

1 A bill to be entitled
 2 An act relating to Citizens Property Insurance
 3 Corporation; amending s. 627.351, F.S.; deleting criteria
 4 for determining whether a rate is inadequate; deleting
 5 legislative intent with regard to rate adequacy in the
 6 residual market; providing an effective date.

7
 8 Be It Enacted by the Legislature of the State of Florida:

9
 10 Section 1. Paragraph (m) of subsection (6) of section
 11 627.351, Florida Statutes, is amended to read:

12 627.351 Insurance risk apportionment plans.--

13 (6) CITIZENS PROPERTY INSURANCE CORPORATION.--

14 (m)1.a. Rates for coverage provided by the corporation
 15 shall be actuarially sound and not competitive with approved
 16 rates charged in the admitted voluntary market, so that the
 17 corporation functions as a residual market mechanism to provide
 18 insurance only when the insurance cannot be procured in the
 19 voluntary market. Rates shall include an appropriate catastrophe
 20 loading factor that reflects the actual catastrophic exposure of
 21 the corporation. ~~For policies in the personal lines account and~~
 22 ~~the commercial lines account issued or renewed on or after March~~
 23 ~~1, 2007, a rate is deemed inadequate if the rate, including~~
 24 ~~investment income, is not sufficient to provide for the~~
 25 ~~procurement of coverage under the Florida Hurricane Catastrophe~~
 26 ~~Fund and private reinsurance costs, whether or not reinsurance~~
 27 ~~is procured, and to pay all claims and expenses reasonably~~
 28 ~~expected to result from a 100 year probable maximum loss event~~

29 ~~without resort to any regular or emergency assessments, long-~~
30 ~~term debt, state revenues, or other funding sources. For~~
31 ~~policies in the high risk account issued or renewed on or after~~
32 ~~March 1, 2007, a rate is deemed inadequate if the rate,~~
33 ~~including investment income, is not sufficient to provide for~~
34 ~~the procurement of coverage under the Florida Hurricane~~
35 ~~Catastrophe Fund and private reinsurance costs, whether or not~~
36 ~~reinsurance is procured, and to pay all claims and expenses~~
37 ~~reasonably expected to result from a 70 year probable maximum~~
38 ~~loss event with resort to any regular or emergency assessments,~~
39 ~~long term debt, state revenues, or other funding sources. For~~
40 ~~policies in the high risk account issued or renewed in 2008 and~~
41 ~~2009, the rate must be based upon an 85 year and 100 year~~
42 ~~probable maximum loss event, respectively.~~

43 ~~b. It is the intent of the Legislature to reaffirm the~~
44 ~~requirement of rate adequacy in the residual market. Recognizing~~
45 ~~that rates may comply with the intent expressed in sub-~~
46 ~~subparagraph a. and yet be inadequate and recognizing the public~~
47 ~~need to limit subsidies within the residual market, it is the~~
48 ~~further intent of the Legislature to establish statutory~~
49 ~~standards for rate adequacy. Such standards are intended to~~
50 ~~supplement the standard specified in s. 627.062(2)(c)3.,~~
51 ~~providing that rates are inadequate if they are clearly~~
52 ~~insufficient to sustain projected losses and expenses in the~~
53 ~~class of business to which they apply.~~

54 2. For each county, the average rates of the corporation
55 for each line of business for personal lines residential
56 policies excluding rates for wind-only policies shall be no

57 | lower than the average rates charged by the insurer that had the
58 | highest average rate in that county among the 20 insurers with
59 | the greatest total direct written premium in the state for that
60 | line of business in the preceding year, except that with respect
61 | to mobile home coverages, the average rates of the corporation
62 | shall be no lower than the average rates charged by the insurer
63 | that had the highest average rate in that county among the 5
64 | insurers with the greatest total written premium for mobile home
65 | owner's policies in the state in the preceding year.

66 | 3. Rates for personal lines residential wind-only policies
67 | must be actuarially sound and not competitive with approved
68 | rates charged by authorized insurers. If the filing under this
69 | subparagraph is made at least 90 days before the proposed
70 | effective date and the filing is not implemented during the
71 | office's review of the filing and any proceeding and judicial
72 | review, such filing shall be considered a "file and use" filing.
73 | In such case, the office shall finalize its review by issuance
74 | of a notice of intent to approve or a notice of intent to
75 | disapprove within 90 days after receipt of the filing. The
76 | notice of intent to approve and the notice of intent to
77 | disapprove constitute agency action for purposes of the
78 | Administrative Procedure Act. Requests for supporting
79 | information, requests for mathematical or mechanical
80 | corrections, or notification to the insurer by the office of its
81 | preliminary findings shall not toll the 90-day period during any
82 | such proceedings and subsequent judicial review. The rate shall
83 | be deemed approved if the office does not issue a notice of
84 | intent to approve or a notice of intent to disapprove within 90

85 days after receipt of the filing. Corporation rate manuals shall
86 include a rate surcharge for seasonal occupancy. To ensure that
87 personal lines residential wind-only rates are not competitive
88 with approved rates charged by authorized insurers, the
89 corporation, in conjunction with the office, shall develop a
90 wind-only ratemaking methodology, which methodology shall be
91 contained in each rate filing made by the corporation with the
92 office. If the office determines that the wind-only rates or
93 rating factors filed by the corporation fail to comply with the
94 wind-only ratemaking methodology provided for in this
95 subsection, it shall so notify the corporation and require the
96 corporation to amend its rates or rating factors to come into
97 compliance within 90 days of notice from the office.

98 4. The requirements of this paragraph that rates not be
99 competitive with approved rates charged by authorized insurers
100 do not apply in a county or area for which the office determines
101 that no authorized insurer is offering coverage. The corporation
102 shall amend its rates or rating factors for the affected county
103 or area in conjunction with its next rate filing after such
104 determination is made.

105 5. For the purposes of establishing a pilot program to
106 evaluate issues relating to the availability and affordability
107 of insurance in an area where historically there has been little
108 market competition, the provisions of subparagraph 2. do not
109 apply to coverage provided by the corporation in Monroe County
110 if the office determines that a reasonable degree of competition
111 does not exist for personal lines residential policies. The
112 provisions of subparagraph 3. do not apply to coverage provided

113 by the corporation in Monroe County if the office determines
114 that a reasonable degree of competition does not exist for
115 personal lines residential policies in the area of that county
116 which is eligible for wind-only coverage. In this county, the
117 rates for personal lines residential coverage shall be
118 actuarially sound and not excessive, inadequate, or unfairly
119 discriminatory and are subject to the other provisions of the
120 paragraph and s. 627.062. The commission shall adopt rules
121 establishing the criteria for determining whether a reasonable
122 degree of competition exists for personal lines residential
123 policies in Monroe County. By March 1, 2006, the office shall
124 submit a report to the Legislature providing an evaluation of
125 the implementation of the pilot program affecting Monroe County.

126 6. Rates for commercial lines coverage shall not be
127 subject to the requirements of subparagraph 2., but shall be
128 subject to all other requirements of this paragraph and s.
129 627.062.

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

132 8. The corporation shall certify to the office at least
133 twice annually that its personal lines rates comply with the
134 requirements of subparagraphs ~~1.7~~ 2.7 and 3. If any adjustment
135 in the rates or rating factors of the corporation is necessary
136 to ensure such compliance, the corporation shall make and
137 implement such adjustments and file its revised rates and rating
138 factors with the office. If the office thereafter determines
139 that the revised rates and rating factors fail to comply with
140 the provisions of subparagraphs ~~1.7~~ 2.7 and 3., it shall notify

HB 23A

2007

141 the corporation and require the corporation to amend its rates
142 or rating factors in conjunction with its next rate filing. The
143 office must notify the corporation by electronic means of any
144 rate filing it approves for any insurer among the insurers
145 referred to in subparagraph 2.

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

150 10. The corporation shall develop a notice to
151 policyholders or applicants that the rates of Citizens Property
152 Insurance Corporation are intended to be higher than the rates
153 of any admitted carrier and providing other information the
154 corporation deems necessary to assist consumers in finding other
155 voluntary admitted insurers willing to insure their property.

156 11. After the public hurricane loss-projection model under
157 s. 627.06281 has been found to be accurate and reliable by the
158 Florida Commission on Hurricane Loss Projection Methodology,
159 that model shall serve as the minimum benchmark for determining
160 the windstorm portion of the corporation's rates. This
161 subparagraph does not require or allow the corporation to adopt
162 rates lower than the rates otherwise required or allowed by this
163 paragraph.

164 Section 2. This act shall take effect upon becoming a law.