

1 facilitate the remediation, reconstruction, and replacement of
2 damaged or destroyed property in order to reduce or avoid the
3 negative effects otherwise resulting to the public health,
4 safety, and welfare; to the economy of the state; and to the
5 revenues of the state and local governments needed to provide
6 for the public welfare. It is necessary, therefore, to provide
7 property insurance to applicants who are in good faith
8 entitled to procure insurance through the voluntary market but
9 are unable to do so. The Legislature intends by this
10 subsection that property insurance be provided and that it
11 continues, as long as necessary, through an entity organized
12 to achieve efficiencies and economies, while providing service
13 to policyholders, applicants, and agents that is no less than
14 the quality generally provided in the voluntary market, all
15 toward the achievement of the foregoing public purposes.
16 Because it is essential for the corporation to have the
17 maximum financial resources to pay claims following a
18 catastrophic hurricane, it is the intent of the Legislature
19 that the income of the corporation be exempt from federal
20 income taxation and that interest on the debt obligations
21 issued by the corporation be exempt from federal income
22 taxation.

23 2. The Residential Property and Casualty Joint
24 Underwriting Association originally created by this statute
25 shall be known, as of July 1, 2002, as the Citizens Property
26 Insurance Corporation. The corporation shall provide insurance
27 for residential and commercial property, for applicants who
28 are in good faith entitled, but are unable, to procure
29 insurance through the voluntary market. The corporation shall
30 operate pursuant to a plan of operation approved by order of
31 the Financial Services Commission. The plan is subject to

1 | continuous review by the commission. The commission may, by
2 | order, withdraw approval of all or part of a plan if the
3 | commission determines that conditions have changed since
4 | approval was granted and that the purposes of the plan require
5 | changes in the plan. The corporation shall continue to operate
6 | pursuant to the plan of operation approved by the Office of
7 | Insurance Regulation until October 1, 2006. For the purposes
8 | of this subsection, residential coverage includes both
9 | personal lines residential coverage, which consists of the
10 | type of coverage provided by homeowner's, mobile home owner's,
11 | dwelling, tenant's, condominium unit owner's, and similar
12 | policies, and commercial lines residential coverage, which
13 | consists of the type of coverage provided by condominium
14 | association, apartment building, and similar policies.

15 | 3. For the purposes of this subsection, the term
16 | "homestead property" means:

17 | a. Property that has been granted a homestead
18 | exemption under chapter 196;

19 | b. Property for which the owner has a current, written
20 | lease with a renter for a term of at least 7 months and for
21 | which the dwelling is insured by the corporation for \$200,000
22 | or less;

23 | c. An owner-occupied mobile home or manufactured home,
24 | as defined in s. 320.01, which is permanently affixed to real
25 | property, is owned by a Florida resident, and has been granted
26 | a homestead exemption under chapter 196 or, if the owner does
27 | not own the real property, the owner certifies that the mobile
28 | home or manufactured home is his or her principal place of
29 | residence.

30 | d. Tenant's coverage;

31 | e. Commercial lines residential property; or

1 f. Any county, district, or municipal hospital; a
2 hospital licensed by any not-for-profit corporation qualified
3 under s. 501(c)(3) of the United States Internal Revenue Code;
4 or a continuing care retirement community that is certified
5 under chapter 651 and that receives an exemption from ad
6 valorem taxes under chapter 196.

7 4. For the purposes of this subsection, the term
8 "nonhomestead property" means property that is not homestead
9 property.

10 ~~5. Effective July 1, 2008, a personal lines~~
11 ~~residential structure that has a dwelling replacement cost of~~
12 ~~\$1 million or more, or a single condominium unit that has a~~
13 ~~combined dwelling and content replacement cost of \$1 million~~
14 ~~or more is not eligible for coverage by the corporation. Such~~
15 ~~dwellings insured by the corporation on June 30, 2008, may~~
16 ~~continue to be covered by the corporation until the end of the~~
17 ~~policy term. However, such dwellings that are insured by the~~
18 ~~corporation and become ineligible for coverage due to the~~
19 ~~provisions of this subparagraph may reapply and obtain~~
20 ~~coverage in the high risk account and be considered~~
21 ~~"nonhomestead property" if the property owner provides the~~
22 ~~corporation with a sworn affidavit from one or more insurance~~
23 ~~agents, on a form provided by the corporation, stating that~~
24 ~~the agents have made their best efforts to obtain coverage and~~
25 ~~that the property has been rejected for coverage by at least~~
26 ~~one authorized insurer and at least three surplus lines~~
27 ~~insurers. If such conditions are met, the dwelling may be~~
28 ~~insured by the corporation for up to 3 years, after which time~~
29 ~~the dwelling is ineligible for coverage. The office shall~~
30 ~~approve the method used by the corporation for valuing the~~
31 ~~dwelling replacement cost for the purposes of this~~

1 ~~subparagraph. If a policyholder is insured by the corporation~~
2 ~~prior to being determined to be ineligible pursuant to this~~
3 ~~subparagraph and such policyholder files a lawsuit challenging~~
4 ~~the determination, the policyholder may remain insured by the~~
5 ~~corporation until the conclusion of the litigation.~~

6 5.6. Effective March 1, 2007, nonhomestead property is
7 not eligible for coverage by the corporation and is not
8 eligible for renewal of such coverage unless the property
9 owner provides the corporation with a sworn affidavit from one
10 or more insurance agents, on a form provided by the
11 corporation, stating that the agents have made their best
12 efforts to obtain coverage and that the property has been
13 rejected for coverage by at least one authorized insurer and
14 at least three surplus lines insurers.

15 6.7. It is the intent of the Legislature that
16 policyholders, applicants, and agents of the corporation
17 receive service and treatment of the highest possible level
18 but never less than that generally provided in the voluntary
19 market. It also is intended that the corporation be held to
20 service standards no less than those applied to insurers in
21 the voluntary market by the office with respect to
22 responsiveness, timeliness, customer courtesy, and overall
23 dealings with policyholders, applicants, or agents of the
24 corporation.

25 (m)1.~~a.~~ Rates for coverage provided by the corporation
26 shall be actuarially sound and not competitive with approved
27 rates charged in the admitted voluntary market, so that the
28 corporation functions as a residual market mechanism to
29 provide insurance only when the insurance cannot be procured
30 in the voluntary market. Rates shall include an appropriate
31 catastrophe loading factor that reflects the actual

1 catastrophic exposure of the corporation. ~~For policies in the~~
2 ~~personal lines account and the commercial lines account issued~~
3 ~~or renewed on or after March 1, 2007, a rate is deemed~~
4 ~~inadequate if the rate, including investment income, is not~~
5 ~~sufficient to provide for the procurement of coverage under~~
6 ~~the Florida Hurricane Catastrophe Fund and private reinsurance~~
7 ~~costs, whether or not reinsurance is procured, and to pay all~~
8 ~~claims and expenses reasonably expected to result from a~~
9 ~~100 year probable maximum loss event without resort to any~~
10 ~~regular or emergency assessments, long term debt, state~~
11 ~~revenues, or other funding sources. For policies in the~~
12 ~~high risk account issued or renewed on or after March 1, 2007,~~
13 ~~a rate is deemed inadequate if the rate, including investment~~
14 ~~income, is not sufficient to provide for the procurement of~~
15 ~~coverage under the Florida Hurricane Catastrophe Fund and~~
16 ~~private reinsurance costs, whether or not reinsurance is~~
17 ~~procured, and to pay all claims and expenses reasonably~~
18 ~~expected to result from a 70 year probable maximum loss event~~
19 ~~with resort to any regular or emergency assessments, long term~~
20 ~~debt, state revenues, or other funding sources. For policies~~
21 ~~in the high risk account issued or renewed in 2008 and 2009,~~
22 ~~the rate must be based upon an 85 year and 100 year probable~~
23 ~~maximum loss event, respectively.~~

24 ~~b. It is the intent of the Legislature to reaffirm the~~
25 ~~requirement of rate adequacy in the residual market.~~
26 ~~Recognizing that rates may comply with the intent expressed in~~
27 ~~sub subparagraph a. and yet be inadequate and recognizing the~~
28 ~~public need to limit subsidies within the residual market, it~~
29 ~~is the further intent of the Legislature to establish~~
30 ~~statutory standards for rate adequacy. Such standards are~~
31 ~~intended to supplement the standard specified in s.~~

1 ~~627.062(2)(c)3., providing that rates are inadequate if they~~
2 ~~are clearly insufficient to sustain projected losses and~~
3 ~~expenses in the class of business to which they apply.~~

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

17 3. Rates for personal lines residential wind-only
18 policies must be actuarially sound and not competitive with
19 approved rates charged by authorized insurers. If the filing
20 under this subparagraph is made at least 90 days before the
21 proposed effective date and the filing is not implemented
22 during the office's review of the filing and any proceeding
23 and judicial review, such filing shall be considered a "file
24 and use" filing. In such case, the office shall finalize its
25 review by issuance of a notice of intent to approve or a
26 notice of intent to disapprove within 90 days after receipt of
27 the filing. The notice of intent to approve and the notice of
28 intent to disapprove constitute agency action for purposes of
29 the Administrative Procedure Act. Requests for supporting
30 information, requests for mathematical or mechanical
31 corrections, or notification to the insurer by the office of

1 | its preliminary findings shall not toll the 90-day period
2 | during any such proceedings and subsequent judicial review.
3 | The rate shall be deemed approved if the office does not issue
4 | a notice of intent to approve or a notice of intent to
5 | disapprove within 90 days after receipt of the filing.
6 | Corporation rate manuals shall include a rate surcharge for
7 | seasonal occupancy. To ensure that personal lines residential
8 | wind-only rates are not competitive with approved rates
9 | charged by authorized insurers, the corporation, in
10 | conjunction with the office, shall develop a wind-only
11 | ratemaking methodology, which methodology shall be contained
12 | in each rate filing made by the corporation with the office.
13 | If the office determines that the wind-only rates or rating
14 | factors filed by the corporation fail to comply with the
15 | wind-only ratemaking methodology provided for in this
16 | subsection, it shall so notify the corporation and require the
17 | corporation to amend its rates or rating factors to come into
18 | compliance within 90 days of notice from the office.

19 | 4. The requirements of this paragraph that rates not
20 | be competitive with approved rates charged by authorized
21 | insurers do not apply in a county or area for which the office
22 | determines that no authorized insurer is offering coverage.
23 | The corporation shall amend its rates or rating factors for
24 | the affected county or area in conjunction with its next rate
25 | filing after such determination is made.

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

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

17 6. Rates for commercial lines coverage shall not be
18 subject to the requirements of subparagraph 2., but shall be
19 subject to all other requirements of this paragraph and s.
20 627.062.

21 7. Nothing in this paragraph shall require or allow
22 the corporation to adopt a rate that is inadequate under s.
23 627.062.

24 8. The corporation shall certify to the office at
25 least twice annually that its personal lines rates comply with
26 the requirements of subparagraphs ~~1.7~~ 2.7 and 3. If any
27 adjustment in the rates or rating factors of the corporation
28 is necessary to ensure such compliance, the corporation shall
29 make and implement such adjustments and file its revised rates
30 and rating factors with the office. If the office thereafter
31 determines that the revised rates and rating factors fail to

1 | comply with the provisions of subparagraphs ~~1.7~~ 2.7 and 3., it
2 | shall notify the corporation and require the corporation to
3 | amend its rates or rating factors in conjunction with its next
4 | rate filing. The office must notify the corporation by
5 | electronic means of any rate filing it approves for any
6 | insurer among the insurers referred to in subparagraph 2.

7 | 9. 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 | 10. The corporation shall develop a notice to
12 | policyholders or applicants that the rates of Citizens
13 | Property Insurance Corporation are intended to be higher than
14 | the rates of any admitted carrier and providing other
15 | information the corporation deems necessary to assist
16 | consumers in finding other voluntary admitted insurers willing
17 | to insure their property.

18 | 11. After the public hurricane loss-projection model
19 | under s. 627.06281 has been found to be accurate and reliable
20 | by the Florida Commission on Hurricane Loss Projection
21 | Methodology, that model shall serve as the minimum benchmark
22 | for determining the windstorm portion of the corporation's
23 | rates. This subparagraph does not require or allow the
24 | corporation to adopt rates lower than the rates otherwise
25 | required or allowed by this paragraph.

26 | Section 2. This act shall take effect upon becoming a
27 | law.

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SENATE SUMMARY

Deletes the provision under which dwelling replacement costs for certain structures are ineligible for coverage by Citizens Property Insurance Corporation. Deletes the provision requiring reapplication for coverage under certain circumstances. Deletes a requirement that the Office of Insurance Regulation approve the method for valuing dwelling replacement cost. Deletes the provision that authorizes certain policyholders to remain insured during litigation. Deletes the criteria for determining whether a rate is inadequate. Deletes legislative intent with regard to rate adequacy in the residual market.