citizens to defray their deficit, if any, with any remaining funds transferred to the FHCF to defray their deficit, if any.

2. Expenditures:

This bill requires any additional sales tax revenue attributable to hurricanes or tropical storms to be transferred to Citizens to defray their deficit, if any, with any remaining funds transferred to the FHCF to defray their deficit, if any.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

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.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

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.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not require counties or municipalities to take an action requiring the expenditure of funds, does not reduce the authority that counties or municipalities have to raise revenue in the aggregate, and does not reduce the percentage of state tax shared with counties or municipalities.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

Not applicable.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

None.