

1 A bill to be entitled

2 An act relating to hurricane preparedness and insurance;  
3 providing a short title; amending s. 163.01, F.S.,  
4 relating to the Florida Interlocal Cooperation Act;  
5 redefining the term "public agency" to include certain  
6 legal or administrative entities; authorizing such  
7 entities to finance the provision of property coverage  
8 contracts for or from local government property insurance  
9 pools or property coverage contracts; providing a  
10 definition; authorizing certain hospitals and hospital  
11 systems to borrow funds, issue bonds, and enter into loan  
12 agreements for the purpose of providing windstorm property  
13 coverage; amending s. 215.5595, F.S.; including  
14 manufactured housing insurers in the Insurance Capital  
15 Build-Up Incentive Program; providing manufactured housing  
16 insurer program contribution requirements; providing  
17 surplus requirements; prioritizing funding for  
18 manufactured housing insurers; providing premium to  
19 surplus ratio requirements for certain manufactured  
20 housing insurers; amending s. 624.462, F.S.; revising  
21 requirements for the establishment of a commercial self-  
22 insurance fund by a not-for-profit group; amending s.  
23 624.4622, F.S.; authorizing local government self-  
24 insurance funds to insure or self-insure real or personal  
25 property against loss or damage; creating s. 624.4624,  
26 F.S.; providing definitions; providing for risk pooling,  
27 with respect to windstorm property exposure, by certain  
28 hospitals and hospital systems; exempting entities formed

29 | to do so from the Insurance Code; creating s. 624.4625,  
30 | F.S.; authorizing two or more corporations not for profit  
31 | to form a self-insurance fund for certain purposes;  
32 | providing specific requirements; providing a definition;  
33 | providing limitations; providing for application of  
34 | certain provisions to certain premiums, contributions, and  
35 | assessments; providing for payment of insurance premium  
36 | tax at a reduced rate by corporation not-for-profit self-  
37 | insurance funds; subjecting a corporation not for profit  
38 | self-insurance fund to certain group self-insurance fund  
39 | provisions under certain circumstances; amending s.  
40 | 624.610, F.S.; prescribing responsibilities of the  
41 | Commissioner of Insurance Regulation relating to allowing  
42 | credit for reinsurance; amending s. 627.062, F.S.;  
43 | delaying the effective date of certain provisions relating  
44 | to residential property insurance rate filings; amending  
45 | s. 627.351, F.S.; prohibiting the Property and Casualty  
46 | Joint Underwriting Association and Citizens Property  
47 | Insurance Corporation from insuring certain properties  
48 | under certain circumstances; providing exceptions;  
49 | requiring that Citizens' rates must be adequate;  
50 | rescinding certain rate filings of the corporation;  
51 | requiring the corporation to use certain other rates;  
52 | requiring the corporation to refund certain portions of  
53 | rates; providing for effect of certain rates; providing  
54 | for new rate filings; requiring the Department of  
55 | Financial Services to review the corporation's insurance  
56 | agent commission structure and make recommendations for

57 commission standards; requiring a report; creating the  
58 Task Force on Citizens Property Insurance Claims Handling  
59 and Resolution; providing for administration of the task  
60 force; providing for membership; providing for  
61 reimbursement of expenses but no compensation; providing  
62 purpose and intent; requiring the task force to address  
63 certain issues; requiring reports and recommendations;  
64 providing additional responsibilities of the task force;  
65 providing for expiration of the task force; abolishing the  
66 existing board of governors of Citizens Property Insurance  
67 Corporation; providing for appointment of new members;  
68 amending s. 631.57, F.S.; revising criteria and  
69 requirements for levy of emergency assessments by the  
70 Florida Insurance Guaranty Association; revising  
71 characterizations of emergency assessments; providing  
72 legislative intent; amending s. 627.706, F.S.; revising  
73 sinkhole insurance provisions to include coverage for  
74 losses due to catastrophic ground cover collapse;  
75 authorizing certain deductibles; revising definitions;  
76 providing an effective date.

77  
78 Be It Enacted by the Legislature of the State of Florida:

79  
80 Section 1. This act may be cited as the "Citizens Reform  
81 and Private Market Restoration Act."

82 Section 2. Paragraph (b) of subsection (3) and paragraph  
83 (e) of subsection (7) of section 163.01, Florida Statutes, are  
84 amended, and paragraph (h) is added to subsection (7) of that

85 section, to read:

86 163.01 Florida Interlocal Cooperation Act of 1969.--

87 (3) As used in this section:

88 (b) "Public agency" means a political subdivision, agency,  
 89 or officer of this state or of any state of the United States,  
 90 including, but not limited to, state government, county, city,  
 91 school district, single and multipurpose special district,  
 92 single and multipurpose public authority, metropolitan or  
 93 consolidated government, a separate legal entity or  
 94 administrative entity created under subsection (7), an  
 95 independently elected county officer, any agency of the United  
 96 States Government, a federally recognized Native American tribe,  
 97 and any similar entity of any other state of the United States.

98 (7)

99 (e)1. Notwithstanding the provisions of paragraph (c), any  
 100 separate legal entity, created pursuant to the provisions of  
 101 this section and controlled by counties or municipalities of  
 102 this state, the membership of which consists or is to consist  
 103 only of public agencies of this state, may, for the purpose of  
 104 financing the provision or acquisition of liability or property  
 105 coverage contracts for or from one or more local government  
 106 liability or property pools to provide liability or property  
 107 coverage for counties, municipalities, or other public agencies  
 108 of this state, exercise all powers in connection with the  
 109 authorization, issuance, and sale of bonds. All of the  
 110 privileges, benefits, powers, and terms of s. 125.01 relating to  
 111 counties and s. 166.021 relating to municipalities shall be  
 112 fully applicable to such entity and such entity shall be

113 considered a unit of local government for all of the privileges,  
114 benefits, powers, and terms of part I of chapter 159. Bonds  
115 issued by such entity shall be deemed issued on behalf of  
116 counties, municipalities, or public agencies which enter into  
117 loan agreements with such entity as provided in this paragraph.  
118 Proceeds of bonds issued by such entity may be loaned to  
119 counties, municipalities, or other public agencies of this  
120 state, whether or not such counties, municipalities, or other  
121 public agencies are also members of the entity issuing the  
122 bonds, and such counties, municipalities, or other public  
123 agencies may in turn deposit such loan proceeds with a separate  
124 local government liability or property pool for purposes of  
125 providing or acquiring liability or property coverage contracts.

126 2. Counties or municipalities of this state are authorized  
127 pursuant to this section, in addition to the authority provided  
128 by s. 125.01, part II of chapter 166, and other applicable law,  
129 to issue bonds for the purpose of acquiring liability coverage  
130 contracts from a local government liability pool. Any individual  
131 county or municipality may, by entering into interlocal  
132 agreements with other counties, municipalities, or public  
133 agencies of this state, issue bonds on behalf of itself and  
134 other counties, municipalities, or other public agencies, for  
135 purposes of acquiring a liability coverage contract or contracts  
136 from a local government liability pool. Counties,  
137 municipalities, or other public agencies are also authorized to  
138 enter into loan agreements with any entity created pursuant to  
139 subparagraph 1., or with any county or municipality issuing  
140 bonds pursuant to this subparagraph, for the purpose of

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141 obtaining bond proceeds with which to acquire liability coverage  
142 contracts from a local government liability pool. No county,  
143 municipality, or other public agency shall at any time have more  
144 than one loan agreement outstanding for the purpose of obtaining  
145 bond proceeds with which to acquire liability coverage contracts  
146 from a local government liability pool. Obligations of any  
147 county, municipality, or other public agency of this state  
148 pursuant to a loan agreement as described above may be validated  
149 as provided in chapter 75. Prior to the issuance of any bonds  
150 pursuant to subparagraph 1. or this subparagraph for the purpose  
151 of acquiring liability coverage contracts from a local  
152 government liability pool, the reciprocal insurer or the manager  
153 of any self-insurance program shall demonstrate to the  
154 satisfaction of the Office of Insurance Regulation of the  
155 Financial Services Commission that excess liability coverage for  
156 counties, municipalities, or other public agencies is reasonably  
157 unobtainable in the amounts provided by such pool or that the  
158 liability coverage obtained through acquiring contracts from a  
159 local government liability pool, after taking into account costs  
160 of issuance of bonds and any other administrative fees, is less  
161 expensive to counties, municipalities, or special districts than  
162 similar commercial coverage then reasonably available.

163 3. Any entity created pursuant to this section or any  
164 county or municipality may also issue bond anticipation notes,  
165 as provided by s. 215.431, in connection with the authorization,  
166 issuance, and sale of such bonds. In addition, the governing  
167 body of such legal entity or the governing body of such county  
168 or municipality may also authorize bonds to be issued and sold

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169 from time to time and may delegate, to such officer, official,  
170 or agent of such legal entity as the governing body of such  
171 legal entity may select, the power to determine the time; manner  
172 of sale, public or private; maturities; rate or rates of  
173 interest, which may be fixed or may vary at such time or times  
174 and in accordance with a specified formula or method of  
175 determination; and other terms and conditions as may be deemed  
176 appropriate by the officer, official, or agent so designated by  
177 the governing body of such legal entity. However, the amounts  
178 and maturities of such bonds and the interest rate or rates of  
179 such bonds shall be within the limits prescribed by the  
180 governing body of such legal entity and its resolution  
181 delegating to such officer, official, or agent the power to  
182 authorize the issuance and sale of such bonds. Any series of  
183 bonds issued pursuant to this paragraph shall mature no later  
184 than 7 years following the date of issuance thereof.

185 4. Bonds issued pursuant to subparagraph 1. may be  
186 validated as provided in chapter 75. The complaint in any  
187 action to validate such bonds shall be filed only in the Circuit  
188 Court for Leon County. The notice required to be published by  
189 s. 75.06 shall be published in Leon County and in each county  
190 which is an owner of the entity issuing the bonds, or in which a  
191 member of the entity is located, and the complaint and order of  
192 the circuit court shall be served only on the State Attorney of  
193 the Second Judicial Circuit and on the state attorney of each  
194 circuit in each county or municipality which is an owner of the  
195 entity issuing the bonds or in which a member of the entity is  
196 located.

197 5. Bonds issued pursuant to subparagraph 2. may be  
198 validated as provided in chapter 75. The complaint in any action  
199 to validate such bonds shall be filed in the circuit court of  
200 the county or municipality which will issue the bonds. The  
201 notice required to be published by s. 75.06 shall be published  
202 only in the county where the complaint is filed, and the  
203 complaint and order of the circuit court shall be served only on  
204 the state attorney of the circuit in the county or municipality  
205 which will issue the bonds.

206 6. The participation by any county, municipality, or other  
207 public agency of this state in a local government liability pool  
208 shall not be deemed a waiver of immunity to the extent of  
209 liability coverage, nor shall any contract entered regarding  
210 such a local government liability pool be required to contain  
211 any provision for waiver.

212 (h)1. For purposes of this subsection, the term "alliance"  
213 has the meaning as defined in s. 624.4624(2)(a). An alliance  
214 may, for the purpose of providing windstorm property coverage  
215 for eligible entities under s. 624.4624, exercise all powers  
216 under this subsection in connection with borrowing funds for  
217 such purposes, including the authorization, issuance, and sale  
218 of bonds. Borrowed funds, including bonds issued by such  
219 alliance, shall be deemed issued on behalf of eligible entities  
220 as defined in s. 624.4624(2)(b) that enter into loan agreements  
221 with such alliance as provided in this paragraph.

222 2. An alliance is authorized to borrow funds, including  
223 the issuance of bonds, for the purpose of providing windstorm  
224 property insurance coverage to eligible entities. Eligible

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225 entities are authorized to enter into loan agreements with any  
226 alliance created pursuant to s. 624.4624 for the purpose of  
227 obtaining debt proceeds with which to finance windstorm property  
228 insurance coverage or claims. Obligations of any eligible entity  
229 pursuant to a loan agreement as described above may be validated  
230 as provided in chapter 75.

231 3. In addition, the governing body of such alliance may  
232 also authorize bonds to be issued and sold from time to time and  
233 may delegate to such officer, official, or agent of such  
234 alliance as the governing body of such alliance selects the  
235 power to determine the time; manner of sale, public or private;  
236 maturities; rate or rates of interest, which may be fixed or may  
237 vary at such time or times and in accordance with a specified  
238 formula or method of determination; and other terms and  
239 conditions as are deemed appropriate by the officer, official,  
240 or agent so designated by the governing body of such alliance.  
241 However, the amounts and maturities of such bonds and the  
242 interest rate or rates of such bonds shall be within the limits  
243 prescribed by the governing body of such alliance and its  
244 resolution delegating to such officer, official, or agent the  
245 power to authorize the issuance and sale of such bonds. Any  
246 series of bonds issued pursuant to this paragraph shall mature  
247 no later than 30 years following the date of issuance thereof.

248 4. Bonds issued pursuant to this paragraph may be  
249 validated as provided in chapter 75. The complaint in any action  
250 to validate such bonds shall be filed in any circuit court where  
251 the alliance issuing the bonds is located. The notice required  
252 to be published by s. 75.06 shall be published in the circuit

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253 where the complaint is filed and, if the circuit encompasses  
254 more than one county, in each county within the circuit. The  
255 complaint and order of the circuit court shall be served only on  
256 the state attorney of the judicial circuit in which an alliance  
257 issuing the bonds is located.

258 Section 3. Paragraphs (a), (c), and (g) of subsection (2)  
259 of section 215.5595, Florida Statutes, are amended, and  
260 paragraph (i) is added to that subsection, to read:

261 215.5595 Insurance Capital Build-Up Incentive Program.--

262 (2) The purpose of this section is to provide surplus  
263 notes to new or existing authorized residential property  
264 insurers under the Insurance Capital Build-Up Incentive Program  
265 administered by the State Board of Administration, under the  
266 following conditions:

267 (a) The amount of the surplus note for any insurer or  
268 insurer group, other than an insurer writing only manufactured  
269 housing policies, may not exceed \$25 million or 20 percent of  
270 the total amount of funds available under the program, whichever  
271 is greater. The amount of the surplus note for any insurer or  
272 insurer group writing residential property insurance covering  
273 only manufactured housing may not exceed \$7 million.

274 (c) The insurer's surplus, new capital, and the surplus  
275 note must total at least \$50 million, except for insurers  
276 writing residential property insurance covering only  
277 manufactured housing. The insurer's surplus, new capital, and  
278 the surplus note must total at least \$14 million for insurers  
279 writing only residential property insurance covering  
280 manufactured housing policies as provided in paragraph (a).

281 (g) The total amount of funds available for the program is  
 282 limited to the amount appropriated by the Legislature for this  
 283 purpose. If the amount of surplus notes requested by insurers  
 284 exceeds the amount of funds available, the board may prioritize  
 285 insurers that are eligible and approved, with priority for  
 286 funding given to insurers writing only manufactured housing  
 287 policies, regardless of the date of application, based on the  
 288 financial strength of the insurer, the viability of its proposed  
 289 business plan for writing additional residential property  
 290 insurance in the state, and the effect on competition in the  
 291 residential property insurance market.

292 (i) Notwithstanding paragraph (d), a newly formed  
 293 manufactured housing insurer that is eligible for a surplus note  
 294 under this section shall meet the premium to surplus ratio  
 295 provisions of s. 624.4095.

296 Section 4. Paragraph (a) of subsection (2) of section  
 297 624.462, Florida Statutes, is amended to read:

298 624.462 Commercial self-insurance funds.--

299 (2) As used in ss. 624.460-624.488, "commercial self-  
 300 insurance fund" or "fund" means a group of members, operating  
 301 individually and collectively through a trust or corporation,  
 302 that must be:

303 (a) Established by:

304 1. A not-for-profit trade association, industry  
 305 association, or professional association of employers or  
 306 professionals which has a constitution or bylaws, which is  
 307 incorporated under the laws of this state, and which has been  
 308 organized for purposes other than that of obtaining or providing

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309 insurance and operated in good faith for a continuous period of  
 310 1 year;

311 2. A self-insurance trust fund organized pursuant to s.  
 312 627.357 and maintained in good faith for a continuous period of  
 313 1 year for purposes other than that of obtaining or providing  
 314 insurance pursuant to this section. Each member of a commercial  
 315 self-insurance trust fund established pursuant to this  
 316 subsection must maintain membership in the self-insurance trust  
 317 fund organized pursuant to s. 627.357;

318 3. A group of 10 or more health care providers, as defined  
 319 in s. 627.351(4)(h), for purposes of providing medical  
 320 malpractice coverage; or

321 4. A not-for-profit group comprised of no fewer ~~less~~ than  
 322 10 community condominium associations created and operating  
 323 under chapter 718, chapter 719, chapter 720, chapter 721, or  
 324 chapter 723 that ~~as defined in s. 718.103(2), which is~~  
 325 ~~incorporated under the laws of this state, which~~ restricts its  
 326 membership to community condominium associations only, ~~and that~~  
 327 ~~which~~ has been organized and maintained in good faith for the  
 328 purpose of pooling and spreading the liabilities of its group  
 329 members relating to property or casualty risk ~~a continuous~~  
 330 ~~period of 1 year for purposes other than that of obtaining or~~  
 331 ~~providing insurance.~~

332 Section 5. Subsection (1) of section 624.4622, Florida  
 333 Statutes, is amended to read:

334 624.4622 Local government self-insurance funds.--

335 (1) Any two or more local governmental entities may enter  
 336 into interlocal agreements for the purpose of securing the

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337 payment of benefits under chapter 440, or insuring or self-  
 338 insuring real or personal property of every kind and every  
 339 interest in such property against loss or damage from any hazard  
 340 or cause and against any loss consequential to such loss or  
 341 damage, provided the local government self-insurance fund that  
 342 is created must:

343 (a) Have annual normal premiums in excess of \$5 million;

344 (b) Maintain a continuing program of excess insurance  
 345 coverage and reserve evaluation to protect the financial  
 346 stability of the fund in an amount and manner determined by a  
 347 qualified and independent actuary;

348 (c) Submit annually an audited fiscal year-end financial  
 349 statement by an independent certified public accountant within 6  
 350 months after the end of the fiscal year to the office; and

351 (d) Have a governing body which is comprised entirely of  
 352 local elected officials.

353 Section 6. Section 624.4624, Florida Statutes, is created  
 354 to read:

355 624.4624 Risk pooling by certain hospitals and hospital  
 356 systems.--

357 (1) Any two or more eligible entities located in this  
 358 state may form an alliance for the purpose of pooling and  
 359 spreading liabilities of its members relative to windstorm  
 360 property exposure or securing such windstorm property insurance  
 361 coverage for the benefit of its members, provided the alliance  
 362 that is created:

363 (a) Has annual premiums in excess of \$3 million;

364 (b) Maintains a continuing program of premium calculation

365 and evaluation and reserve evaluation to protect the financial  
366 stability of the alliance in an amount and manner determined by  
367 consultants using catastrophic (CAT) modeling criteria or other  
368 risk-estimating methodologies, including those used by qualified  
369 and independent actuaries;

370 (c) Causes to be prepared annually a fiscal year-end  
371 financial statement based upon generally accepted accounting  
372 principles and audited by an independent certified public  
373 accountant within 6 months after the end of the fiscal year; and

374 (d) Has a governing body comprised entirely of member  
375 entities whose representatives on such governing body are  
376 specified by the organizational documents of the alliance.

377 (2) For purposes of this section, the term:

378 (a) "Alliance" means a corporation, association, limited  
379 liability company, or partnership or any other legal entity  
380 formed by a group of eligible entities.

381 (b) "Eligible entity" means a county hospital regulated  
382 under chapter 155; a hospital funded, owned, or operated by an  
383 independent special taxing district created pursuant to the Laws  
384 of Florida or the Florida Statutes; a teaching hospital defined  
385 in s. 408.07(45); or a children's hospital defined in s.  
386 408.07(45). A hospital may not qualify as an eligible entity  
387 unless it maintains tax-exempt status under s. 501(c)(3) of the  
388 Internal Revenue Code.

389 (c) "Windstorm property exposure" or "windstorm property  
390 insurance coverage" includes coverage for all property and other  
391 losses attributable to damage from a named windstorm event,  
392 including a hurricane, and includes, but is not limited to,

393 property, business interruption, and other appropriate  
 394 coverages.

395 (3) An alliance that meets the requirements of this  
 396 section is not subject to any other provision of the Insurance  
 397 Code. If any of the requirements of this section are not met,  
 398 the alliance is subject to the requirements of s. 624.401.

399 (4) An alliance that meets the requirements of this  
 400 section is not an insurer for purposes of participation in or  
 401 coverage by the Florida Insurance Guaranty Association  
 402 established in part II of chapter 631. Alliance self-insured  
 403 coverage is not subject to insurance premium tax, nor shall any  
 404 such alliance pursuant to this section be assessed for purposes  
 405 of s. 627.351 or s. 215.555.

406 Section 7. Section 624.4625, Florida Statutes, is created  
 407 to read:

408 624.4625 Corporation not-for-profit self-insurance  
 409 funds.--

410 (1) Notwithstanding any other provision of law, any two or  
 411 more corporations not for profit located in and organized under  
 412 the laws of this state may form a self-insurance fund for the  
 413 purpose of pooling and spreading liabilities of its group  
 414 members in any one or combination of property or casualty risk,  
 415 provided the corporation not for profit self-insurance fund that  
 416 is created:

417 (a) Has annual normal premiums in excess of \$5 million.

418 (b) Requires for qualification that each participating  
 419 member receive at least 75 percent of its revenues from local,  
 420 state, or federal governmental sources or a combination of such

421 sources.

422 (c) Uses a qualified actuary to determine rates using  
423 accepted actuarial principles and annually submits to the office  
424 a certification by the actuary that the rates are actuarially  
425 sound and are not inadequate, as defined in s. 627.062.

426 (d) Uses a qualified actuary to establish reserves for  
427 loss and loss adjustment expenses and annually submits to the  
428 office a certification by the actuary that the loss and loss  
429 adjustment expense reserves are adequate. If the actuary  
430 determines that reserves are not adequate, the fund shall file  
431 with the office a remedial plan for increasing the reserves or  
432 otherwise addressing the financial condition of the fund,  
433 subject to a determination by the office that the fund will  
434 operate on an actuarially sound basis and the fund does not pose  
435 a significant risk of insolvency.

436 (e) Maintains a continuing program of excess insurance  
437 coverage and reserve evaluation to protect the financial  
438 stability of the fund in an amount and manner determined by a  
439 qualified actuary. At a minimum, this program must:

440 1. Purchase excess insurance from authorized insurance  
441 carriers.

442 2. Retain a per-loss occurrence that does not exceed  
443 \$350,000.

444 (f) Submits to the office annually an audited fiscal year-  
445 end financial statement by an independent certified public  
446 accountant within 6 months after the end of the fiscal year.

447 (g) Has a governing body that is comprised entirely of  
448 officials from corporations not for profit that are members of

449 the corporation not-for-profit self-insurance fund.

450 (h) Uses knowledgeable persons or business entities to  
 451 administer or service the fund in the areas of claims  
 452 administration, claims adjusting, underwriting, risk management,  
 453 loss control, policy administration, financial audit, and legal  
 454 areas. Such persons must meet all applicable requirements of law  
 455 for state licensure and must have at least 5 years' experience  
 456 with commercial self-insurance funds formed under s. 624.462,  
 457 self-insurance funds formed under s. 624.4622, or domestic  
 458 insurers.

459 (i) Submits to the office copies of contracts used for its  
 460 members that clearly establish the liability of each member for  
 461 the obligations of the fund.

462 (j) Annually submits to the office a certification by the  
 463 governing body of the fund that, to the best of its knowledge,  
 464 the requirements of this section are met.

465 (2) As used in this section, the term "qualified actuary"  
 466 means an actuary that is a member of the Casualty Actuarial  
 467 Society or the American Academy of Actuaries.

468 (3) A corporation not-for-profit self-insurance fund that  
 469 meets the requirements of this section is not:

470 (a) An insurer for purposes of participation in or  
 471 coverage by any insurance guaranty association established by  
 472 chapter 631; or

473 (b) Subject to s. 624.4621 and is not required to file any  
 474 report with the department under s. 440.38(2)(b) that is  
 475 uniquely required of group self-insurer funds qualified under s.  
 476 624.4621.

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477       (4) Premiums, contributions, and assessments received by a  
478 corporation not-for-profit self-insurance fund are subject to  
479 ss. 624.509(1) and (2) and 624.5092, except that the tax rate  
480 shall be 1.6 percent of the gross amount of such premiums,  
481 contributions, and assessments.

482       (5) If any of the requirements of subsection (1) are not  
483 met, a corporation not-for-profit self-insurance fund is subject  
484 to the requirements of s. 624.4621 if the fund provides only  
485 workers' compensation coverage or is subject to the requirements  
486 of ss. 624.460-624.488 if the fund provides coverage for other  
487 property, casualty, or surety risks.

488       Section 8. Subsection (3) of section 624.610, Florida  
489 Statutes, is amended to read:

490       624.610 Reinsurance.--

491       (3) (a) Credit must be allowed when the reinsurance is  
492 ceded to an assuming insurer that is authorized to transact  
493 insurance or reinsurance in this state.

494       (b)1. Credit must be allowed when the reinsurance is ceded  
495 to an assuming insurer that is accredited as a reinsurer in this  
496 state. An accredited reinsurer is one that:

497       a. Files with the office evidence of its submission to  
498 this state's jurisdiction;

499       b. Submits to this state's authority to examine its books  
500 and records;

501       c. Is licensed or authorized to transact insurance or  
502 reinsurance in at least one state or, in the case of a United  
503 States branch of an alien assuming insurer, is entered through,  
504 licensed, or authorized to transact insurance or reinsurance in

505 at least one state;

506 d. Files annually with the office a copy of its annual  
 507 statement filed with the insurance department of its state of  
 508 domicile any quarterly statements if required by its state of  
 509 domicile or such quarterly statements if specifically requested  
 510 by the office, and a copy of its most recent audited financial  
 511 statement; and

512 (I) Maintains a surplus as regards policyholders in an  
 513 amount not less than \$20 million and whose accreditation has not  
 514 been denied by the office within 90 days after its submission;  
 515 or

516 (II) Maintains a surplus as regards policyholders in an  
 517 amount not less than \$20 million and whose accreditation has  
 518 been approved by the office.

519 2. The office may deny or revoke an assuming insurer's  
 520 accreditation if the assuming insurer does not submit the  
 521 required documentation pursuant to subparagraph 1., if the  
 522 assuming insurer fails to meet all of the standards required of  
 523 an accredited reinsurer, or if the assuming insurer's  
 524 accreditation would be hazardous to the policyholders of this  
 525 state. In determining whether to deny or revoke accreditation,  
 526 the office may consider the qualifications of the assuming  
 527 insurer with respect to all the following subjects:

528 a. Its financial stability;

529 b. The lawfulness and quality of its investments;

530 c. The competency, character, and integrity of its  
 531 management;

532 d. The competency, character, and integrity of persons who

533 own or have a controlling interest in the assuming insurer; and  
534 e. Whether claims under its contracts are promptly and  
535 fairly adjusted and are promptly and fairly paid in accordance  
536 with the law and the terms of the contracts.

537 3. Credit must not be allowed a ceding insurer if the  
538 assuming insurer's accreditation has been revoked by the office  
539 after notice and the opportunity for a hearing.

540 4. The actual costs and expenses incurred by the office to  
541 review a reinsurer's request for accreditation and subsequent  
542 reviews must be charged to and collected from the requesting  
543 reinsurer. If the reinsurer fails to pay the actual costs and  
544 expenses promptly when due, the office may refuse to accredit  
545 the reinsurer or may revoke the reinsurer's accreditation.

546 (c)1. Credit must be allowed when the reinsurance is ceded  
547 to an assuming insurer that maintains a trust fund in a  
548 qualified United States financial institution, as defined in  
549 paragraph (5)(b), for the payment of the valid claims of its  
550 United States ceding insurers and their assigns and successors  
551 in interest. To enable the office to determine the sufficiency  
552 of the trust fund, the assuming insurer shall report annually to  
553 the office information substantially the same as that required  
554 to be reported on the NAIC Annual Statement form by authorized  
555 insurers. The assuming insurer shall submit to examination of  
556 its books and records by the office and bear the expense of  
557 examination.

558 2.a. Credit for reinsurance must not be granted under this  
559 subsection unless the form of the trust and any amendments to  
560 the trust have been approved by:

561 (I) The insurance regulator of the state in which the  
562 trust is domiciled; or

563 (II) The insurance regulator of another state who,  
564 pursuant to the terms of the trust instrument, has accepted  
565 principal regulatory oversight of the trust.

566 b. The form of the trust and any trust amendments must be  
567 filed with the insurance regulator of every state in which the  
568 ceding insurer beneficiaries of the trust are domiciled. The  
569 trust instrument must provide that contested claims are valid  
570 and enforceable upon the final order of any court of competent  
571 jurisdiction in the United States. The trust must vest legal  
572 title to its assets in its trustees for the benefit of the  
573 assuming insurer's United States ceding insurers and their  
574 assigns and successors in interest. The trust and the assuming  
575 insurer are subject to examination as determined by the  
576 insurance regulator.

577 c. The trust remains in effect for as long as the assuming  
578 insurer has outstanding obligations due under the reinsurance  
579 agreements subject to the trust. No later than February 28 of  
580 each year, the trustee of the trust shall report to the  
581 insurance regulator in writing the balance of the trust and list  
582 the trust's investments at the preceding year end, and shall  
583 certify that the trust will not expire prior to the following  
584 December 31.

585 3. The following requirements apply to the following  
586 categories of assuming insurer:

587 a. The trust fund for a single assuming insurer consists  
588 of funds in trust in an amount not less than the assuming

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589 insurer's liabilities attributable to reinsurance ceded by  
590 United States ceding insurers, and, in addition, the assuming  
591 insurer shall maintain a trusteed surplus of not less than \$20  
592 million. Not less than 50 percent of the funds in the trust  
593 covering the assuming insurer's liabilities attributable to  
594 reinsurance ceded by United States ceding insurers and trusteed  
595 surplus shall consist of assets of a quality substantially  
596 similar to that required in part II of chapter 625. Clean,  
597 irrevocable, unconditional, and evergreen letters of credit,  
598 issued or confirmed by a qualified United States financial  
599 institution, as defined in paragraph (5) (a), effective no later  
600 than December 31 of the year for which the filing is made and in  
601 the possession of the trust on or before the filing date of its  
602 annual statement, may be used to fund the remainder of the trust  
603 and trusteed surplus.

604 b.(I) In the case of a group including incorporated and  
605 individual unincorporated underwriters:

606 (A) For reinsurance ceded under reinsurance agreements  
607 with an inception, amendment, or renewal date on or after August  
608 1, 1995, the trust consists of a trusteed account in an amount  
609 not less than the group's several liabilities attributable to  
610 business ceded by United States domiciled ceding insurers to any  
611 member of the group;

612 (B) For reinsurance ceded under reinsurance agreements  
613 with an inception date on or before July 31, 1995, and not  
614 amended or renewed after that date, notwithstanding the other  
615 provisions of this section, the trust consists of a trusteed  
616 account in an amount not less than the group's several insurance

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617 and reinsurance liabilities attributable to business written in  
618 the United States; and

619 (C) In addition to these trusts, the group shall maintain  
620 in trust a trusteed surplus of which \$100 million must be held  
621 jointly for the benefit of the United States domiciled ceding  
622 insurers of any member of the group for all years of account.

623 (II) The incorporated members of the group must not be  
624 engaged in any business other than underwriting of a member of  
625 the group, and are subject to the same level of regulation and  
626 solvency control by the group's domiciliary regulator as the  
627 unincorporated members.

628 (III) Within 90 days after its financial statements are  
629 due to be filed with the group's domiciliary regulator, the  
630 group shall provide to the insurance regulator an annual  
631 certification by the group's domiciliary regulator of the  
632 solvency of each underwriter member or, if a certification is  
633 unavailable, financial statements, prepared by independent  
634 public accountants, of each underwriter member of the group.

635 (d) Credit must be allowed when the reinsurance is ceded  
636 to an assuming insurer not meeting the requirements of paragraph  
637 (a), paragraph (b), or paragraph (c), but only as to the  
638 insurance of risks located in jurisdictions in which the  
639 reinsurance is required to be purchased by a particular entity  
640 by applicable law or regulation of that jurisdiction.

641 (e) If the reinsurance is ceded to an assuming insurer not  
642 meeting the requirements of paragraph (a), paragraph (b),  
643 paragraph (c), or paragraph (d), the commissioner may allow  
644 credit, but only if the assuming insurer holds surplus in excess

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645 of \$100 million and has a secure financial strength rating from  
646 at least two nationally recognized statistical rating  
647 organizations deemed acceptable by the commissioner. In  
648 determining whether credit should be allowed, the commissioner  
649 shall consider the following:

650 1. The domiciliary regulatory jurisdiction of the assuming  
651 insurer.

652 2. The structure and authority of the domiciliary  
653 regulator with regard to solvency regulation requirements and  
654 the financial surveillance of the reinsurer.

655 3. The substance of financial and operating standards for  
656 reinsurers in the domiciliary jurisdiction.

657 4. The form and substance of financial reports required to  
658 be filed by the reinsurers in the domiciliary jurisdiction or  
659 other public financial statements filed in accordance with  
660 generally accepted accounting principles.

661 5. The domiciliary regulator's willingness to cooperate  
662 with United States regulators in general and the office in  
663 particular.

664 6. The history of performance by reinsurers in the  
665 domiciliary jurisdiction.

666 7. Any documented evidence of substantial problems with  
667 the enforcement of valid United States judgments in the  
668 domiciliary jurisdiction.

669 8. Any other matters deemed relevant by the commissioner.  
670 The commissioner shall give appropriate consideration to insurer  
671 group ratings that may have been issued. The commissioner may,  
672 in lieu of granting full credit under this subsection, reduce

673 the amount required to be held in trust under paragraph (c).

674 ~~(f)(e)~~ If the assuming insurer is not authorized or  
675 accredited to transact insurance or reinsurance in this state  
676 pursuant to paragraph (a) or paragraph (b), the credit permitted  
677 by paragraph (c) or paragraph (d) must not be allowed unless the  
678 assuming insurer agrees in the reinsurance agreements:

679 1.a. That in the event of the failure of the assuming  
680 insurer to perform its obligations under the terms of the  
681 reinsurance agreement, the assuming insurer, at the request of  
682 the ceding insurer, shall submit to the jurisdiction of any  
683 court of competent jurisdiction in any state of the United  
684 States, will comply with all requirements necessary to give the  
685 court jurisdiction, and will abide by the final decision of the  
686 court or of any appellate court in the event of an appeal; and

687 b. To designate the Chief Financial Officer, pursuant to  
688 s. 48.151, or a designated attorney as its true and lawful  
689 attorney upon whom may be served any lawful process in any  
690 action, suit, or proceeding instituted by or on behalf of the  
691 ceding company.

692 2. This paragraph is not intended to conflict with or  
693 override the obligation of the parties to a reinsurance  
694 agreement to arbitrate their disputes, if this obligation is  
695 created in the agreement.

696 ~~(g)(f)~~ If the assuming insurer does not meet the  
697 requirements of paragraph (a) or paragraph (b), the credit  
698 permitted by paragraph (c) or paragraph (d) is not allowed  
699 unless the assuming insurer agrees in the trust agreements, in  
700 substance, to the following conditions:

701           1. Notwithstanding any other provisions in the trust  
702 instrument, if the trust fund is inadequate because it contains  
703 an amount less than the amount required by paragraph (c), or if  
704 the grantor of the trust has been declared insolvent or placed  
705 into receivership, rehabilitation, liquidation, or similar  
706 proceedings under the laws of its state or country of domicile,  
707 the trustee shall comply with an order of the insurance  
708 regulator with regulatory oversight over the trust or with an  
709 order of a United States court of competent jurisdiction  
710 directing the trustee to transfer to the insurance regulator  
711 with regulatory oversight all of the assets of the trust fund.

712           2. The assets must be distributed by and claims must be  
713 filed with and valued by the insurance regulator with regulatory  
714 oversight in accordance with the laws of the state in which the  
715 trust is domiciled which are applicable to the liquidation of  
716 domestic insurance companies.

717           3. If the insurance regulator with regulatory oversight  
718 determines that the assets of the trust fund or any part thereof  
719 are not necessary to satisfy the claims of the United States  
720 ceding insurers of the grantor of the trust, the assets or part  
721 thereof must be returned by the insurance regulator with  
722 regulatory oversight to the trustee for distribution in  
723 accordance with the trust agreement.

724           4. The grantor shall waive any right otherwise available  
725 to it under United States law which is inconsistent with this  
726 provision.

727           Section 9. Paragraph (j) of subsection (2) of section  
728 627.062, Florida Statutes, is amended to read:

729           627.062 Rate standards.--

730           (2) As to all such classes of insurance:

731           (j) Effective July 1, 2009 ~~2007~~, notwithstanding any other

732 provision of this section:

733           1. With respect to any residential property insurance

734 subject to regulation under this section for any area for which

735 the office determines a reasonable degree of competition exists,

736 a rate filing, including, but not limited to, any rate changes,

737 rating factors, territories, classification, discounts, and

738 credits, with respect to any policy form, including endorsements

739 issued with the form, that results in an overall average

740 statewide premium increase or decrease of no more than 5 percent

741 above or below the premium that would result from the insurer's

742 rates then in effect shall not be subject to a determination by

743 the office that the rate is excessive or unfairly discriminatory

744 except as provided in subparagraph 3., or any other provision of

745 law, provided all changes specified in the filing do not result

746 in an overall premium increase of more than 10 percent for any

747 one territory, for reasons related solely to the rate change. As

748 used in this subparagraph, the term "insurer's rates then in

749 effect" includes only rates that have been lawfully in effect

750 under this section or rates that have been determined to be

751 lawful through administrative proceedings or judicial

752 proceedings.

753           2. An insurer may not make filings under this paragraph

754 with respect to any policy form, including endorsements issued

755 with the form, if the overall premium changes resulting from

756 such filings exceed the amounts specified in this paragraph in

757 any 12-month period. An insurer may proceed under other  
758 provisions of this section or other provisions of law if the  
759 insurer seeks to exceed the premium or rate limitations of this  
760 paragraph.

761 3. This paragraph does not affect the authority of the  
762 office to disapprove a rate as inadequate or to disapprove a  
763 filing for the unlawful use of unfairly discriminatory rating  
764 factors that are prohibited by the laws of this state. An  
765 insurer electing to implement a rate change under this paragraph  
766 shall submit a filing to the office at least 40 days prior to  
767 the effective date of the rate change. The office shall have 30  
768 days after the filing's submission to review the filing and  
769 determine if the rate is inadequate or uses unfairly  
770 discriminatory rating factors. Absent a finding by the office  
771 within such 30-day period that the rate is inadequate or that  
772 the insurer has used unfairly discriminatory rating factors, the  
773 filing is deemed approved. If the office finds during the 30-day  
774 period that the filing will result in inadequate premiums or  
775 otherwise endanger the insurer's solvency, the office shall  
776 suspend the rate decrease. If the insurer is implementing an  
777 overall rate increase, the results of which continue to produce  
778 an inadequate rate, such increase shall proceed pending  
779 additional action by the office to ensure the adequacy of the  
780 rate.

781 4. This paragraph does not apply to rate filings for any  
782 insurance other than residential property insurance.

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784 The provisions of this subsection shall not apply to workers'  
785 compensation and employer's liability insurance and to motor  
786 vehicle insurance.

787 Section 10. Paragraph (a) of subsection (5) and subsection  
788 (6) of section 627.351, Florida Statutes, are amended to read:

789 627.351 Insurance risk apportionment plans.--

790 (5) PROPERTY AND CASUALTY INSURANCE RISK  
791 APPORTIONMENT.--The commission shall adopt by rule a joint  
792 underwriting plan to equitably apportion among insurers  
793 authorized in this state to write property insurance as defined  
794 in s. 624.604 or casualty insurance as defined in s. 624.605,  
795 the underwriting of one or more classes of property insurance or  
796 casualty insurance, except for the types of insurance that are  
797 included within property insurance or casualty insurance for  
798 which an equitable apportionment plan, assigned risk plan, or  
799 joint underwriting plan is authorized under s. 627.311 or  
800 subsection (1), subsection (2), subsection (3), subsection (4),  
801 or subsection (5) and except for risks eligible for flood  
802 insurance written through the federal flood insurance program to  
803 persons with risks eligible under subparagraph (a)1. and who are  
804 in good faith entitled to, but are unable to, obtain such  
805 property or casualty insurance coverage, including excess  
806 coverage, through the voluntary market. For purposes of this  
807 subsection, an adequate level of coverage means that coverage  
808 which is required by state law or by responsible or prudent  
809 business practices. The Joint Underwriting Association shall not  
810 be required to provide coverage for any type of risk for which  
811 there are no insurers providing similar coverage in this state.

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812 The office may designate one or more participating insurers who  
813 agree to provide policyholder and claims service, including the  
814 issuance of policies, on behalf of the participating insurers.

815 (a) The plan shall provide:

816 1. A means of establishing eligibility of a risk for  
817 obtaining insurance through the plan, which provides that:

818 a. A risk shall be eligible for such property insurance or  
819 casualty insurance as is required by Florida law if the  
820 insurance is unavailable in the voluntary market, including the  
821 market assistance program and the surplus lines market.

822 b. A commercial risk not eligible under sub-subparagraph  
823 a. shall be eligible for property or casualty insurance if:

824 (I) The insurance is unavailable in the voluntary market,  
825 including the market assistance plan and the surplus lines  
826 market;

827 (II) Failure to secure the insurance would substantially  
828 impair the ability of the entity to conduct its affairs; and

829 (III) The risk is not determined by the Risk Underwriting  
830 Committee to be uninsurable.

831 c. In the event the Federal Government terminates the  
832 Federal Crime Insurance Program established under 44 C.F.R. ss.  
833 80-83, Florida commercial and residential risks previously  
834 insured under the federal program shall be eligible under the  
835 plan.

836 d.(I) In the event a risk is eligible under this paragraph  
837 and in the event the market assistance plan receives a minimum  
838 of 100 applications for coverage within a 3-month period, or 200  
839 applications for coverage within a 1-year period or less, for a

840 given class of risk contained in the classification system  
841 defined in the plan of operation of the Joint Underwriting  
842 Association, and unless the market assistance plan provides a  
843 quotation for at least 80 percent of such applicants, such  
844 classification shall immediately be eligible for coverage in the  
845 Joint Underwriting Association.

846 (II) Any market assistance plan application which is  
847 rejected because an individual risk is so hazardous as to be  
848 practically uninsurable, considering whether the likelihood of a  
849 loss for such a risk is substantially higher than for other  
850 risks of the same class due to individual risk characteristics,  
851 prior loss experience, unwillingness to cooperate with a prior  
852 insurer, physical characteristics and physical location shall  
853 not be included in the minimum percentage calculation provided  
854 above. In the event that there is any legal or administrative  
855 challenge to a determination by the office that the conditions  
856 of this subparagraph have been met for eligibility for coverage  
857 in the Joint Underwriting Association for a given  
858 classification, any eligible risk may obtain coverage during the  
859 pendency of any such challenge.

860 e. In order to qualify as a quotation for the purpose of  
861 meeting the minimum percentage calculation in this subparagraph,  
862 the quoted premium must meet the following criteria:

863 (I) In the case of an admitted carrier, the quoted premium  
864 must not exceed the premium available for a given classification  
865 currently in use by the Joint Underwriting Association or the  
866 premium developed by using the rates and rating plans on file  
867 with the office by the quoting insurer, whichever is greater.

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868 (II) In the case of an authorized surplus lines insurer,  
869 the quoted premium must not exceed the premium available for a  
870 given classification currently in use by the Joint Underwriting  
871 Association by more than 25 percent, after consideration of any  
872 individual risk surcharge or credit.

873 f. Any agent who falsely certifies the unavailability of  
874 coverage as provided by sub-subparagraphs a. and b., is subject  
875 to the penalties provided in s. 626.611.

876 g. For properties constructed on or after January 1, 2009,  
877 the association shall not insure any property located within 500  
878 feet seaward or landward of the coastal construction control  
879 line created pursuant to s. 161.053 and shall not insure any  
880 property located over 500 to 2,500 feet landward of the coastal  
881 construction control line unless the property meets the  
882 requirements of the code-plus building standards developed by  
883 the Florida Building Commission or the standards contained in  
884 the Miami-Dade Building Code pending the adoption of code-plus  
885 standards by the commission. However, this sub-subparagraph  
886 shall not apply to properties for which a building permit has  
887 been issued on or after January 1, 2008.

888 2. A means for the equitable apportionment of profits or  
889 losses and expenses among participating insurers.

890 3. Rules for the classification of risks and rates which  
891 reflect the past and prospective loss experience.

892 4. A rating plan which reasonably reflects the prior  
893 claims experience of the insureds. Such rating plan shall  
894 include at least two levels of rates for risks that have  
895 favorable loss experience and risks that have unfavorable loss

896 experience, as established by the plan.

897 5. Reasonable limits to available amounts of insurance.  
898 Such limits may not be less than the amounts of insurance  
899 required of eligible risks by Florida law.

900 6. Risk management requirements for insurance where such  
901 requirements are reasonable and are expected to reduce losses.

902 7. Deductibles as may be necessary to meet the needs of  
903 insureds.

904 8. Policy forms which are consistent with the forms in use  
905 by the majority of the insurers providing coverage in the  
906 voluntary market for the coverage requested by the applicant.

907 9. A means to remove risks from the plan once such risks  
908 no longer meet the eligibility requirements of this paragraph.  
909 For this purpose, the plan shall include the following  
910 requirements: At each 6-month interval after the activation of  
911 any class of insureds, the board of governors or its designated  
912 committee shall review the number of applications to the market  
913 assistance plan for that class. If, based on these latest  
914 numbers, at least 90 percent of such applications have been  
915 provided a quotation, the Joint Underwriting Association shall  
916 cease underwriting new applications for such class within 30  
917 days, and notification of this decision shall be sent to the  
918 office, the major agents' associations, and the board of  
919 directors of the market assistance plan. A quotation for the  
920 purpose of this subparagraph shall meet the same criteria for a  
921 quotation as provided in sub-subparagraph 1.e. All policies  
922 which were previously written for that class shall continue in  
923 force until their normal expiration date, at which time, subject

924 to the required timely notification of nonrenewal by the Joint  
 925 Underwriting Association, the insured may then elect to reapply  
 926 to the Joint Underwriting Association according to the  
 927 requirements of eligibility. If, upon reapplication, those  
 928 previously insured Joint Underwriting Association risks meet the  
 929 eligibility requirements, the Joint Underwriting Association  
 930 shall provide the coverage requested.

931 10. A means for providing credits to insurers against any  
 932 deficit assessment levied pursuant to paragraph (c), for risks  
 933 voluntarily written through the market assistance plan by such  
 934 insurers.

935 11. That the Joint Underwriting Association shall operate  
 936 subject to the supervision and approval of a board of governors  
 937 consisting of 13 individuals appointed by the Chief Financial  
 938 Officer, and shall have an executive or underwriting committee.  
 939 At least four of the members shall be representatives of  
 940 insurance trade associations as follows: one member from the  
 941 American Insurance Association, one member from the Alliance of  
 942 American Insurers, one member from the National Association of  
 943 Independent Insurers, and one member from an unaffiliated  
 944 insurer writing coverage on a national basis. Two  
 945 representatives shall be from two of the statewide agents'  
 946 associations. Each board member shall be appointed to serve for  
 947 2-year terms beginning on a date designated by the plan and  
 948 shall serve at the pleasure of the Chief Financial Officer.  
 949 Members may be reappointed for subsequent terms.

950 (6) CITIZENS PROPERTY INSURANCE CORPORATION.--

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951 (a)1. The Legislature finds that actual and threatened  
952 catastrophic losses to property in this state from hurricanes  
953 have caused insurers to be unwilling or unable to provide  
954 property insurance coverage to the extent sought and needed. It  
955 is in the public interest and a public purpose to assist in  
956 assuring that property in the state is insured so as to  
957 facilitate the remediation, reconstruction, and replacement of  
958 damaged or destroyed property in order to reduce or avoid the  
959 negative effects otherwise resulting to the public health,  
960 safety, and welfare; to the economy of the state; and to the  
961 revenues of the state and local governments needed to provide  
962 for the public welfare. It is necessary, therefore, to provide  
963 property insurance to applicants who are in good faith entitled  
964 to procure insurance through the voluntary market but are unable  
965 to do so. The Legislature intends by this subsection that  
966 property insurance be provided and that it continues, as long as  
967 necessary, through an entity organized to achieve efficiencies  
968 and economies, while providing service to policyholders,  
969 applicants, and agents that is no less than the quality  
970 generally provided in the voluntary market, all toward the  
971 achievement of the foregoing public purposes. Because it is  
972 essential for the corporation to have the maximum financial  
973 resources to pay claims following a catastrophic hurricane, it  
974 is the intent of the Legislature that the income of the  
975 corporation be exempt from federal income taxation and that  
976 interest on the debt obligations issued by the corporation be  
977 exempt from federal income taxation.

978           2. The Residential Property and Casualty Joint  
979 Underwriting Association originally created by this statute  
980 shall be known, as of July 1, 2002, as the Citizens Property  
981 Insurance Corporation. The corporation shall provide insurance  
982 for residential ~~and commercial~~ property, for applicants who are  
983 in good faith entitled, but are unable, to procure insurance  
984 through the voluntary market. The corporation shall operate  
985 pursuant to a plan of operation approved by order of the  
986 Financial Services Commission. The plan is subject to continuous  
987 review by the commission. The commission may, by order, withdraw  
988 approval of all or part of a plan if the commission determines  
989 that conditions have changed since approval was granted and that  
990 the purposes of the plan require changes in the plan. The  
991 corporation shall continue to operate pursuant to the plan of  
992 operation approved by the Office of Insurance Regulation until  
993 October 1, 2006. For the purposes of this subsection,  
994 residential coverage includes both personal lines residential  
995 coverage, which consists of the type of coverage provided by  
996 homeowner's, mobile home owner's, dwelling, tenant's,  
997 condominium unit owner's, and similar policies, and commercial  
998 lines residential coverage, which consists of the type of  
999 coverage provided by condominium association, apartment  
1000 building, and similar policies.

1001           3. For the purposes of this subsection, the term  
1002 "homestead property" means:

1003           a. Property that has been granted a homestead exemption  
1004 under chapter 196;

1005           b. Property for which the owner has a current, written  
 1006 lease with a renter for a term of at least 7 months and for  
 1007 which the dwelling is insured by the corporation for \$200,000 or  
 1008 less;

1009           c. An owner-occupied mobile home or manufactured home, as  
 1010 defined in s. 320.01, which is permanently affixed to real  
 1011 property, is owned by a Florida resident, and has been granted a  
 1012 homestead exemption under chapter 196 or, if the owner does not  
 1013 own the real property, the owner certifies that the mobile home  
 1014 or manufactured home is his or her principal place of residence.

1015           d. Tenant's coverage;

1016           e. Commercial lines residential property; or

1017           f. Any county, district, or municipal hospital; a hospital  
 1018 licensed by any not-for-profit corporation qualified under s.  
 1019 501(c)(3) of the United States Internal Revenue Code; or a  
 1020 continuing care retirement community that is certified under  
 1021 chapter 651 and that receives an exemption from ad valorem taxes  
 1022 under chapter 196.

1023           4. For the purposes of this subsection, the term  
 1024 "nonhomestead property" means property that is not homestead  
 1025 property.

1026           5. Effective July 1, 2008, a personal lines residential  
 1027 structure that has a dwelling replacement cost of \$1 million or  
 1028 more, or a single condominium unit that has a combined dwelling  
 1029 and content replacement cost of \$1 million or more is not  
 1030 eligible for coverage by the corporation. Such dwellings insured  
 1031 by the corporation on June 30, 2008, may continue to be covered  
 1032 by the corporation until the end of the policy term. However,

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1033 such dwellings that are insured by the corporation and become  
1034 ineligible for coverage due to the provisions of this  
1035 subparagraph may reapply and obtain coverage in the high-risk  
1036 account and be considered "nonhomestead property" if the  
1037 property owner provides the corporation with a sworn affidavit  
1038 from one or more insurance agents, on a form provided by the  
1039 corporation, stating that the agents have made their best  
1040 efforts to obtain coverage and that the property has been  
1041 rejected for coverage by at least one authorized insurer and at  
1042 least three surplus lines insurers. If such conditions are met,  
1043 the dwelling may be insured by the corporation for up to 3  
1044 years, after which time the dwelling is ineligible for coverage.  
1045 The office shall approve the method used by the corporation for  
1046 valuing the dwelling replacement cost for the purposes of this  
1047 subparagraph. If a policyholder is insured by the corporation  
1048 prior to being determined to be ineligible pursuant to this  
1049 subparagraph and such policyholder files a lawsuit challenging  
1050 the determination, the policyholder may remain insured by the  
1051 corporation until the conclusion of the litigation.

1052         6. Effective March 1, 2007, nonhomestead property is not  
1053 eligible for coverage by the corporation and is not eligible for  
1054 renewal of such coverage unless the property owner provides the  
1055 corporation with a sworn affidavit from one or more insurance  
1056 agents, on a form provided by the corporation, stating that the  
1057 agents have made their best efforts to obtain coverage and that  
1058 the property has been rejected for coverage by at least one  
1059 authorized insurer and at least three surplus lines insurers.

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1060           7. For properties constructed on or after January 1, 2009,  
1061 the corporation shall not insure any property located within 500  
1062 feet seaward or landward of the coastal construction control  
1063 line created pursuant to s.161.053 and shall not insure any  
1064 property located over 500 to 2,500 feet landward of the coastal  
1065 construction control line unless the property meets the  
1066 requirements of the code-plus building standards developed by  
1067 the Florida Building Commission or the standards contained in  
1068 the Miami-Dade Building Code pending the adoption of code-plus  
1069 standards by the commission. However, this subparagraph shall  
1070 not apply to properties for which a building permit has been  
1071 issued on or after January 1, 2008.

1072           ~~8.7.~~ It is the intent of the Legislature that  
1073 policyholders, applicants, and agents of the corporation receive  
1074 service and treatment of the highest possible level but never  
1075 less than that generally provided in the voluntary market. It  
1076 also is intended that the corporation be held to service  
1077 standards no less than those applied to insurers in the  
1078 voluntary market by the office with respect to responsiveness,  
1079 timeliness, customer courtesy, and overall dealings with  
1080 policyholders, applicants, or agents of the corporation.

1081           (b)1. All insurers authorized to write one or more subject  
1082 lines of business in this state are subject to assessment by the  
1083 corporation and, for the purposes of this subsection, are  
1084 referred to collectively as "assessable insurers." Insurers  
1085 writing one or more subject lines of business in this state  
1086 pursuant to part VIII of chapter 626 are not assessable  
1087 insurers, but insureds who procure one or more subject lines of

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1088 business in this state pursuant to part VIII of chapter 626 are  
1089 subject to assessment by the corporation and are referred to  
1090 collectively as "assessable insureds." An authorized insurer's  
1091 assessment liability shall begin on the first day of the  
1092 calendar year following the year in which the insurer was issued  
1093 a certificate of authority to transact insurance for subject  
1094 lines of business in this state and shall terminate 1 year after  
1095 the end of the first calendar year during which the insurer no  
1096 longer holds a certificate of authority to transact insurance  
1097 for subject lines of business in this state.

1098 2.a. All revenues, assets, liabilities, losses, and  
1099 expenses of the corporation shall be divided into three separate  
1100 accounts as follows:

1101 (I) A personal lines account for personal residential  
1102 policies issued by the corporation or issued by the Residential  
1103 Property and Casualty Joint Underwriting Association and renewed  
1104 by the corporation that provide comprehensive, multiperil  
1105 coverage on risks that are not located in areas eligible for  
1106 coverage in the Florida Windstorm Underwriting Association as  
1107 those areas were defined on January 1, 2002, and for such  
1108 policies that do not provide coverage for the peril of wind on  
1109 risks that are located in such areas;

1110 (II) A commercial lines account for commercial residential  
1111 policies issued by the corporation or issued by the Residential  
1112 Property and Casualty Joint Underwriting Association and renewed  
1113 by the corporation that provide coverage for basic property  
1114 perils on risks that are not located in areas eligible for  
1115 coverage in the Florida Windstorm Underwriting Association as

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1116 those areas were defined on January 1, 2002, and for such  
 1117 policies that do not provide coverage for the peril of wind on  
 1118 risks that are located in such areas; and

1119 (III) A high-risk account for personal residential  
 1120 policies and commercial residential ~~and commercial~~  
 1121 ~~nonresidential~~ property policies issued by the corporation or  
 1122 transferred to the corporation that provide coverage for the  
 1123 peril of wind on risks that are located in areas eligible for  
 1124 coverage in the Florida Windstorm Underwriting Association as  
 1125 those areas were defined on January 1, 2002. The high-risk  
 1126 account must also include quota share primary insurance under  
 1127 subparagraph (c)2. The area eligible for coverage under the  
 1128 high-risk account also includes the area within Port Canaveral,  
 1129 which is bordered on the south by the City of Cape Canaveral,  
 1130 bordered on the west by the Banana River, and bordered on the  
 1131 north by Federal Government property. The office may remove  
 1132 territory from the area eligible for wind-only and quota share  
 1133 coverage if, after a public hearing, the office finds that  
 1134 authorized insurers in the voluntary market are willing and able  
 1135 to write sufficient amounts of personal and commercial  
 1136 residential coverage for all perils in the territory, including  
 1137 coverage for the peril of wind, such that risks covered by wind-  
 1138 only policies in the removed territory could be issued a policy  
 1139 by the corporation in either the personal lines or commercial  
 1140 lines account without a significant increase in the  
 1141 corporation's probable maximum loss in such account. Removal of  
 1142 territory from the area eligible for wind-only or quota share

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1143 coverage does not alter the assignment of wind coverage written  
1144 in such areas to the high-risk account.

1145       b. The three separate accounts must be maintained as long  
1146 as financing obligations entered into by the Florida Windstorm  
1147 Underwriting Association or Residential Property and Casualty  
1148 Joint Underwriting Association are outstanding, in accordance  
1149 with the terms of the corresponding financing documents. When  
1150 the financing obligations are no longer outstanding, in  
1151 accordance with the terms of the corresponding financing  
1152 documents, the corporation may use a single account for all  
1153 revenues, assets, liabilities, losses, and expenses of the  
1154 corporation. Consistent with the requirement of this  
1155 subparagraph and prudent investment policies that minimize the  
1156 cost of carrying debt, the board shall exercise its best efforts  
1157 to retire existing debt or to obtain approval of necessary  
1158 parties to amend the terms of existing debt, so as to structure  
1159 the most efficient plan to consolidate the three separate  
1160 accounts into a single account. By February 1, 2007, the board  
1161 shall submit a report to the Financial Services Commission, the  
1162 President of the Senate, and the Speaker of the House of  
1163 Representatives which includes an analysis of consolidating the  
1164 accounts, the actions the board has taken to minimize the cost  
1165 of carrying debt, and its recommendations for executing the most  
1166 efficient plan.

1167       c. Creditors of the Residential Property and Casualty  
1168 Joint Underwriting Association shall have a claim against, and  
1169 recourse to, the accounts referred to in sub-sub-subparagraphs  
1170 a.(I) and (II) and shall have no claim against, or recourse to,

1171 the account referred to in sub-sub-subparagraph a.(III).  
 1172 Creditors of the Florida Windstorm Underwriting Association  
 1173 shall have a claim against, and recourse to, the account  
 1174 referred to in sub-sub-subparagraph a.(III) and shall have no  
 1175 claim against, or recourse to, the accounts referred to in sub-  
 1176 sub-subparagraphs a.(I) and (II).

1177 d. Revenues, assets, liabilities, losses, and expenses not  
 1178 attributable to particular accounts shall be prorated among the  
 1179 accounts.

1180 e. The Legislature finds that the revenues of the  
 1181 corporation are revenues that are necessary to meet the  
 1182 requirements set forth in documents authorizing the issuance of  
 1183 bonds under this subsection.

1184 f. No part of the income of the corporation may inure to  
 1185 the benefit of any private person.

1186 3. With respect to a deficit in an account:

1187 a. When the deficit incurred in a particular calendar year  
 1188 is not greater than 10 percent of the aggregate statewide direct  
 1189 written premium for the subject lines of business for the prior  
 1190 calendar year, the entire deficit shall be recovered through  
 1191 regular assessments of assessable insurers under paragraph (p)  
 1192 and assessable insureds.

1193 b. When the deficit incurred in a particular calendar year  
 1194 exceeds 10 percent of the aggregate statewide direct written  
 1195 premium for the subject lines of business for the prior calendar  
 1196 year, the corporation shall levy regular assessments on  
 1197 assessable insurers under paragraph (p) and on assessable  
 1198 insureds in an amount equal to the greater of 10 percent of the

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1199 deficit or 10 percent of the aggregate statewide direct written  
 1200 premium for the subject lines of business for the prior calendar  
 1201 year. Any remaining deficit shall be recovered through emergency  
 1202 assessments under sub-subparagraph d.

1203 c. Each assessable insurer's share of the amount being  
 1204 assessed under sub-subparagraph a. or sub-subparagraph b. shall  
 1205 be in the proportion that the assessable insurer's direct  
 1206 written premium for the subject lines of business for the year  
 1207 preceding the assessment bears to the aggregate statewide direct  
 1208 written premium for the subject lines of business for that year.  
 1209 The assessment percentage applicable to each assessable insured  
 1210 is the ratio of the amount being assessed under sub-subparagraph  
 1211 a. or sub-subparagraph b. to the aggregate statewide direct  
 1212 written premium for the subject lines of business for the prior  
 1213 year. Assessments levied by the corporation on assessable  
 1214 insurers under sub-subparagraphs a. and b. shall be paid as  
 1215 required by the corporation's plan of operation and paragraph  
 1216 (p). Notwithstanding any other provision of this subsection, the  
 1217 aggregate amount of a regular assessment for a deficit incurred  
 1218 in a particular calendar year shall be reduced by the estimated  
 1219 amount to be received by the corporation from the Citizens  
 1220 policyholder surcharge under subparagraph (c)11. and the amount  
 1221 collected or estimated to be collected from the assessment on  
 1222 Citizens policyholders pursuant to sub-subparagraph i.  
 1223 Assessments levied by the corporation on assessable insureds  
 1224 under sub-subparagraphs a. and b. shall be collected by the  
 1225 surplus lines agent at the time the surplus lines agent collects  
 1226 the surplus lines tax required by s. 626.932 and shall be paid

1227 to the Florida Surplus Lines Service Office at the time the  
 1228 surplus lines agent pays the surplus lines tax to the Florida  
 1229 Surplus Lines Service Office. Upon receipt of regular  
 1230 assessments from surplus lines agents, the Florida Surplus Lines  
 1231 Service Office shall transfer the assessments directly to the  
 1232 corporation as determined by the corporation.

1233 d. Upon a determination by the board of governors that a  
 1234 deficit in an account exceeds the amount that will be recovered  
 1235 through regular assessments under sub-subparagraph a. or sub-  
 1236 subparagraph b., the board shall levy, after verification by the  
 1237 office, emergency assessments, for as many years as necessary to  
 1238 cover the deficits, to be collected by assessable insurers and  
 1239 the corporation and collected from assessable insureds upon  
 1240 issuance or renewal of policies for subject lines of business,  
 1241 excluding National Flood Insurance policies. The amount of the  
 1242 emergency assessment collected in a particular year shall be a  
 1243 uniform percentage of that year's direct written premium for  
 1244 subject lines of business and all accounts of the corporation,  
 1245 excluding National Flood Insurance Program policy premiums, as  
 1246 annually determined by the board and verified by the office. The  
 1247 office shall verify the arithmetic calculations involved in the  
 1248 board's determination within 30 days after receipt of the  
 1249 information on which the determination was based.

1250 Notwithstanding any other provision of law, the corporation and  
 1251 each assessable insurer that writes subject lines of business  
 1252 shall collect emergency assessments from its policyholders  
 1253 without such obligation being affected by any credit,  
 1254 limitation, exemption, or deferment. Emergency assessments

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1255 levied by the corporation on assessable insureds shall be  
1256 collected by the surplus lines agent at the time the surplus  
1257 lines agent collects the surplus lines tax required by s.  
1258 626.932 and shall be paid to the Florida Surplus Lines Service  
1259 Office at the time the surplus lines agent pays the surplus  
1260 lines tax to the Florida Surplus Lines Service Office. The  
1261 emergency assessments so collected shall be transferred directly  
1262 to the corporation on a periodic basis as determined by the  
1263 corporation and shall be held by the corporation solely in the  
1264 applicable account. The aggregate amount of emergency  
1265 assessments levied for an account under this sub-subparagraph in  
1266 any calendar year may not exceed the greater of 10 percent of  
1267 the amount needed to cover the original deficit, plus interest,  
1268 fees, commissions, required reserves, and other costs associated  
1269 with financing of the original deficit, or 10 percent of the  
1270 aggregate statewide direct written premium for subject lines of  
1271 business and for all accounts of the corporation for the prior  
1272 year, plus interest, fees, commissions, required reserves, and  
1273 other costs associated with financing the original deficit.

1274 e. The corporation may pledge the proceeds of assessments,  
1275 projected recoveries from the Florida Hurricane Catastrophe  
1276 Fund, other insurance and reinsurance recoverables, policyholder  
1277 surcharges and other surcharges, and other funds available to  
1278 the corporation as the source of revenue for and to secure bonds  
1279 issued under paragraph (p), bonds or other indebtedness issued  
1280 under subparagraph (c)3., or lines of credit or other financing  
1281 mechanisms issued or created under this subsection, or to retire  
1282 any other debt incurred as a result of deficits or events giving

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1283 rise to deficits, or in any other way that the board determines  
1284 will efficiently recover such deficits. The purpose of the lines  
1285 of credit or other financing mechanisms is to provide additional  
1286 resources to assist the corporation in covering claims and  
1287 expenses attributable to a catastrophe. As used in this  
1288 subsection, the term "assessments" includes regular assessments  
1289 under sub-subparagraph a., sub-subparagraph b., or subparagraph  
1290 (p)1. and emergency assessments under sub-subparagraph d.  
1291 Emergency assessments collected under sub-subparagraph d. are  
1292 not part of an insurer's rates, are not premium, and are not  
1293 subject to premium tax, fees, or commissions; however, failure  
1294 to pay the emergency assessment shall be treated as failure to  
1295 pay premium. The emergency assessments under sub-subparagraph d.  
1296 shall continue as long as any bonds issued or other indebtedness  
1297 incurred with respect to a deficit for which the assessment was  
1298 imposed remain outstanding, unless adequate provision has been  
1299 made for the payment of such bonds or other indebtedness  
1300 pursuant to the documents governing such bonds or other  
1301 indebtedness.

1302 f. As used in this subsection, the term "subject lines of  
1303 business" means insurance written by assessable insurers or  
1304 procured by assessable insureds on real or personal property, as  
1305 defined in s. 624.604, including insurance for fire, industrial  
1306 fire, allied lines, farmowners multiperil, homeowners  
1307 multiperil, commercial residential multiperil, and mobile homes,  
1308 and including liability coverage on all such insurance, but  
1309 excluding inland marine as defined in s. 624.607(3) and

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1310 excluding vehicle insurance as defined in s. 624.605(1) other  
1311 than insurance on mobile homes used as permanent dwellings.

1312 g. The Florida Surplus Lines Service Office shall  
1313 determine annually the aggregate statewide written premium in  
1314 subject lines of business procured by assessable insureds and  
1315 shall report that information to the corporation in a form and  
1316 at a time the corporation specifies to ensure that the  
1317 corporation can meet the requirements of this subsection and the  
1318 corporation's financing obligations.

1319 h. The Florida Surplus Lines Service Office shall verify  
1320 the proper application by surplus lines agents of assessment  
1321 percentages for regular assessments and emergency assessments  
1322 levied under this subparagraph on assessable insureds and shall  
1323 assist the corporation in ensuring the accurate, timely  
1324 collection and payment of assessments by surplus lines agents as  
1325 required by the corporation.

1326 i. If a deficit is incurred in any account, the board of  
1327 governors shall levy an immediate assessment against the premium  
1328 of each nonhomestead property policyholder in all accounts of  
1329 the corporation, as a uniform percentage of the premium of the  
1330 policy of up to 10 percent of such premium, which funds shall be  
1331 used to offset the deficit. If this assessment is insufficient  
1332 to eliminate the deficit, the board of governors shall levy an  
1333 additional assessment against all policyholders of the  
1334 corporation, which shall be collected at the time of issuance or  
1335 renewal of a policy, as a uniform percentage of the premium for  
1336 the policy of up to 10 percent of such premium, which funds  
1337 shall be used to further offset the deficit.

1338 j. The board of governors shall maintain separate  
 1339 accounting records that consolidate data for nonhomestead  
 1340 properties, including, but not limited to, number of policies,  
 1341 insured values, premiums written, and losses. The board of  
 1342 governors shall annually report to the office and the  
 1343 Legislature a summary of such data.

1344 (c) The plan of operation of the corporation:

1345 1. Must provide for adoption of residential property and  
 1346 casualty insurance policy forms and commercial residential ~~and~~  
 1347 ~~nonresidential~~ property insurance forms, which forms must be  
 1348 approved by the office prior to use. The corporation shall adopt  
 1349 the following policy forms:

1350 a. Standard personal lines policy forms that are  
 1351 comprehensive multiperil policies providing full coverage of a  
 1352 residential property equivalent to the coverage provided in the  
 1353 private insurance market under an HO-3, HO-4, or HO-6 policy.

1354 b. Basic personal lines policy forms that are policies  
 1355 similar to an HO-8 policy or a dwelling fire policy that provide  
 1356 coverage meeting the requirements of the secondary mortgage  
 1357 market, but which coverage is more limited than the coverage  
 1358 under a standard policy.

1359 c. Commercial lines residential policy forms that are  
 1360 generally similar to the basic perils of full coverage  
 1361 obtainable for commercial residential structures in the admitted  
 1362 voluntary market.

1363 d. Personal lines and commercial lines residential  
 1364 property insurance forms that cover the peril of wind only. The  
 1365 forms are applicable only to residential properties located in

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1366 areas eligible for coverage under the high-risk account referred  
1367 to in sub-subparagraph (b)2.a.

1368 ~~e. Commercial lines nonresidential property insurance~~  
1369 ~~forms that cover the peril of wind only. The forms are~~  
1370 ~~applicable only to nonresidential properties located in areas~~  
1371 ~~eligible for coverage under the high risk account referred to in~~  
1372 ~~sub-subparagraph (b)2.a.~~

1373 ~~e.f.~~ The corporation may adopt variations of the policy  
1374 forms listed in sub-subparagraphs a.-d. ~~a.-e.~~ that contain more  
1375 restrictive coverage.

1376 2.a. Must provide that the corporation adopt a program in  
1377 which the corporation and authorized insurers enter into quota  
1378 share primary insurance agreements for hurricane coverage, as  
1379 defined in s. 627.4025(2)(a), for eligible risks, and adopt  
1380 property insurance forms for eligible risks which cover the  
1381 peril of wind only. As used in this subsection, the term:

1382 (I) "Quota share primary insurance" means an arrangement  
1383 in which the primary hurricane coverage of an eligible risk is  
1384 provided in specified percentages by the corporation and an  
1385 authorized insurer. The corporation and authorized insurer are  
1386 each solely responsible for a specified percentage of hurricane  
1387 coverage of an eligible risk as set forth in a quota share  
1388 primary insurance agreement between the corporation and an  
1389 authorized insurer and the insurance contract. The  
1390 responsibility of the corporation or authorized insurer to pay  
1391 its specified percentage of hurricane losses of an eligible  
1392 risk, as set forth in the quota share primary insurance  
1393 agreement, may not be altered by the inability of the other

1394 party to the agreement to pay its specified percentage of  
1395 hurricane losses. Eligible risks that are provided hurricane  
1396 coverage through a quota share primary insurance arrangement  
1397 must be provided policy forms that set forth the obligations of  
1398 the corporation and authorized insurer under the arrangement,  
1399 clearly specify the percentages of quota share primary insurance  
1400 provided by the corporation and authorized insurer, and  
1401 conspicuously and clearly state that neither the authorized  
1402 insurer nor the corporation may be held responsible beyond its  
1403 specified percentage of coverage of hurricane losses.

1404 (II) "Eligible risks" means personal lines residential and  
1405 commercial lines residential risks that meet the underwriting  
1406 criteria of the corporation and are located in areas that were  
1407 eligible for coverage by the Florida Windstorm Underwriting  
1408 Association on January 1, 2002.

1409 b. The corporation may enter into quota share primary  
1410 insurance agreements with authorized insurers at corporation  
1411 coverage levels of 90 percent and 50 percent.

1412 c. If the corporation determines that additional coverage  
1413 levels are necessary to maximize participation in quota share  
1414 primary insurance agreements by authorized insurers, the  
1415 corporation may establish additional coverage levels. However,  
1416 the corporation's quota share primary insurance coverage level  
1417 may not exceed 90 percent.

1418 d. Any quota share primary insurance agreement entered  
1419 into between an authorized insurer and the corporation must  
1420 provide for a uniform specified percentage of coverage of  
1421 hurricane losses, by county or territory as set forth by the

1422 corporation board, for all eligible risks of the authorized  
1423 insurer covered under the quota share primary insurance  
1424 agreement.

1425 e. Any quota share primary insurance agreement entered  
1426 into between an authorized insurer and the corporation is  
1427 subject to review and approval by the office. However, such  
1428 agreement shall be authorized only as to insurance contracts  
1429 entered into between an authorized insurer and an insured who is  
1430 already insured by the corporation for wind coverage.

1431 f. For all eligible risks covered under quota share  
1432 primary insurance agreements, the exposure and coverage levels  
1433 for both the corporation and authorized insurers shall be  
1434 reported by the corporation to the Florida Hurricane Catastrophe  
1435 Fund. For all policies of eligible risks covered under quota  
1436 share primary insurance agreements, the corporation and the  
1437 authorized insurer shall maintain complete and accurate records  
1438 for the purpose of exposure and loss reimbursement audits as  
1439 required by Florida Hurricane Catastrophe Fund rules. The  
1440 corporation and the authorized insurer shall each maintain  
1441 duplicate copies of policy declaration pages and supporting  
1442 claims documents.

1443 g. The corporation board shall establish in its plan of  
1444 operation standards for quota share agreements which ensure that  
1445 there is no discriminatory application among insurers as to the  
1446 terms of quota share agreements, pricing of quota share  
1447 agreements, incentive provisions if any, and consideration paid  
1448 for servicing policies or adjusting claims.

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1449 h. The quota share primary insurance agreement between the  
1450 corporation and an authorized insurer must set forth the  
1451 specific terms under which coverage is provided, including, but  
1452 not limited to, the sale and servicing of policies issued under  
1453 the agreement by the insurance agent of the authorized insurer  
1454 producing the business, the reporting of information concerning  
1455 eligible risks, the payment of premium to the corporation, and  
1456 arrangements for the adjustment and payment of hurricane claims  
1457 incurred on eligible risks by the claims adjuster and personnel  
1458 of the authorized insurer. Entering into a quota sharing  
1459 insurance agreement between the corporation and an authorized  
1460 insurer shall be voluntary and at the discretion of the  
1461 authorized insurer.

1462 3. May provide that the corporation may employ or  
1463 otherwise contract with individuals or other entities to provide  
1464 administrative or professional services that may be appropriate  
1465 to effectuate the plan. The corporation shall have the power to  
1466 borrow funds, by issuing bonds or by incurring other  
1467 indebtedness, and shall have other powers reasonably necessary  
1468 to effectuate the requirements of this subsection, including,  
1469 without limitation, the power to issue bonds and incur other  
1470 indebtedness in order to refinance outstanding bonds or other  
1471 indebtedness. The corporation may, but is not required to, seek  
1472 judicial validation of its bonds or other indebtedness under  
1473 chapter 75. The corporation may issue bonds or incur other  
1474 indebtedness, or have bonds issued on its behalf by a unit of  
1475 local government pursuant to subparagraph (p) ~~(g)~~2., in the  
1476 absence of a hurricane or other weather-related event, upon a

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1477 determination by the corporation, subject to approval by the  
1478 office, that such action would enable it to efficiently meet the  
1479 financial obligations of the corporation and that such  
1480 financings are reasonably necessary to effectuate the  
1481 requirements of this subsection. The corporation is authorized  
1482 to take all actions needed to facilitate tax-free status for any  
1483 such bonds or indebtedness, including formation of trusts or  
1484 other affiliated entities. The corporation shall have the  
1485 authority to pledge assessments, projected recoveries from the  
1486 Florida Hurricane Catastrophe Fund, other reinsurance  
1487 recoverables, market equalization and other surcharges, and  
1488 other funds available to the corporation as security for bonds  
1489 or other indebtedness. In recognition of s. 10, Art. I of the  
1490 State Constitution, prohibiting the impairment of obligations of  
1491 contracts, it is the intent of the Legislature that no action be  
1492 taken whose purpose is to impair any bond indenture or financing  
1493 agreement or any revenue source committed by contract to such  
1494 bond or other indebtedness.

1495 4.a. Must require that the corporation operate subject to  
1496 the supervision and approval of a board of governors consisting  
1497 of eight individuals who are residents of this state, from  
1498 different geographical areas of this state. The Governor, the  
1499 Chief Financial Officer, the President of the Senate, and the  
1500 Speaker of the House of Representatives shall each appoint two  
1501 members of the board. At least one of the two members appointed  
1502 by each appointing officer must have demonstrated expertise in  
1503 insurance. The Chief Financial Officer shall designate one of  
1504 the appointees as chair. All board members serve at the pleasure

1505 of the appointing officer. All board members, including the  
1506 chair, must be appointed to serve for 3-year terms beginning  
1507 annually on a date designated by the plan. Any board vacancy  
1508 shall be filled for the unexpired term by the appointing  
1509 officer. The Chief Financial Officer shall appoint a technical  
1510 advisory group to provide information and advice to the board of  
1511 governors in connection with the board's duties under this  
1512 subsection. The executive director and senior managers of the  
1513 corporation shall be engaged by the board and serve at the  
1514 pleasure of the board. Any executive director appointed on or  
1515 after July 1, 2006, is subject to confirmation by the Senate.  
1516 The executive director is responsible for employing other staff  
1517 as the corporation may require, subject to review and  
1518 concurrence by the board.

1519       b. The board shall create a Market Accountability Advisory  
1520 Committee to assist the corporation in developing awareness of  
1521 its rates and its customer and agent service levels in  
1522 relationship to the voluntary market insurers writing similar  
1523 coverage. The members of the advisory committee shall consist of  
1524 the following 11 persons, one of whom must be elected chair by  
1525 the members of the committee: four representatives, one  
1526 appointed by the Florida Association of Insurance Agents, one by  
1527 the Florida Association of Insurance and Financial Advisors, one  
1528 by the Professional Insurance Agents of Florida, and one by the  
1529 Latin American Association of Insurance Agencies; three  
1530 representatives appointed by the insurers with the three highest  
1531 voluntary market share of residential property insurance  
1532 business in the state; one representative from the Office of

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1533 Insurance Regulation; one consumer appointed by the board who is  
1534 insured by the corporation at the time of appointment to the  
1535 committee; one representative appointed by the Florida  
1536 Association of Realtors; and one representative appointed by the  
1537 Florida Bankers Association. All members must serve for 3-year  
1538 terms and may serve for consecutive terms. The committee shall  
1539 report to the corporation at each board meeting on insurance  
1540 market issues which may include rates and rate competition with  
1541 the voluntary market; service, including policy issuance, claims  
1542 processing, and general responsiveness to policyholders,  
1543 applicants, and agents; and matters relating to depopulation.

1544 5. Must provide a procedure for determining the  
1545 eligibility of a risk for coverage, as follows:

1546 a. Subject to the provisions of s. 627.3517, with respect  
1547 to personal lines residential risks, if the risk is offered  
1548 coverage from an authorized insurer at the insurer's approved  
1549 rate under either a standard policy including wind coverage or,  
1550 if consistent with the insurer's underwriting rules as filed  
1551 with the office, a basic policy including wind coverage, the  
1552 risk is not eligible for any policy issued by the corporation.  
1553 If the risk is not able to obtain any such offer, the risk is  
1554 eligible for either a standard policy including wind coverage or  
1555 a basic policy including wind coverage issued by the  
1556 corporation; however, if the risk could not be insured under a  
1557 standard policy including wind coverage regardless of market  
1558 conditions, the risk shall be eligible for a basic policy  
1559 including wind coverage unless rejected under subparagraph 8.  
1560 The corporation shall determine the type of policy to be

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1561 provided on the basis of objective standards specified in the  
1562 underwriting manual and based on generally accepted underwriting  
1563 practices.

1564 (I) If the risk accepts an offer of coverage through the  
1565 market assistance plan or an offer of coverage through a  
1566 mechanism established by the corporation before a policy is  
1567 issued to the risk by the corporation or during the first 30  
1568 days of coverage by the corporation, and the producing agent who  
1569 submitted the application to the plan or to the corporation is  
1570 not currently appointed by the insurer, the insurer shall:

1571 (A) Pay to the producing agent of record of the policy,  
1572 for the first year, an amount that is the greater of the  
1573 insurer's usual and customary commission for the type of policy  
1574 written or a fee equal to the usual and customary commission of  
1575 the corporation; or

1576 (B) Offer to allow the producing agent of record of the  
1577 policy to continue servicing the policy for a period of not less  
1578 than 1 year and offer to pay the agent the greater of the  
1579 insurer's or the corporation's usual and customary commission  
1580 for the type of policy written.

1581  
1582 If the producing agent is unwilling or unable to accept  
1583 appointment, the new insurer shall pay the agent in accordance  
1584 with sub-sub-sub-subparagraph (A).

1585 (II) When the corporation enters into a contractual  
1586 agreement for a take-out plan, the producing agent of record of  
1587 the corporation policy is entitled to retain any unearned  
1588 commission on the policy, and the insurer shall:

1589 (A) Pay to the producing agent of record of the  
 1590 corporation policy, for the first year, an amount that is the  
 1591 greater of the insurer's usual and customary commission for the  
 1592 type of policy written or a fee equal to the usual and customary  
 1593 commission of the corporation; or

1594 (B) Offer to allow the producing agent of record of the  
 1595 corporation policy to continue servicing the policy for a period  
 1596 of not less than 1 year and offer to pay the agent the greater  
 1597 of the insurer's or the corporation's usual and customary  
 1598 commission for the type of policy written.

1599  
 1600 If the producing agent is unwilling or unable to accept  
 1601 appointment, the new insurer shall pay the agent in accordance  
 1602 with sub-sub-sub-subparagraph (A).

1603 b. With respect to commercial lines residential risks, if  
 1604 the risk is offered coverage under a policy including wind  
 1605 coverage from an authorized insurer at its approved rate, the  
 1606 risk is not eligible for any policy issued by the corporation.  
 1607 If the risk is not able to obtain any such offer, the risk is  
 1608 eligible for a policy including wind coverage issued by the  
 1609 corporation.

1610 (I) If the risk accepts an offer of coverage through the  
 1611 market assistance plan or an offer of coverage through a  
 1612 mechanism established by the corporation before a policy is  
 1613 issued to the risk by the corporation or during the first 30  
 1614 days of coverage by the corporation, and the producing agent who  
 1615 submitted the application to the plan or the corporation is not  
 1616 currently appointed by the insurer, the insurer shall:

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1617 (A) Pay to the producing agent of record of the policy,  
 1618 for the first year, an amount that is the greater of the  
 1619 insurer's usual and customary commission for the type of policy  
 1620 written or a fee equal to the usual and customary commission of  
 1621 the corporation; or

1622 (B) Offer to allow the producing agent of record of the  
 1623 policy to continue servicing the policy for a period of not less  
 1624 than 1 year and offer to pay the agent the greater of the  
 1625 insurer's or the corporation's usual and customary commission  
 1626 for the type of policy written.

1627  
 1628 If the producing agent is unwilling or unable to accept  
 1629 appointment, the new insurer shall pay the agent in accordance  
 1630 with sub-sub-sub-subparagraph (A).

1631 (II) When the corporation enters into a contractual  
 1632 agreement for a take-out plan, the producing agent of record of  
 1633 the corporation policy is entitled to retain any unearned  
 1634 commission on the policy, and the insurer shall:

1635 (A) Pay to the producing agent of record of the  
 1636 corporation policy, for the first year, an amount that is the  
 1637 greater of the insurer's usual and customary commission for the  
 1638 type of policy written or a fee equal to the usual and customary  
 1639 commission of the corporation; or

1640 (B) Offer to allow the producing agent of record of the  
 1641 corporation policy to continue servicing the policy for a period  
 1642 of not less than 1 year and offer to pay the agent the greater  
 1643 of the insurer's or the corporation's usual and customary  
 1644 commission for the type of policy written.

1645  
 1646 If the producing agent is unwilling or unable to accept  
 1647 appointment, the new insurer shall pay the agent in accordance  
 1648 with sub-sub-sub-subparagraph (A).

1649         6. Must provide by July 1, 2007, that an application for  
 1650 coverage for a new policy is subject to a waiting period of 10  
 1651 days before coverage is effective, during which time the  
 1652 corporation shall make such application available for review by  
 1653 general lines agents and authorized property and casualty  
 1654 insurers. The board shall ~~may~~ approve an exception ~~exceptions~~  
 1655 that allows ~~allow~~ for coverage to be effective before the end of  
 1656 the 10-day waiting period, ~~7~~ for coverage issued in conjunction  
 1657 with a real estate closing. 7 The board may approve ~~and for~~ such  
 1658 other exceptions as the board determines are necessary to  
 1659 prevent lapses in coverage.

1660         7. Must include rules for classifications of risks and  
 1661 rates therefor.

1662         8. Must provide that if premium and investment income for  
 1663 an account attributable to a particular calendar year are in  
 1664 excess of projected losses and expenses for the account  
 1665 attributable to that year, such excess shall be held in surplus  
 1666 in the account. Such surplus shall be available to defray  
 1667 deficits in that account as to future years and shall be used  
 1668 for that purpose prior to assessing assessable insurers and  
 1669 assessable insureds as to any calendar year.

1670         9. Must provide objective criteria and procedures to be  
 1671 uniformly applied for all applicants in determining whether an  
 1672 individual risk is so hazardous as to be uninsurable. In making

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1673 this determination and in establishing the criteria and  
1674 procedures, the following shall be considered:

1675 a. Whether the likelihood of a loss for the individual  
1676 risk is substantially higher than for other risks of the same  
1677 class; and

1678 b. Whether the uncertainty associated with the individual  
1679 risk is such that an appropriate premium cannot be determined.

1680

1681 The acceptance or rejection of a risk by the corporation shall  
1682 be construed as the private placement of insurance, and the  
1683 provisions of chapter 120 shall not apply.

1684 10. Must provide that the corporation shall make its best  
1685 efforts to procure catastrophe reinsurance at reasonable rates,  
1686 to cover its projected 100-year probable maximum loss as  
1687 determined by the board of governors.

1688 11. Must provide that in the event of regular deficit  
1689 assessments under sub-subparagraph (b)3.a. or sub-subparagraph  
1690 (b)3.b., in the personal lines account, the commercial lines  
1691 residential account, or the high-risk account, the corporation  
1692 shall levy upon corporation policyholders in its next rate  
1693 filing, or by a separate rate filing solely for this purpose, a  
1694 Citizens policyholder surcharge arising from a regular  
1695 assessment in such account in a percentage equal to the total  
1696 amount of such regular assessments divided by the aggregate  
1697 statewide direct written premium for subject lines of business  
1698 for the prior calendar year. For purposes of calculating the  
1699 Citizens policyholder surcharge to be levied under this  
1700 subparagraph, the total amount of the regular assessment to

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1701 which this surcharge is related shall be determined as set forth  
1702 in subparagraph (b)3., without deducting the estimated Citizens  
1703 policyholder surcharge. Citizens policyholder surcharges under  
1704 this subparagraph are not considered premium and are not subject  
1705 to commissions, fees, or premium taxes; however, failure to pay  
1706 a market equalization surcharge shall be treated as failure to  
1707 pay premium.

1708       12. The policies issued by the corporation must provide  
1709 that, if the corporation or the market assistance plan obtains  
1710 an offer from an authorized insurer to cover the risk at its  
1711 approved rates, the risk is no longer eligible for renewal  
1712 through the corporation.

1713       13. Corporation policies and applications must include a  
1714 notice that the corporation policy could, under this section, be  
1715 replaced with a policy issued by an authorized insurer that does  
1716 not provide coverage identical to the coverage provided by the  
1717 corporation. The notice shall also specify that acceptance of  
1718 corporation coverage creates a conclusive presumption that the  
1719 applicant or policyholder is aware of this potential.

1720       14. May establish, subject to approval by the office,  
1721 different eligibility requirements and operational procedures  
1722 for any line or type of coverage for any specified county or  
1723 area if the board determines that such changes to the  
1724 eligibility requirements and operational procedures are  
1725 justified due to the voluntary market being sufficiently stable  
1726 and competitive in such area or for such line or type of  
1727 coverage and that consumers who, in good faith, are unable to  
1728 obtain insurance through the voluntary market through ordinary

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1729 methods would continue to have access to coverage from the  
1730 corporation. When coverage is sought in connection with a real  
1731 property transfer, such requirements and procedures shall not  
1732 provide for an effective date of coverage later than the date of  
1733 the closing of the transfer as established by the transferor,  
1734 the transferee, and, if applicable, the lender.

1735 15. Must provide that, with respect to the high-risk  
1736 account, any assessable insurer with a surplus as to  
1737 policyholders of \$25 million or less writing 25 percent or more  
1738 of its total countrywide property insurance premiums in this  
1739 state may petition the office, within the first 90 days of each  
1740 calendar year, to qualify as a limited apportionment company. A  
1741 regular assessment levied by the corporation on a limited  
1742 apportionment company for a deficit incurred by the corporation  
1743 for the high-risk account in 2006 or thereafter may be paid to  
1744 the corporation on a monthly basis as the assessments are  
1745 collected by the limited apportionment company from its insureds  
1746 pursuant to s. 627.3512, but the regular assessment must be paid  
1747 in full within 12 months after being levied by the corporation.  
1748 A limited apportionment company shall collect from its  
1749 policyholders any emergency assessment imposed under sub-  
1750 subparagraph (b)3.d. The plan shall provide that, if the office  
1751 determines that any regular assessment will result in an  
1752 impairment of the surplus of a limited apportionment company,  
1753 the office may direct that all or part of such assessment be  
1754 deferred as provided in subparagraph (p)~~(g)~~4. However, there  
1755 shall be no limitation or deferment of an emergency assessment

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1756 to be collected from policyholders under sub-subparagraph  
1757 (b)3.d.

1758 16. Must provide that the corporation appoint as its  
1759 licensed agents only those agents who also hold an appointment  
1760 as defined in s. 626.015(3) with an insurer who at the time of  
1761 the agent's initial appointment by the corporation is authorized  
1762 to write and is actually writing personal lines residential  
1763 property coverage, or commercial residential property coverage,  
1764 ~~or commercial nonresidential property coverage~~ within the state.

1765 17. Must provide, by July 1, 2007, a premium payment plan  
1766 option to its policyholders which allows for monthly, quarterly,  
1767 and semiannual payment of premiums.

1768 18. Must provide, effective June 1, 2007, that the  
1769 corporation contract with each insurer providing the non-wind  
1770 coverage for risks insured by the corporation in the high-risk  
1771 account, requiring that the insurer provide claims adjusting  
1772 services for the wind coverage provided by the corporation for  
1773 such risks. An insurer is required to enter into this contract  
1774 as a condition of providing non-wind coverage for a risk that is  
1775 insured by the corporation in the high-risk account unless the  
1776 board finds, after a hearing, that the insurer is not capable of  
1777 providing adjusting services at an acceptable level of quality  
1778 to corporation policyholders. The terms and conditions of such  
1779 contracts must be substantially the same as the contracts that  
1780 the corporation executed with insurers under the "adjust-your-  
1781 own" program in 2006, except as may be mutually agreed to by the  
1782 parties and except for such changes that the board determines  
1783 are necessary to ensure that claims are adjusted appropriately.

1784 The corporation shall provide a process for neutral arbitration  
 1785 of any dispute between the corporation and the insurer regarding  
 1786 the terms of the contract. The corporation shall review and  
 1787 monitor the performance of insurers under these contracts.

1788 19. Must limit coverage on mobile homes or manufactured  
 1789 homes built prior to 1994 to actual cash value of the dwelling  
 1790 rather than replacement costs of the dwelling.

1791 (d)1. All prospective employees for senior management  
 1792 positions, as defined by the plan of operation, are subject to  
 1793 background checks as a prerequisite for employment. The office  
 1794 shall conduct background checks on such prospective employees  
 1795 pursuant to ss. 624.34, 624.404(3), and 628.261.

1796 2. On or before July 1 of each year, employees of the  
 1797 corporation are required to sign and submit a statement  
 1798 attesting that they do not have a conflict of interest, as  
 1799 defined in part III of chapter 112. As a condition of  
 1800 employment, all prospective employees are required to sign and  
 1801 submit to the corporation a conflict-of-interest statement.

1802 3. Senior managers and members of the board of governors  
 1803 are subject to the provisions of part III of chapter 112,  
 1804 including, but not limited to, the code of ethics and public  
 1805 disclosure and reporting of financial interests, pursuant to s.  
 1806 112.3145. Senior managers and board members are also required to  
 1807 file such disclosures with the Office of Insurance Regulation.  
 1808 The executive director of the corporation or his or her designee  
 1809 shall notify each newly appointed and existing appointed member  
 1810 of the board of governors and senior managers of their duty to  
 1811 comply with the reporting requirements of part III of chapter

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1812 112. At least quarterly, the executive director or his or her  
 1813 designee shall submit to the Commission on Ethics a list of  
 1814 names of the senior managers and members of the board of  
 1815 governors who are subject to the public disclosure requirements  
 1816 under s. 112.3145.

1817 4. Notwithstanding s. 112.3148 or s. 112.3149, or any  
 1818 other provision of law, an employee or board member may not  
 1819 knowingly accept, directly or indirectly, any gift or  
 1820 expenditure from a person or entity, or an employee or  
 1821 representative of such person or entity, that has a contractual  
 1822 relationship with the corporation or who is under consideration  
 1823 for a contract. An employee or board member who fails to comply  
 1824 with this subparagraph is subject to penalties provided under  
 1825 ss. 112.317 and 112.3173.

1826 5. Any senior manager of the corporation who is employed  
 1827 on or after January 1, 2007, regardless of the date of hire, who  
 1828 subsequently retires or terminates employment is prohibited from  
 1829 representing another person or entity before the corporation for  
 1830 2 years after retirement or termination of employment from the  
 1831 corporation.

1832 6. Any employee of the corporation who is employed on or  
 1833 after January 1, 2007, regardless of the date of hire, who  
 1834 subsequently retires or terminates employment is prohibited from  
 1835 having any employment or contractual relationship for 2 years  
 1836 with an insurer that has received a take-out bonus from the  
 1837 corporation.

1838 (e) Purchases that equal or exceed \$2,500, but are less  
 1839 than \$25,000, shall be made by receipt of written quotes,

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1840 written record of telephone quotes, or informal bids, whenever  
1841 practical. The procurement of goods or services valued at or  
1842 over \$25,000 shall be subject to competitive solicitation,  
1843 except in situations where the goods or services are provided by  
1844 a sole source or are deemed an emergency purchase; the services  
1845 are exempted from competitive solicitation requirements under s.  
1846 287.057(5)(f); or the procurement of services is subject to s.  
1847 627.3513. Justification for the sole-sourcing or emergency  
1848 procurement must be documented. Contracts for goods or services  
1849 valued at or over \$100,000 are subject to approval by the board.

1850 (f) The board shall determine whether it is more cost-  
1851 effective and in the best interests of the corporation to use  
1852 legal services provided by in-house attorneys employed by the  
1853 corporation rather than contracting with outside counsel. In  
1854 making such determination, the board shall document its findings  
1855 and shall consider: the expertise needed; whether time  
1856 commitments exceed in-house staff resources; whether local  
1857 representation is needed; the travel, lodging and other costs  
1858 associated with in-house representation; and such other factors  
1859 that the board determines are relevant.

1860 (g) The corporation may not retain a lobbyist to represent  
1861 it before the legislative branch or executive branch. However,  
1862 full-time employees of the corporation may register as lobbyists  
1863 and represent the corporation before the legislative branch or  
1864 executive branch.

1865 (h)1. The Office of the Internal Auditor is established  
1866 within the corporation to provide a central point for  
1867 coordination of and responsibility for activities that promote

1868 | accountability, integrity, and efficiency to the policyholders  
 1869 | and to the taxpayers of this state. The internal auditor shall  
 1870 | be appointed by the board of governors, shall report to and be  
 1871 | under the general supervision of the board of governors, and is  
 1872 | not subject to supervision by any employee of the corporation.  
 1873 | Administrative staff and support shall be provided by the  
 1874 | corporation. The internal auditor shall be appointed without  
 1875 | regard to political affiliation. It is the duty and  
 1876 | responsibility of the internal auditor to:

1877 |         a. Provide direction for, supervise, conduct, and  
 1878 | coordinate audits, investigations, and management reviews  
 1879 | relating to the programs and operations of the corporation.

1880 |         b. Conduct, supervise, or coordinate other activities  
 1881 | carried out or financed by the corporation for the purpose of  
 1882 | promoting efficiency in the administration of, or preventing and  
 1883 | detecting fraud, abuse, and mismanagement in, its programs and  
 1884 | operations.

1885 |         c. Submit final audit reports, reviews, or investigative  
 1886 | reports to the board of governors, the executive director, the  
 1887 | members of the Financial Services Commission, and the President  
 1888 | of the Senate and the Speaker of the House of Representatives.

1889 |         d. Keep the board of governors informed concerning fraud,  
 1890 | abuses, and internal control deficiencies relating to programs  
 1891 | and operations administered or financed by the corporation,  
 1892 | recommend corrective action, and report on the progress made in  
 1893 | implementing corrective action.

1894 |         e. Report expeditiously to the Department of Law  
 1895 | Enforcement or other law enforcement agencies, as appropriate,

1896 whenever the internal auditor has reasonable grounds to believe  
 1897 there has been a violation of criminal law.

1898         2. On or before February 15, the internal auditor shall  
 1899 prepare an annual report evaluating the effectiveness of the  
 1900 internal controls of the corporation and providing  
 1901 recommendations for corrective action, if necessary, and  
 1902 summarizing the audits, reviews, and investigations conducted by  
 1903 the office during the preceding fiscal year. The final report  
 1904 shall be furnished to the board of governors and the executive  
 1905 director, the President of the Senate, the Speaker of the House  
 1906 of Representatives, and the Financial Services Commission.

1907         (i) All records of the corporation, except as otherwise  
 1908 provided by law, are subject to the record retention  
 1909 requirements of s. 119.021.

1910         (j)1. The corporation shall establish and maintain a unit  
 1911 or division to investigate possible fraudulent claims by  
 1912 insureds or by persons making claims for services or repairs  
 1913 against policies held by insureds; or it may contract with  
 1914 others to investigate possible fraudulent claims for services or  
 1915 repairs against policies held by the corporation pursuant to s.  
 1916 626.9891. The corporation must comply with reporting  
 1917 requirements of s. 626.9891. An employee of the corporation  
 1918 shall notify the Division of Insurance Fraud within 48 hours  
 1919 after having information that would lead a reasonable person to  
 1920 suspect that fraud may have been committed by any employee of  
 1921 the corporation.

1922         2. The corporation shall establish a unit or division  
 1923 responsible for receiving and responding to consumer complaints,

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1924 | which unit or division is the sole responsibility of a senior  
 1925 | manager of the corporation.

1926 |       (k) The office shall conduct a comprehensive market  
 1927 | conduct examination of the corporation every 2 years to  
 1928 | determine compliance with its plan of operation and internal  
 1929 | operations procedures. The first market conduct examination  
 1930 | report shall be submitted to the President of the Senate and the  
 1931 | Speaker of the House of Representatives no later than February  
 1932 | 1, 2009. Subsequent reports shall be submitted on or before  
 1933 | February 1 every 2 years thereafter.

1934 |       (l) The Auditor General shall conduct an operational audit  
 1935 | of the corporation every 3 years to evaluate management's  
 1936 | performance in administering laws, policies, and procedures  
 1937 | governing the operations of the corporation in an efficient and  
 1938 | effective manner. The scope of the review shall include, but is  
 1939 | not limited to, evaluating claims handling, customer service,  
 1940 | take-out programs and bonuses, financing arrangements,  
 1941 | procurement of goods and services, internal controls, and the  
 1942 | internal audit function. The initial audit must be completed by  
 1943 | February 1, 2009.

1944 |       (m)1.a. Rates for coverage provided by the corporation  
 1945 | shall be actuarially adequate ~~sound and not competitive with~~  
 1946 | ~~approved rates charged in the admitted voluntary market, so that~~  
 1947 | ~~the corporation functions as a residual market mechanism to~~  
 1948 | ~~provide insurance only when the insurance cannot be procured in~~  
 1949 | ~~the voluntary market.~~ Rates shall include an appropriate  
 1950 | catastrophe loading factor that reflects the actual catastrophic  
 1951 | exposure of the corporation. For policies in the personal lines

1952 account and the commercial lines account issued or renewed on or  
 1953 after March 1, 2007, a rate is deemed inadequate if the rate,  
 1954 including investment income, is not sufficient to provide for  
 1955 the procurement of coverage under the Florida Hurricane  
 1956 Catastrophe Fund ~~and private reinsurance costs, whether or not~~  
 1957 ~~reinsurance is procured,~~ and to pay all claims and expenses  
 1958 reasonably expected to result from a 100-year probable maximum  
 1959 loss event without resort to any regular or emergency  
 1960 assessments, long-term debt, state revenues, or other funding  
 1961 sources. For policies in the high-risk account issued or renewed  
 1962 on or after January 1, 2008 ~~March 1, 2007,~~ a rate is deemed  
 1963 inadequate if the rate, including investment income, is not  
 1964 sufficient to provide for the procurement of coverage under the  
 1965 Florida Hurricane Catastrophe Fund ~~and private reinsurance~~  
 1966 ~~costs, whether or not reinsurance is procured,~~ and to pay all  
 1967 claims and expenses reasonably expected to result from a 50-year  
 1968 ~~70-year~~ probable maximum loss event without ~~with~~ resort to any  
 1969 regular or emergency assessments, long-term debt, state  
 1970 revenues, or other funding sources. For policies in the high-  
 1971 risk account issued or renewed in ~~2008 and~~ 2009, 2010, 2011,  
 1972 2012, and 2013, the rate must be based upon a 60-year, 70-year,  
 1973 80-year, 90-year, an 85-year and 100-year probable maximum loss  
 1974 event, respectively.

1975       b. It is the intent of the Legislature to reaffirm the  
 1976 requirement of rate adequacy in the residual market. Recognizing  
 1977 that rates may comply with the intent expressed in sub-  
 1978 subparagraph a. and yet be inadequate and recognizing the public  
 1979 need to limit subsidies within the residual market, it is the

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1980 further intent of the Legislature to establish statutory  
1981 standards for rate adequacy. Such standards are intended to  
1982 supplement the standard specified in s. 627.062(2)(e)3.,  
1983 providing that rates are inadequate if they are clearly  
1984 insufficient to sustain projected losses and expenses in the  
1985 class of business to which they apply.

1986 ~~2. For each county, the average rates of the corporation~~  
1987 ~~for each line of business for personal lines residential~~  
1988 ~~policies excluding rates for wind only policies shall be no~~  
1989 ~~lower than the average rates charged by the insurer that had the~~  
1990 ~~highest average rate in that county among the 20 insurers with~~  
1991 ~~the greatest total direct written premium in the state for that~~  
1992 ~~line of business in the preceding year, except that with respect~~  
1993 ~~to mobile home coverages, the average rates of the corporation~~  
1994 ~~shall be no lower than the average rates charged by the insurer~~  
1995 ~~that had the highest average rate in that county among the 5~~  
1996 ~~insurers with the greatest total written premium for mobile home~~  
1997 ~~owner's policies in the state in the preceding year.~~

1998 2.3. Rates for personal lines residential wind-only  
1999 policies must be actuarially adequate ~~sound and not competitive~~  
2000 ~~with approved rates charged by authorized insurers.~~ If the  
2001 filing under this subparagraph is made at least 90 days before  
2002 the proposed effective date and the filing is not implemented  
2003 during the office's review of the filing and any proceeding and  
2004 judicial review, such filing shall be considered a "file and  
2005 use" filing. In such case, the office shall finalize its review  
2006 by issuance of a notice of intent to approve or a notice of  
2007 intent to disapprove within 90 days after receipt of the filing.

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2008 The notice of intent to approve and the notice of intent to  
 2009 disapprove constitute agency action for purposes of the  
 2010 Administrative Procedure Act. Requests for supporting  
 2011 information, requests for mathematical or mechanical  
 2012 corrections, or notification to the insurer by the office of its  
 2013 preliminary findings shall not toll the 90-day period during any  
 2014 such proceedings and subsequent judicial review. The rate shall  
 2015 be deemed approved if the office does not issue a notice of  
 2016 intent to approve or a notice of intent to disapprove within 90  
 2017 days after receipt of the filing. Corporation rate manuals shall  
 2018 include a rate surcharge for seasonal occupancy. ~~To ensure that~~  
 2019 ~~personal lines residential wind only rates are not competitive~~  
 2020 ~~with approved rates charged by authorized insurers, the~~  
 2021 ~~corporation, in conjunction with the office, shall develop a~~  
 2022 ~~wind only ratemaking methodology, which methodology shall be~~  
 2023 ~~contained in each rate filing made by the corporation with the~~  
 2024 ~~office. If the office determines that the wind only rates or~~  
 2025 ~~rating factors filed by the corporation fail to comply with the~~  
 2026 ~~wind only ratemaking methodology provided for in this~~  
 2027 ~~subsection, it shall so notify the corporation and require the~~  
 2028 ~~corporation to amend its rates or rating factors to come into~~  
 2029 ~~compliance within 90 days of notice from the office.~~

2030 4. ~~The requirements of this paragraph that rates not be~~  
 2031 ~~competitive with approved rates charged by authorized insurers~~  
 2032 ~~do not apply in a county or area for which the office determines~~  
 2033 ~~that no authorized insurer is offering coverage. The corporation~~  
 2034 ~~shall amend its rates or rating factors for the affected county~~

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2035 ~~or area in conjunction with its next rate filing after such~~  
2036 ~~determination is made.~~

2037 ~~5. For the purposes of establishing a pilot program to~~  
2038 ~~evaluate issues relating to the availability and affordability~~  
2039 ~~of insurance in an area where historically there has been little~~  
2040 ~~market competition, the provisions of subparagraph 2. do not~~  
2041 ~~apply to coverage provided by the corporation in Monroe County~~  
2042 ~~if the office determines that a reasonable degree of competition~~  
2043 ~~does not exist for personal lines residential policies. The~~  
2044 ~~provisions of subparagraph 3. do not apply to coverage provided~~  
2045 ~~by the corporation in Monroe County if the office determines~~  
2046 ~~that a reasonable degree of competition does not exist for~~  
2047 ~~personal lines residential policies in the area of that county~~  
2048 ~~which is eligible for wind only coverage. In this county, the~~  
2049 ~~rates for personal lines residential coverage shall be~~  
2050 ~~actuarially sound and not excessive, inadequate, or unfairly~~  
2051 ~~discriminatory and are subject to the other provisions of the~~  
2052 ~~paragraph and s. 627.062. The commission shall adopt rules~~  
2053 ~~establishing the criteria for determining whether a reasonable~~  
2054 ~~degree of competition exists for personal lines residential~~  
2055 ~~policies in Monroe County. By March 1, 2006, the office shall~~  
2056 ~~submit a report to the Legislature providing an evaluation of~~  
2057 ~~the implementation of the pilot program affecting Monroe County.~~

2058 ~~6. Rates for commercial lines coverage shall not be~~  
2059 ~~subject to the requirements of subparagraph 2., but shall be~~  
2060 ~~subject to all other requirements of this paragraph and s.~~  
2061 ~~627.062.~~

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2062        ~~3.7.~~ Nothing in this paragraph shall require or allow the  
2063 corporation to adopt a rate that is inadequate under s. 627.062.

2064        ~~4.8.~~ The corporation shall certify to the office at least  
2065 twice annually that its personal lines rates comply with the  
2066 requirements of subparagraphs 1. and, 2., ~~and 3.~~ If any  
2067 adjustment in the rates or rating factors of the corporation is  
2068 necessary to ensure such compliance, the corporation shall make  
2069 and implement such adjustments and file its revised rates and  
2070 rating factors with the office. If the office thereafter  
2071 determines that the revised rates and rating factors fail to  
2072 comply with the provisions of subparagraphs 1. and, 2., ~~and 3.~~  
2073 it shall notify the corporation and require the corporation to  
2074 amend its rates or rating factors in conjunction with its next  
2075 rate filing. ~~The office must notify the corporation by~~  
2076 ~~electronic means of any rate filing it approves for any insurer~~  
2077 ~~among the insurers referred to in subparagraph 2.~~

2078        ~~5.9.~~ In addition to the rates otherwise determined  
2079 pursuant to this paragraph, the corporation shall impose and  
2080 collect an amount equal to the premium tax provided for in s.  
2081 624.509 to augment the financial resources of the corporation.

2082        ~~6.10.~~ The corporation shall develop a notice to  
2083 policyholders or applicants that the rates of Citizens Property  
2084 Insurance Corporation are intended to be higher than the rates  
2085 of any admitted carrier and providing other information the  
2086 corporation deems necessary to assist consumers in finding other  
2087 voluntary admitted insurers willing to insure their property.

2088        ~~7.11.~~ After the public hurricane loss-projection model  
2089 under s. 627.06281 has been found to be accurate and reliable by

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2090 the Florida Commission on Hurricane Loss Projection Methodology,  
2091 that model shall serve as the minimum benchmark for determining  
2092 the windstorm portion of the corporation's rates. This  
2093 subparagraph does not require or allow the corporation to adopt  
2094 rates lower than the rates otherwise required or allowed by this  
2095 paragraph.

2096 8. Except as provided in subparagraph 9., the rate filings  
2097 for the corporation which were approved by the office and which  
2098 took effect January 1, 2007, are rescinded. As soon as possible,  
2099 the corporation shall begin using the rates that were in effect  
2100 on December 31, 2006, and shall provide refunds to policyholders  
2101 who have paid higher rates as a result of those rate filings.  
2102 The rates in effect on December 31, 2006, shall remain in effect  
2103 for the 2007 calendar year. The next rate change shall take  
2104 effect January 1, 2008, pursuant to a new rate filing  
2105 recommended by the corporation and approved by the office,  
2106 subject to the requirements of this paragraph.

2107 9. Through December 31, 2007, the corporation shall use  
2108 the lower territorial rates for the hurricane portion of the  
2109 rates for high-risk account homeowners (H03) policies approved  
2110 for use by the office in Monroe County beginning January 1,  
2111 2007. Nothing in subparagraph 8. is intended to prevent the  
2112 corporation from implementing prior to January 1, 2008, rates  
2113 pursuant to subparagraph 1. that are lower than rates in effect  
2114 on December 31, 2006, including by territory, coverage, and  
2115 mitigation factors and other discounts. Prior to January 1,  
2116 2008, such lower rates shall be determined to meet the  
2117 requirements of subparagraph 1. by comparing such lower rates to

2118 the rates in effect on December 31, 2006.

2119 (n) If coverage in an account is deactivated pursuant to  
 2120 paragraph (o)~~(f)~~, coverage through the corporation shall be  
 2121 reactivated by order of the office only under one of the  
 2122 following circumstances:

2123 1. If the market assistance plan receives a minimum of 100  
 2124 applications for coverage within a 3-month period, or 200  
 2125 applications for coverage within a 1-year period or less for  
 2126 residential coverage, unless the market assistance plan provides  
 2127 a quotation from admitted carriers at their filed rates for at  
 2128 least 90 percent of such applicants. Any market assistance plan  
 2129 application that is rejected because an individual risk is so  
 2130 hazardous as to be uninsurable using the criteria specified in  
 2131 subparagraph (c)9.8~~9.8~~ shall not be included in the minimum  
 2132 percentage calculation provided herein. In the event that there  
 2133 is a legal or administrative challenge to a determination by the  
 2134 office that the conditions of this subparagraph have been met  
 2135 for eligibility for coverage in the corporation, any eligible  
 2136 risk may obtain coverage during the pendency of such challenge.

2137 2. In response to a state of emergency declared by the  
 2138 Governor under s. 252.36, the office may activate coverage by  
 2139 order for the period of the emergency upon a finding by the  
 2140 office that the emergency significantly affects the availability  
 2141 of residential property insurance.

2142 (o)1. The corporation shall file with the office quarterly  
 2143 statements of financial condition, an annual statement of  
 2144 financial condition, and audited financial statements in the  
 2145 manner prescribed by law. In addition, the corporation shall

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2146 report to the office monthly on the types, premium, exposure,  
2147 and distribution by county of its policies in force, and shall  
2148 submit other reports as the office requires to carry out its  
2149 oversight of the corporation.

2150 2. The activities of the corporation shall be reviewed at  
2151 least annually by the office to determine whether coverage shall  
2152 be deactivated in an account on the basis that the conditions  
2153 giving rise to its activation no longer exist.

2154 (p)1. The corporation shall certify to the office its  
2155 needs for annual assessments as to a particular calendar year,  
2156 and for any interim assessments that it deems to be necessary to  
2157 sustain operations as to a particular year pending the receipt  
2158 of annual assessments. Upon verification, the office shall  
2159 approve such certification, and the corporation shall levy such  
2160 annual or interim assessments. Such assessments shall be  
2161 prorated as provided in paragraph (b). The corporation shall  
2162 take all reasonable and prudent steps necessary to collect the  
2163 amount of assessment due from each assessable insurer,  
2164 including, if prudent, filing suit to collect such assessment.  
2165 If the corporation is unable to collect an assessment from any  
2166 assessable insurer, the uncollected assessments shall be levied  
2167 as an additional assessment against the assessable insurers and  
2168 any assessable insurer required to pay an additional assessment  
2169 as a result of such failure to pay shall have a cause of action  
2170 against such nonpaying assessable insurer. Assessments shall be  
2171 included as an appropriate factor in the making of rates. The  
2172 failure of a surplus lines agent to collect and remit any  
2173 regular or emergency assessment levied by the corporation is

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2174 considered to be a violation of s. 626.936 and subjects the  
2175 surplus lines agent to the penalties provided in that section.

2176         2. The governing body of any unit of local government, any  
2177 residents of which are insured by the corporation, may issue  
2178 bonds as defined in s. 125.013 or s. 166.101 from time to time  
2179 to fund an assistance program, in conjunction with the  
2180 corporation, for the purpose of defraying deficits of the  
2181 corporation. In order to avoid needless and indiscriminate  
2182 proliferation, duplication, and fragmentation of such assistance  
2183 programs, any unit of local government, any residents of which  
2184 are insured by the corporation, may provide for the payment of  
2185 losses, regardless of whether or not the losses occurred within  
2186 or outside of the territorial jurisdiction of the local  
2187 government. Revenue bonds under this subparagraph may not be  
2188 issued until validated pursuant to chapter 75, unless a state of  
2189 emergency is declared by executive order or proclamation of the  
2190 Governor pursuant to s. 252.36 making such findings as are  
2191 necessary to determine that it is in the best interests of, and  
2192 necessary for, the protection of the public health, safety, and  
2193 general welfare of residents of this state and declaring it an  
2194 essential public purpose to permit certain municipalities or  
2195 counties to issue such bonds as will permit relief to claimants  
2196 and policyholders of the corporation. Any such unit of local  
2197 government may enter into such contracts with the corporation  
2198 and with any other entity created pursuant to this subsection as  
2199 are necessary to carry out this paragraph. Any bonds issued  
2200 under this subparagraph shall be payable from and secured by  
2201 moneys received by the corporation from emergency assessments

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2202 under sub-subparagraph (b)3.d., and assigned and pledged to or  
2203 on behalf of the unit of local government for the benefit of the  
2204 holders of such bonds. The funds, credit, property, and taxing  
2205 power of the state or of the unit of local government shall not  
2206 be pledged for the payment of such bonds. If any of the bonds  
2207 remain unsold 60 days after issuance, the office shall require  
2208 all insurers subject to assessment to purchase the bonds, which  
2209 shall be treated as admitted assets; each insurer shall be  
2210 required to purchase that percentage of the unsold portion of  
2211 the bond issue that equals the insurer's relative share of  
2212 assessment liability under this subsection. An insurer shall not  
2213 be required to purchase the bonds to the extent that the office  
2214 determines that the purchase would endanger or impair the  
2215 solvency of the insurer.

2216 3.a. The corporation shall adopt one or more programs  
2217 subject to approval by the office for the reduction of both new  
2218 and renewal writings in the corporation. Beginning January 1,  
2219 2008, any program the corporation adopts for the payment of  
2220 bonuses to an insurer for each risk the insurer removes from the  
2221 corporation shall comply with s. 627.3511(2) and may not exceed  
2222 the amount referenced in s. 627.3511(2) for each risk removed.  
2223 The corporation may consider any prudent and not unfairly  
2224 discriminatory approach to reducing corporation writings, and  
2225 may adopt a credit against assessment liability or other  
2226 liability that provides an incentive for insurers to take risks  
2227 out of the corporation and to keep risks out of the corporation  
2228 by maintaining or increasing voluntary writings in counties or  
2229 areas in which corporation risks are highly concentrated and a

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2230 program to provide a formula under which an insurer voluntarily  
2231 taking risks out of the corporation by maintaining or increasing  
2232 voluntary writings will be relieved wholly or partially from  
2233 assessments under sub-subparagraphs (b)3.a. and b. However, any  
2234 "take-out bonus" or payment to an insurer must be conditioned on  
2235 the property being insured for at least 5 years by the insurer,  
2236 unless canceled or nonrenewed by the policyholder. If the policy  
2237 is canceled or nonrenewed by the policyholder before the end of  
2238 the 5-year period, the amount of the take-out bonus must be  
2239 prorated for the time period the policy was insured. When the  
2240 corporation enters into a contractual agreement for a take-out  
2241 plan, the producing agent of record of the corporation policy is  
2242 entitled to retain any unearned commission on such policy, and  
2243 the insurer shall either:

2244 (I) Pay to the producing agent of record of the policy,  
2245 for the first year, an amount which is the greater of the  
2246 insurer's usual and customary commission for the type of policy  
2247 written or a policy fee equal to the usual and customary  
2248 commission of the corporation; or

2249 (II) Offer to allow the producing agent of record of the  
2250 policy to continue servicing the policy for a period of not less  
2251 than 1 year and offer to pay the agent the insurer's usual and  
2252 customary commission for the type of policy written. If the  
2253 producing agent is unwilling or unable to accept appointment by  
2254 the new insurer, the new insurer shall pay the agent in  
2255 accordance with sub-sub-subparagraph (I).

2256 b. Any credit or exemption from regular assessments  
2257 adopted under this subparagraph shall last no longer than the 3

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2258 | years following the cancellation or expiration of the policy by  
 2259 | the corporation. With the approval of the office, the board may  
 2260 | extend such credits for an additional year if the insurer  
 2261 | guarantees an additional year of renewability for all policies  
 2262 | removed from the corporation, or for 2 additional years if the  
 2263 | insurer guarantees 2 additional years of renewability for all  
 2264 | policies so removed.

2265 |       c. There shall be no credit, limitation, exemption, or  
 2266 | deferment from emergency assessments to be collected from  
 2267 | policyholders pursuant to sub-subparagraph (b)3.d.

2268 |       4. The plan shall provide for the deferment, in whole or  
 2269 | in part, of the assessment of an assessable insurer, other than  
 2270 | an emergency assessment collected from policyholders pursuant to  
 2271 | sub-subparagraph (b)3.d., if the office finds that payment of  
 2272 | the assessment would endanger or impair the solvency of the  
 2273 | insurer. In the event an assessment against an assessable  
 2274 | insurer is deferred in whole or in part, the amount by which  
 2275 | such assessment is deferred may be assessed against the other  
 2276 | assessable insurers in a manner consistent with the basis for  
 2277 | assessments set forth in paragraph (b).

2278 |       5. Effective July 1, 2007, in order to evaluate the costs  
 2279 | and benefits of approved take-out plans, if the corporation pays  
 2280 | a bonus or other payment to an insurer for an approved take-out  
 2281 | plan, it shall maintain a record of the address or such other  
 2282 | identifying information on the property or risk removed in order  
 2283 | to track if and when the property or risk is later insured by  
 2284 | the corporation.

2285 (q) Nothing in this subsection shall be construed to  
 2286 preclude the issuance of residential property insurance coverage  
 2287 pursuant to part VIII of chapter 626.

2288 (r) There shall be no liability on the part of, and no  
 2289 cause of action of any nature shall arise against, any  
 2290 assessable insurer or its agents or employees, the corporation  
 2291 or its agents or employees, members of the board of governors or  
 2292 their respective designees at a board meeting, corporation  
 2293 committee members, or the office or its representatives, for any  
 2294 action taken by them in the performance of their duties or  
 2295 responsibilities under this subsection. Such immunity does not  
 2296 apply to:

- 2297 1. Any of the foregoing persons or entities for any  
 2298 willful tort;
- 2299 2. The corporation or its producing agents for breach of  
 2300 any contract or agreement pertaining to insurance coverage;
- 2301 3. The corporation with respect to issuance or payment of  
 2302 debt; or
- 2303 4. Any assessable insurer with respect to any action to  
 2304 enforce an assessable insurer's obligations to the corporation  
 2305 under this subsection.

2306 (s) For the purposes of s. 199.183(1), the corporation  
 2307 shall be considered a political subdivision of the state and  
 2308 shall be exempt from the corporate income tax. The premiums,  
 2309 assessments, investment income, and other revenue of the  
 2310 corporation are funds received for providing property insurance  
 2311 coverage as required by this subsection, paying claims for  
 2312 Florida citizens insured by the corporation, securing and

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2313 repaying debt obligations issued by the corporation, and  
 2314 conducting all other activities of the corporation, and shall  
 2315 not be considered taxes, fees, licenses, or charges for services  
 2316 imposed by the Legislature on individuals, businesses, or  
 2317 agencies outside state government. Bonds and other debt  
 2318 obligations issued by or on behalf of the corporation are not to  
 2319 be considered "state bonds" within the meaning of s. 215.58(8).  
 2320 The corporation is not subject to the procurement provisions of  
 2321 chapter 287, and policies and decisions of the corporation  
 2322 relating to incurring debt, levying of assessments and the sale,  
 2323 issuance, continuation, terms and claims under corporation  
 2324 policies, and all services relating thereto, are not subject to  
 2325 the provisions of chapter 120. The corporation is not required  
 2326 to obtain or to hold a certificate of authority issued by the  
 2327 office, nor is it required to participate as a member insurer of  
 2328 the Florida Insurance Guaranty Association. However, the  
 2329 corporation is required to pay, in the same manner as an  
 2330 authorized insurer, assessments pledged by the Florida Insurance  
 2331 Guaranty Association to secure bonds issued or other  
 2332 indebtedness incurred to pay covered claims arising from insurer  
 2333 insolvencies caused by, or proximately related to, hurricane  
 2334 losses. It is the intent of the Legislature that the tax  
 2335 exemptions provided in this paragraph will augment the financial  
 2336 resources of the corporation to better enable the corporation to  
 2337 fulfill its public purposes. Any debt obligations issued by the  
 2338 corporation, their transfer, and the income therefrom, including  
 2339 any profit made on the sale thereof, shall at all times be free  
 2340 from taxation of every kind by the state and any political

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2341 subdivision or local unit or other instrumentality thereof;  
 2342 however, this exemption does not apply to any tax imposed by  
 2343 chapter 220 on interest, income, or profits on debt obligations  
 2344 owned by corporations other than the corporation.

2345 (t) Upon a determination by the office that the conditions  
 2346 giving rise to the establishment and activation of the  
 2347 corporation no longer exist, the corporation is dissolved. Upon  
 2348 dissolution, the assets of the corporation shall be applied  
 2349 first to pay all debts, liabilities, and obligations of the  
 2350 corporation, including the establishment of reasonable reserves  
 2351 for any contingent liabilities or obligations, and all remaining  
 2352 assets of the corporation shall become property of the state and  
 2353 shall be deposited in the Florida Hurricane Catastrophe Fund.  
 2354 However, no dissolution shall take effect as long as the  
 2355 corporation has bonds or other financial obligations outstanding  
 2356 unless adequate provision has been made for the payment of the  
 2357 bonds or other financial obligations pursuant to the documents  
 2358 authorizing the issuance of the bonds or other financial  
 2359 obligations.

2360 (u)1. Effective July 1, 2002, policies of the Residential  
 2361 Property and Casualty Joint Underwriting Association shall  
 2362 become policies of the corporation. All obligations, rights,  
 2363 assets and liabilities of the Residential Property and Casualty  
 2364 Joint Underwriting Association, including bonds, note and debt  
 2365 obligations, and the financing documents pertaining to them  
 2366 become those of the corporation as of July 1, 2002. The  
 2367 corporation is not required to issue endorsements or

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2368 certificates of assumption to insureds during the remaining term  
2369 of in-force transferred policies.

2370       2. Effective July 1, 2002, policies of the Florida  
2371 Windstorm Underwriting Association are transferred to the  
2372 corporation and shall become policies of the corporation. All  
2373 obligations, rights, assets, and liabilities of the Florida  
2374 Windstorm Underwriting Association, including bonds, note and  
2375 debt obligations, and the financing documents pertaining to them  
2376 are transferred to and assumed by the corporation on July 1,  
2377 2002. The corporation is not required to issue endorsements or  
2378 certificates of assumption to insureds during the remaining term  
2379 of in-force transferred policies.

2380       3. The Florida Windstorm Underwriting Association and the  
2381 Residential Property and Casualty Joint Underwriting Association  
2382 shall take all actions as may be proper to further evidence the  
2383 transfers and shall provide the documents and instruments of  
2384 further assurance as may reasonably be requested by the  
2385 corporation for that purpose. The corporation shall execute  
2386 assumptions and instruments as the trustees or other parties to  
2387 the financing documents of the Florida Windstorm Underwriting  
2388 Association or the Residential Property and Casualty Joint  
2389 Underwriting Association may reasonably request to further  
2390 evidence the transfers and assumptions, which transfers and  
2391 assumptions, however, are effective on the date provided under  
2392 this paragraph whether or not, and regardless of the date on  
2393 which, the assumptions or instruments are executed by the  
2394 corporation. Subject to the relevant financing documents  
2395 pertaining to their outstanding bonds, notes, indebtedness, or

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2396 other financing obligations, the moneys, investments,  
2397 receivables, choses in action, and other intangibles of the  
2398 Florida Windstorm Underwriting Association shall be credited to  
2399 the high-risk account of the corporation, and those of the  
2400 personal lines residential coverage account and the commercial  
2401 lines residential coverage account of the Residential Property  
2402 and Casualty Joint Underwriting Association shall be credited to  
2403 the personal lines account and the commercial lines account,  
2404 respectively, of the corporation.

2405 4. Effective July 1, 2002, a new applicant for property  
2406 insurance coverage who would otherwise have been eligible for  
2407 coverage in the Florida Windstorm Underwriting Association is  
2408 eligible for coverage from the corporation as provided in this  
2409 subsection.

2410 5. The transfer of all policies, obligations, rights,  
2411 assets, and liabilities from the Florida Windstorm Underwriting  
2412 Association to the corporation and the renaming of the  
2413 Residential Property and Casualty Joint Underwriting Association  
2414 as the corporation shall in no way affect the coverage with  
2415 respect to covered policies as defined in s. 215.555(2)(c)  
2416 provided to these entities by the Florida Hurricane Catastrophe  
2417 Fund. The coverage provided by the Florida Hurricane Catastrophe  
2418 Fund to the Florida Windstorm Underwriting Association based on  
2419 its exposures as of June 30, 2002, and each June 30 thereafter  
2420 shall be redesignated as coverage for the high-risk account of  
2421 the corporation. Notwithstanding any other provision of law, the  
2422 coverage provided by the Florida Hurricane Catastrophe Fund to  
2423 the Residential Property and Casualty Joint Underwriting

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2424 Association based on its exposures as of June 30, 2002, and each  
 2425 June 30 thereafter shall be transferred to the personal lines  
 2426 account and the commercial lines account of the corporation.  
 2427 Notwithstanding any other provision of law, the high-risk  
 2428 account shall be treated, for all Florida Hurricane Catastrophe  
 2429 Fund purposes, as if it were a separate participating insurer  
 2430 with its own exposures, reimbursement premium, and loss  
 2431 reimbursement. Likewise, the personal lines and commercial lines  
 2432 accounts shall be viewed together, for all Florida Hurricane  
 2433 Catastrophe Fund purposes, as if the two accounts were one and  
 2434 represent a single, separate participating insurer with its own  
 2435 exposures, reimbursement premium, and loss reimbursement. The  
 2436 coverage provided by the Florida Hurricane Catastrophe Fund to  
 2437 the corporation shall constitute and operate as a full transfer  
 2438 of coverage from the Florida Windstorm Underwriting Association  
 2439 and Residential Property and Casualty Joint Underwriting to the  
 2440 corporation.

2441 (v) Notwithstanding any other provision of law:

2442 1. The pledge or sale of, the lien upon, and the security  
 2443 interest in any rights, revenues, or other assets of the  
 2444 corporation created or purported to be created pursuant to any  
 2445 financing documents to secure any bonds or other indebtedness of  
 2446 the corporation shall be and remain valid and enforceable,  
 2447 notwithstanding the commencement of and during the continuation  
 2448 of, and after, any rehabilitation, insolvency, liquidation,  
 2449 bankruptcy, receivership, conservatorship, reorganization, or  
 2450 similar proceeding against the corporation under the laws of  
 2451 this state.

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2452           2. No such proceeding shall relieve the corporation of its  
2453 obligation, or otherwise affect its ability to perform its  
2454 obligation, to continue to collect, or levy and collect,  
2455 assessments, market equalization or other surcharges under  
2456 subparagraph (c) 11.10, or any other rights, revenues, or other  
2457 assets of the corporation pledged pursuant to any financing  
2458 documents.

2459           3. Each such pledge or sale of, lien upon, and security  
2460 interest in, including the priority of such pledge, lien, or  
2461 security interest, any such assessments, market equalization or  
2462 other surcharges, or other rights, revenues, or other assets  
2463 which are collected, or levied and collected, after the  
2464 commencement of and during the pendency of, or after, any such  
2465 proceeding shall continue unaffected by such proceeding. As used  
2466 in this subsection, the term "financing documents" means any  
2467 agreement or agreements, instrument or instruments, or other  
2468 document or documents now existing or hereafter created  
2469 evidencing any bonds or other indebtedness of the corporation or  
2470 pursuant to which any such bonds or other indebtedness has been  
2471 or may be issued and pursuant to which any rights, revenues, or  
2472 other assets of the corporation are pledged or sold to secure  
2473 the repayment of such bonds or indebtedness, together with the  
2474 payment of interest on such bonds or such indebtedness, or the  
2475 payment of any other obligation or financial product, as defined  
2476 in the plan of operation of the corporation related to such  
2477 bonds or indebtedness.

2478           4. Any such pledge or sale of assessments, revenues,  
2479 contract rights, or other rights or assets of the corporation

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2480 shall constitute a lien and security interest, or sale, as the  
2481 case may be, that is immediately effective and attaches to such  
2482 assessments, revenues, or contract rights or other rights or  
2483 assets, whether or not imposed or collected at the time the  
2484 pledge or sale is made. Any such pledge or sale is effective,  
2485 valid, binding, and enforceable against the corporation or other  
2486 entity making such pledge or sale, and valid and binding against  
2487 and superior to any competing claims or obligations owed to any  
2488 other person or entity, including policyholders in this state,  
2489 asserting rights in any such assessments, revenues, or contract  
2490 rights or other rights or assets to the extent set forth in and  
2491 in accordance with the terms of the pledge or sale contained in  
2492 the applicable financing documents, whether or not any such  
2493 person or entity has notice of such pledge or sale and without  
2494 the need for any physical delivery, recordation, filing, or  
2495 other action.

2496 5. As long as the corporation has any bonds outstanding,  
2497 the corporation may not file a voluntary petition under chapter  
2498 9 of the federal Bankruptcy Code or such corresponding chapter  
2499 or sections as may be in effect, from time to time, and a public  
2500 officer or any organization, entity, or other person may not  
2501 authorize the corporation to be or become a debtor under chapter  
2502 9 of the federal Bankruptcy Code or such corresponding chapter  
2503 or sections as may be in effect, from time to time, during any  
2504 such period.

2505 6. If ordered by a court of competent jurisdiction, the  
2506 corporation may assume policies or otherwise provide coverage  
2507 for policyholders of an insurer placed in liquidation under

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2508 chapter 631, under such forms, rates, terms, and conditions as  
2509 the corporation deems appropriate, subject to approval by the  
2510 office.

2511 (w)1. The following records of the corporation are  
2512 confidential and exempt from the provisions of s. 119.07(1) and  
2513 s. 24(a), Art. I of the State Constitution:

2514 a. Underwriting files, except that a policyholder or an  
2515 applicant shall have access to his or her own underwriting  
2516 files.

2517 b. Claims files, until termination of all litigation and  
2518 settlement of all claims arising out of the same incident,  
2519 although portions of the claims files may remain exempt, as  
2520 otherwise provided by law. Confidential and exempt claims file  
2521 records may be released to other governmental agencies upon  
2522 written request and demonstration of need; such records held by  
2523 the receiving agency remain confidential and exempt as provided  
2524 for herein.

2525 c. Records obtained or generated by an internal auditor  
2526 pursuant to a routine audit, until the audit is completed, or if  
2527 the audit is conducted as part of an investigation, until the  
2528 investigation is closed or ceases to be active. An investigation  
2529 is considered "active" while the investigation is being  
2530 conducted with a reasonable, good faith belief that it could  
2531 lead to the filing of administrative, civil, or criminal  
2532 proceedings.

2533 d. Matters reasonably encompassed in privileged attorney-  
2534 client communications.

2535 e. Proprietary information licensed to the corporation  
2536 under contract and the contract provides for the confidentiality  
2537 of such proprietary information.

2538 f. All information relating to the medical condition or  
2539 medical status of a corporation employee which is not relevant  
2540 to the employee's capacity to perform his or her duties, except  
2541 as otherwise provided in this paragraph. Information which is  
2542 exempt shall include, but is not limited to, information  
2543 relating to workers' compensation, insurance benefits, and  
2544 retirement or disability benefits.

2545 g. Upon an employee's entrance into the employee  
2546 assistance program, a program to assist any employee who has a  
2547 behavioral or medical disorder, substance abuse problem, or  
2548 emotional difficulty which affects the employee's job  
2549 performance, all records relative to that participation shall be  
2550 confidential and exempt from the provisions of s. 119.07(1) and  
2551 s. 24(a), Art. I of the State Constitution, except as otherwise  
2552 provided in s. 112.0455(11).

2553 h. Information relating to negotiations for financing,  
2554 reinsurance, depopulation, or contractual services, until the  
2555 conclusion of the negotiations.

2556 i. Minutes of closed meetings regarding underwriting  
2557 files, and minutes of closed meetings regarding an open claims  
2558 file until termination of all litigation and settlement of all  
2559 claims with regard to that claim, except that information  
2560 otherwise confidential or exempt by law will be redacted.

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2562 When an authorized insurer is considering underwriting a risk  
2563 insured by the corporation, relevant underwriting files and  
2564 confidential claims files may be released to the insurer  
2565 provided the insurer agrees in writing, notarized and under  
2566 oath, to maintain the confidentiality of such files. When a file  
2567 is transferred to an insurer that file is no longer a public  
2568 record because it is not held by an agency subject to the  
2569 provisions of the public records law. Underwriting files and  
2570 confidential claims files may also be released to staff of and  
2571 the board of governors of the market assistance plan established  
2572 pursuant to s. 627.3515, who must retain the confidentiality of  
2573 such files, except such files may be released to authorized  
2574 insurers that are considering assuming the risks to which the  
2575 files apply, provided the insurer agrees in writing, notarized  
2576 and under oath, to maintain the confidentiality of such files.  
2577 Finally, the corporation or the board or staff of the market  
2578 assistance plan may make the following information obtained from  
2579 underwriting files and confidential claims files available to  
2580 licensed general lines insurance agents: name, address, and  
2581 telephone number of the residential property owner or insured;  
2582 location of the risk; rating information; loss history; and  
2583 policy type. The receiving licensed general lines insurance  
2584 agent must retain the confidentiality of the information  
2585 received.

2586 2. Portions of meetings of the corporation are exempt from  
2587 the provisions of s. 286.011 and s. 24(b), Art. I of the State  
2588 Constitution wherein confidential underwriting files or  
2589 confidential open claims files are discussed. All portions of

2590 corporation meetings which are closed to the public shall be  
 2591 recorded by a court reporter. The court reporter shall record  
 2592 the times of commencement and termination of the meeting, all  
 2593 discussion and proceedings, the names of all persons present at  
 2594 any time, and the names of all persons speaking. No portion of  
 2595 any closed meeting shall be off the record. Subject to the  
 2596 provisions hereof and s. 119.07(1)(b)-(d), the court reporter's  
 2597 notes of any closed meeting shall be retained by the corporation  
 2598 for a minimum of 5 years. A copy of the transcript, less any  
 2599 exempt matters, of any closed meeting wherein claims are  
 2600 discussed shall become public as to individual claims after  
 2601 settlement of the claim.

2602 (x) It is the intent of the Legislature that the  
 2603 amendments to this subsection enacted in 2002 should, over time,  
 2604 reduce the probable maximum windstorm losses in the residual  
 2605 markets and should reduce the potential assessments to be levied  
 2606 on property insurers and policyholders statewide. In furtherance  
 2607 of this intent:

2608 1. The board shall, on or before February 1 of each year,  
 2609 provide a report to the President of the Senate and the Speaker  
 2610 of the House of Representatives showing the reduction or  
 2611 increase in the 100-year probable maximum loss attributable to  
 2612 wind-only coverages and the quota share program under this  
 2613 subsection combined, as compared to the benchmark 100-year  
 2614 probable maximum loss of the Florida Windstorm Underwriting  
 2615 Association. For purposes of this paragraph, the benchmark 100-  
 2616 year probable maximum loss of the Florida Windstorm Underwriting  
 2617 Association shall be the calculation dated February 2001 and

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2618 based on November 30, 2000, exposures. In order to ensure  
2619 comparability of data, the board shall use the same methods for  
2620 calculating its probable maximum loss as were used to calculate  
2621 the benchmark probable maximum loss.

2622 2. Beginning February 1, 2010, if the report under  
2623 subparagraph 1. for any year indicates that the 100-year  
2624 probable maximum loss attributable to wind-only coverages and  
2625 the quota share program combined does not reflect a reduction of  
2626 at least 25 percent from the benchmark, the board shall reduce  
2627 the boundaries of the high-risk area eligible for wind-only  
2628 coverages under this subsection in a manner calculated to reduce  
2629 such probable maximum loss to an amount at least 25 percent  
2630 below the benchmark.

2631 3. Beginning February 1, 2015, if the report under  
2632 subparagraph 1. for any year indicates that the 100-year  
2633 probable maximum loss attributable to wind-only coverages and  
2634 the quota share program combined does not reflect a reduction of  
2635 at least 50 percent from the benchmark, the boundaries of the  
2636 high-risk area eligible for wind-only coverages under this  
2637 subsection shall be reduced by the elimination of any area that  
2638 is not seaward of a line 1,000 feet inland from the Intracoastal  
2639 Waterway.

2640 (y) In enacting the provisions of this section, the  
2641 Legislature recognizes that both the Florida Windstorm  
2642 Underwriting Association and the Residential Property and  
2643 Casualty Joint Underwriting Association have entered into  
2644 financing arrangements that obligate each entity to service its  
2645 debts and maintain the capacity to repay funds secured under

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2646 | these financing arrangements. It is the intent of the  
 2647 | Legislature that nothing in this section be construed to  
 2648 | compromise, diminish, or interfere with the rights of creditors  
 2649 | under such financing arrangements. It is further the intent of  
 2650 | the Legislature to preserve the obligations of the Florida  
 2651 | Windstorm Underwriting Association and Residential Property and  
 2652 | Casualty Joint Underwriting Association with regard to  
 2653 | outstanding financing arrangements, with such obligations  
 2654 | passing entirely and unchanged to the corporation and,  
 2655 | specifically, to the applicable account of the corporation. So  
 2656 | long as any bonds, notes, indebtedness, or other financing  
 2657 | obligations of the Florida Windstorm Underwriting Association or  
 2658 | the Residential Property and Casualty Joint Underwriting  
 2659 | Association are outstanding, under the terms of the financing  
 2660 | documents pertaining to them, the governing board of the  
 2661 | corporation shall have and shall exercise the authority to levy,  
 2662 | charge, collect, and receive all premiums, assessments,  
 2663 | surcharges, charges, revenues, and receipts that the  
 2664 | associations had authority to levy, charge, collect, or receive  
 2665 | under the provisions of subsection (2) and this subsection,  
 2666 | respectively, as they existed on January 1, 2002, to provide  
 2667 | moneys, without exercise of the authority provided by this  
 2668 | subsection, in at least the amounts, and by the times, as would  
 2669 | be provided under those former provisions of subsection (2) or  
 2670 | this subsection, respectively, so that the value, amount, and  
 2671 | collectability of any assets, revenues, or revenue source  
 2672 | pledged or committed to, or any lien thereon securing such  
 2673 | outstanding bonds, notes, indebtedness, or other financing

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2674 obligations will not be diminished, impaired, or adversely  
2675 affected by the amendments made by this act and to permit  
2676 compliance with all provisions of financing documents pertaining  
2677 to such bonds, notes, indebtedness, or other financing  
2678 obligations, or the security or credit enhancement for them, and  
2679 any reference in this subsection to bonds, notes, indebtedness,  
2680 financing obligations, or similar obligations, of the  
2681 corporation shall include like instruments or contracts of the  
2682 Florida Windstorm Underwriting Association and the Residential  
2683 Property and Casualty Joint Underwriting Association to the  
2684 extent not inconsistent with the provisions of the financing  
2685 documents pertaining to them.

2686 (z) The corporation shall not require the securing of  
2687 flood insurance as a condition of coverage if the insured or  
2688 applicant executes a form approved by the office affirming that  
2689 flood insurance is not provided by the corporation and that if  
2690 flood insurance is not secured by the applicant or insured in  
2691 addition to coverage by the corporation, the risk will not be  
2692 covered for flood damage. A corporation policyholder electing  
2693 not to secure flood insurance and executing a form as provided  
2694 herein making a claim for water damage against the corporation  
2695 shall have the burden of proving the damage was not caused by  
2696 flooding. Notwithstanding other provisions of this subsection,  
2697 the corporation may deny coverage to an applicant or insured who  
2698 refuses to execute the form described herein.

2699 (aa) A salaried employee of the corporation who performs  
2700 policy administration services subsequent to the effectuation of

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2701 a corporation policy is not required to be licensed as an agent  
2702 under the provisions of s. 626.112.

2703 (bb) By February 1, 2007, the corporation shall submit a  
2704 report to the President of the Senate, the Speaker of the House  
2705 of Representatives, the minority party leaders of the Senate and  
2706 the House of Representatives, and the chairs of the standing  
2707 committees of the Senate and the House of Representatives having  
2708 jurisdiction over matters relating to property and casualty  
2709 insurance. In preparing the report, the corporation shall  
2710 consult with the Office of Insurance Regulation, the Department  
2711 of Financial Services, and any other party the corporation  
2712 determines appropriate. The report must include all findings and  
2713 recommendations on the feasibility of requiring authorized  
2714 insurers that issue and service personal and commercial  
2715 residential policies ~~and commercial nonresidential policies~~ that  
2716 provide coverage for basic property perils except for the peril  
2717 of wind to issue and service for a fee personal and commercial  
2718 residential policies ~~and commercial nonresidential policies~~  
2719 providing coverage for the peril of wind issued by the  
2720 corporation. The report must include:

2721 1. The expense savings to the corporation of issuing and  
2722 servicing such policies as determined by a cost-benefit  
2723 analysis.

2724 2. The expenses and liability to authorized insurers  
2725 associated with issuing and servicing such policies.

2726 3. The effect on service to policyholders of the  
2727 corporation relating to issuing and servicing such policies.

2728 4. The effect on the producing agent of the corporation of  
 2729 issuing and servicing such policies.

2730 5. Recommendations as to the amount of the fee which  
 2731 should be paid to authorized insurers for issuing and servicing  
 2732 such policies.

2733 6. The effect that issuing and servicing such policies  
 2734 will have on the corporation's number of policies, total insured  
 2735 value, and probable maximum loss.

2736 (cc) There shall be no liability on the part of, and no  
 2737 cause of action of any nature shall arise against, producing  
 2738 agents of record of the corporation or employees of such agents  
 2739 for insolvency of any take-out insurer.

2740 (dd)1. For policies subject to nonrenewal as a result of  
 2741 the risk being no longer eligible for coverage due to being  
 2742 valued at \$1 million or more, the corporation shall, directly or  
 2743 through the market assistance plan, make information from  
 2744 confidential underwriting and claims files of policyholders  
 2745 available only to licensed general lines agents who register  
 2746 with the corporation to receive such information according to  
 2747 the following procedures:

2748 2. By August 1, 2006, the corporation shall provide such  
 2749 policyholders who are not eligible for renewal the opportunity  
 2750 to request in writing, within 30 days after the notification is  
 2751 sent, that information from their confidential underwriting and  
 2752 claims files not be released to licensed general lines agents  
 2753 registered pursuant to this paragraph.

2754 3. By August 1, 2006, the corporation shall make available  
 2755 to licensed general lines agents the registration procedures to

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2756 be used to obtain confidential information from underwriting and  
 2757 claims files for such policies not eligible for renewal. As a  
 2758 condition of registration, the corporation shall require the  
 2759 licensed general lines agent to attest that the agent has the  
 2760 experience and relationships with authorized or surplus lines  
 2761 carriers to attempt to offer replacement coverage for such  
 2762 policies.

2763 4. By September 1, 2006, the corporation shall make  
 2764 available through a secured website to licensed general lines  
 2765 agents registered pursuant to this paragraph application,  
 2766 rating, loss history, mitigation, and policy type information  
 2767 relating to such policies not eligible for renewal and for which  
 2768 the policyholder has not requested the corporation withhold such  
 2769 information. The registered licensed general lines agent may use  
 2770 such information to contact and assist the policyholder in  
 2771 securing replacement policies, and the agent may disclose to the  
 2772 policyholder that such information was obtained from the  
 2773 corporation.

2774 (ee) Effective June 1, 2007, all commercial nonresidential  
 2775 policies issued by the corporation as of May 31, 2007, shall  
 2776 become policies of the Property and Casualty Joint Underwriting  
 2777 Association created pursuant to subsection (5).

2778 Section 11. The Department of Financial Services shall  
 2779 review how insurance agent commissions for the placement and  
 2780 renewal of property insurance policies in Citizens Property  
 2781 Insurance Corporation are established and applied and shall make  
 2782 recommendations, based on industry best practices, for standards  
 2783 to ensure that agent commissions are justified on a market basis

2784 based on the nature and amount of work performed by the agents.  
 2785 The department shall report its findings and recommendations to  
 2786 the Governor, the President of the Senate, and the Speaker of  
 2787 the House of Representatives by July 1, 2007.

2788 Section 12. Task Force on Citizens Property Insurance  
 2789 Claims Handling and Resolution.--

2790 (1) TASK FORCE CREATED.--There is created the Task Force  
 2791 on Citizens Property Insurance Claims Handling and Resolution.

2792 (2) ADMINISTRATION.--The task force shall be  
 2793 administratively housed within the Office of the Chief Financial  
 2794 Officer but shall operate independently of any state officer or  
 2795 agency. The Office of the Chief Financial Officer shall provide  
 2796 such administrative support as the task force deems necessary to  
 2797 accomplish its mission and shall provide necessary funding for  
 2798 the task force within its existing resources. The Executive  
 2799 Office of the Governor, the Department of Financial Services,  
 2800 and the Office of Insurance Regulation shall provide substantive  
 2801 staff support for the task force.

2802 (3) MEMBERSHIP.--The members of the task force shall be  
 2803 appointed as follows:

2804 (a) The Governor shall appoint one member who is a  
 2805 representative of insurance consumers.

2806 (b) The Chief Financial Officer shall appoint one member  
 2807 who has expertise in claims handling.

2808 (c) The President of the Senate shall appoint one member.

2809 (d) The Speaker of the House of Representatives shall  
 2810 appoint one member.

2811 (e) The Commissioner of Insurance Regulation, or his or

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2812 her designee, shall serve as an ex officio voting member of the  
 2813 task force.

2814 (f) The Insurance Consumer Advocate, or his or her  
 2815 designee, shall serve as an ex officio voting member of the task  
 2816 force.

2817 (g) The Executive Director of Citizens Property Insurance  
 2818 Corporation, or his or her designee, shall serve as an ex  
 2819 officio voting member of the task force.

2820  
 2821 Members of the task force shall serve without compensation but  
 2822 are entitled to receive reimbursement for per diem and travel  
 2823 expenses as provided in s. 112.061, Florida Statutes.

2824 (4) PURPOSE AND INTENT.--The Legislature recognizes that  
 2825 policyholders and applicants of Citizens Property Insurance  
 2826 Corporation should receive the highest possible level of service  
 2827 and treatment. This level should never be less than the private  
 2828 market. The Legislature further recognizes that Citizens  
 2829 Property Insurance Corporation's service standards should be no  
 2830 less than those applied to insurers in the voluntary market with  
 2831 respect to responsiveness, timeliness, customer courtesy, and  
 2832 overall dealings with policyholders and applicants. The purpose  
 2833 of the task force is to make recommendations to the legislative  
 2834 and executive branches of this state's government relating to  
 2835 the handling, service, and resolution of claims by Citizens  
 2836 Property Insurance Corporation that are sufficient to ensure  
 2837 that all Citizens' policyholders and applicants in this state  
 2838 are able to obtain appropriate handling, service, and resolution  
 2839 of claims, as further described in this section.

2840       (5) SPECIFIC ISSUES.--The task force shall conduct such  
2841 research and hearings as it deems necessary to achieve the  
2842 purposes specified in subsection (4) and shall develop  
2843 information on relevant issues, including, but not limited to,  
2844 the following:

2845       (a) How Citizens Property Insurance Corporation can  
2846 improve its customer service.

2847       (b) How Citizens Property Insurance Corporation can  
2848 improve its adjuster response time after a hurricane.

2849       (c) How Citizens Property Insurance Corporation can  
2850 efficiently use its available adjusting sources for claims.

2851       (d) How Citizens Property Insurance Corporation can  
2852 improve the time it takes to conduct damage assessments.

2853       (e) How Citizens Property Insurance Corporation can  
2854 dispose of and settle claims remaining from the 2004 and 2005  
2855 hurricane seasons and can improve the time it takes to dispose  
2856 of and settle claims remaining from the 2004 and 2005 hurricane  
2857 seasons.

2858       (f) How Citizens Property Insurance Corporation can  
2859 improve the time it takes to dispose of and settle claims.

2860       (g) Whether Citizens Property Insurance Corporation has  
2861 hired an adequate level of permanent claims and adjusting staff  
2862 in addition to outsourcing its claims-adjusting functions to  
2863 independent adjusting firms.

2864       (6) REPORTS AND RECOMMENDATIONS.--By July 1, 2007, the  
2865 task force shall provide a report containing recommendations  
2866 regarding the process Citizens Property Insurance Corporation  
2867 should use to dispose of the claims remaining open from the 2004

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2868 and 2005 hurricane seasons. By July 1, 2008, the task force  
 2869 shall provide a report containing findings relating to the  
 2870 issues identified in subsection (5) and recommendations  
 2871 consistent with the purposes of this section and also consistent  
 2872 with such findings. The report shall include recommendations  
 2873 regarding the process Citizens Property Insurance Corporation  
 2874 should use to dispose of claims. The task force shall submit the  
 2875 reports to the Governor, the Chief Financial Officer, the  
 2876 President of the Senate, and the Speaker of the House of  
 2877 Representatives. The task force may also submit such interim  
 2878 reports as it deems appropriate.

2879 (7) ADDITIONAL ACTIVITIES.--The task force shall monitor  
 2880 the implementation of the provisions of chapter 2006-12, Laws of  
 2881 Florida, relating to the creation of the Office of Internal  
 2882 Auditor in Citizens Property Insurance Corporation and shall  
 2883 make such additional recommendations as it deems appropriate for  
 2884 further legislative action during the 2006-2008 legislative  
 2885 biennium.

2886 (8) EXPIRATION.--The task force shall expire at the end of  
 2887 the 2006-2008 legislative biennium.

2888 Section 13. Notwithstanding the provisions of s.  
 2889 627.351(6), Florida Statutes, the existing board of governors of  
 2890 Citizens Property Insurance Corporation appointed under s.  
 2891 627.351(6)(c)4.a., Florida Statutes, is abolished effective  
 2892 March 1, 2007. By March 2, 2007, pursuant to s.  
 2893 627.351(6)(c)4.a., Florida Statutes, each appointing officer  
 2894 shall appoint new members or reappoint existing members of the

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2895 board of governors of the corporation for the unexpired portions  
 2896 of the terms of the existing board of governors.

2897 Section 14. Paragraph (e) of subsection (3) and subsection  
 2898 (4) of section 631.57, Florida Statutes, are amended to read:

2899 631.57 Powers and duties of the association.--

2900 (3)

2901 (e)1.a. In addition to assessments otherwise authorized in  
 2902 paragraph (a) and to the extent necessary to secure the funds  
 2903 for the account specified in s. 631.55(2)(c) for the direct  
 2904 payment of covered claims of insolvent homeowners insurers and  
 2905 to pay the reasonable costs to administer such claims, or to  
 2906 retire indebtedness, including, without limitation, the  
 2907 principal, redemption premium, if any, and interest on, and  
 2908 related costs of issuance of, bonds issued under s. 631.695 and  
 2909 the funding of any reserves and other payments required under  
 2910 the bond resolution or trust indenture pursuant to which such  
 2911 bonds have been issued, the office, upon certification of the  
 2912 board of directors, shall levy emergency assessments upon  
 2913 insurers holding a certificate of authority. The emergency  
 2914 assessments payable under this paragraph by any insurer shall  
 2915 not exceed in any single year more than 2 percent of that  
 2916 insurer's direct written premiums, net of refunds, in this state  
 2917 during the preceding calendar year for the kinds of insurance  
 2918 within the account specified in s. 631.55(2)(c).

2919 b. Any emergency assessments authorized under this  
 2920 paragraph shall be levied by the office upon insurers referred  
 2921 to in sub-subparagraph a., upon certification as to the need for  
 2922 such assessments by the board of directors. In the event the

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2923 board of directors participates in the issuance of bonds in  
 2924 accordance with s. 631.695, emergency assessments shall be  
 2925 levied, in each year that bonds issued under s. 631.695 and  
 2926 secured by such emergency assessments are outstanding, in such  
 2927 amounts up to such 2-percent limit as required in order to  
 2928 provide for the full and timely payment of the principal of,  
 2929 redemption premium, if any, and interest on, and related costs  
 2930 of issuance of, such bonds. The emergency assessments provided  
 2931 for in this paragraph are assigned and pledged to the  
 2932 municipality, county, or legal entity issuing bonds under s.  
 2933 631.695 for the benefit of the holders of such bonds, in order  
 2934 to enable such municipality, county, or legal entity to provide  
 2935 for the payment of the principal of, redemption premium, if any,  
 2936 and interest on such bonds, the cost of issuance of such bonds,  
 2937 and the funding of any reserves and other payments required  
 2938 under the bond resolution or trust indenture pursuant to which  
 2939 such bonds have been issued, without the necessity of any  
 2940 further action by the association, the office, or any other  
 2941 party. To the extent bonds are issued under s. 631.695 and the  
 2942 association determines to secure such bonds by a pledge of  
 2943 revenues received from the emergency assessments, such bonds,  
 2944 upon such pledge of revenues, shall be secured by and payable  
 2945 from the proceeds of such emergency assessments, and the  
 2946 proceeds of emergency assessments levied under this paragraph  
 2947 shall be remitted directly to and administered by the trustee or  
 2948 custodian appointed for such bonds.

2949 c. Emergency assessments under this paragraph may be  
 2950 payable in a single payment or, at the option of the

2951 association, may be payable in 12 monthly installments with the  
 2952 first installment being due and payable at the end of the month  
 2953 after an emergency assessment is levied and subsequent  
 2954 installments being due not later than the end of each succeeding  
 2955 month.

2956 d. If emergency assessments are imposed, the report  
 2957 required by s. 631.695(7) shall include an analysis of the  
 2958 revenues generated from the emergency assessments imposed under  
 2959 this paragraph.

2960 e. If emergency assessments are imposed, the references in  
 2961 sub-subparagraph (1)(a)3.b. and s. 631.695(2) and (7) to  
 2962 assessments levied under paragraph (a) shall include emergency  
 2963 assessments imposed under this paragraph.

2964 2. In order to ensure that insurers paying emergency  
 2965 assessments levied under this paragraph continue to charge rates  
 2966 that are neither inadequate nor excessive, within 90 days after  
 2967 being notified of such assessments, each insurer that is to be  
 2968 assessed pursuant to this paragraph shall submit a rate filing  
 2969 for coverage included within the account specified in s.  
 2970 631.55(2)(c) and for which rates are required to be filed under  
 2971 s. 627.062. If the filing reflects a rate change that, as a  
 2972 percentage, is equal to the difference between the rate of such  
 2973 assessment and the rate of the previous year's assessment under  
 2974 this paragraph, the filing shall consist of a certification so  
 2975 stating and shall be deemed approved when made. Any rate change  
 2976 of a different percentage shall be subject to the standards and  
 2977 procedures of s. 627.062.

2978           3. In the event the board of directors participates in the  
 2979 issuance of bonds in accordance with s. 631.695, an annual  
 2980 assessment under this paragraph shall continue while the bonds  
 2981 issued with respect to which the assessment was imposed are  
 2982 outstanding, including any bonds the proceeds of which were used  
 2983 to refund bonds issued pursuant to s. 631.695, unless adequate  
 2984 provision has been made for the payment of the bonds in the  
 2985 documents authorizing the issuance of such bonds.

2986           4. Emergency assessments under this paragraph are not  
 2987 premium and are not subject to the premium tax, to any fees, or  
 2988 to any commissions. An insurer is liable for all emergency  
 2989 assessments that the insurer collects and shall treat the  
 2990 failure of an insured to pay an emergency assessment as a  
 2991 failure to pay the premium. An insurer is not liable for  
 2992 uncollectible emergency assessments.

2993           (4) The department may exempt any insurer from any regular  
 2994 or emergency ~~an~~ assessment if an assessment would result in such  
 2995 insurer's financial statement reflecting an amount of capital or  
 2996 surplus less than the sum of the minimum amount required by any  
 2997 jurisdiction in which the insurer is authorized to transact  
 2998 insurance.

2999           Section 15. It is the intent of the Legislature that the  
 3000 amendments to s. 631.57, Florida Statutes, by s. 34, chapter  
 3001 2006-12, Laws of Florida, authorized the Florida Insurance  
 3002 Guaranty Association to certify, and the Office of Insurance  
 3003 Regulation to levy, an emergency assessment of up to 2 percent  
 3004 to directly pay the covered claims out of the account specified  
 3005 in s. 631.55(2)(c), Florida Statutes, or use such emergency

3006 assessment proceeds to retire the indebtedness and costs of  
 3007 bonds issued to pay such claims and reasonable claims  
 3008 administration costs.

3009 Section 16. Subsections (1) and (2) of section 627.706,  
 3010 Florida Statutes, are amended to read:

3011 627.706 Sinkhole insurance; definitions.--

3012 (1) Every insurer authorized to transact property  
 3013 insurance in this state shall make available coverage for  
 3014 insurable ~~sinkhole~~ losses on any structure, including contents  
 3015 of personal property contained therein, resulting from a  
 3016 catastrophic ground cover collapse ~~to the extent provided in the~~  
 3017 ~~form to which the sinkhole coverage attaches.~~ A policy for  
 3018 residential property insurance may include a deductible amount  
 3019 applicable to sinkhole losses equal to 1 percent, 2 percent, 5  
 3020 percent, or 10 percent of the policy dwelling limits, with  
 3021 appropriate premium discounts offered with each deductible  
 3022 amount.

3023 (2) As used in ss. 627.706-627.7074, and as used in  
 3024 connection with any policy providing coverage for ~~sinkhole~~  
 3025 losses resulting from a catastrophic ground cover collapse:

3026 (a) "Catastrophic ground cover collapse" means geological  
 3027 activity that, within a period of 7 days or less, results in the  
 3028 collapse of the ground cover that renders the insured structure  
 3029 uninhabitable. The term "catastrophic ground cover collapse"  
 3030 does not include ground cover subsidence caused when, during a  
 3031 period exceeding 7 days, the upper surface of limestone is  
 3032 dissolved away and the ground cover slowly subsides to occupy  
 3033 the space once occupied by limestone.

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3034 (b) "~~Sinkhole~~ Loss" means structural damage to a structure  
 3035 or the building, including the foundation, caused by a  
 3036 catastrophic ground cover collapse or sinkhole activity.

3037 Contents coverage shall apply only if there is structural damage  
 3038 to a structure or the building caused by a catastrophic ground  
 3039 cover collapse or sinkhole activity. Structural damage  
 3040 consisting merely of the settling or cracking of a foundation,  
 3041 structure, or building does not constitute a loss resulting from  
 3042 a catastrophic ground cover collapse or sinkhole activity.

3043 (c)-(d) "Professional engineer" means a person, as defined  
 3044 in s. 471.005, who has a bachelor's degree or higher in  
 3045 engineering with a specialty in the geotechnical engineering  
 3046 field. A professional engineer must have geotechnical experience  
 3047 and expertise in the identification of sinkhole activity as well  
 3048 as other potential causes of damage to the structure.

3049 (d)-(e) "Professional geologist" means a person, as defined  
 3050 by s. 492.102, who has a bachelor's degree or higher in geology  
 3051 or related earth science with expertise in the geology of  
 3052 Florida. A professional geologist must have geological  
 3053 experience and expertise in the identification of sinkhole  
 3054 activity as well as other potential geologic causes of damage to  
 3055 the structure.

3056 (e)-(a) "Sinkhole" means a depression in the ground cover,  
 3057 visible to the naked eye, landform created by subsidence of  
 3058 soil, sediment, or rock as underlying strata are dissolved by  
 3059 groundwater. A sinkhole may form by collapse into subterranean  
 3060 voids created by dissolution of limestone or dolostone or by  
 3061 subsidence as these strata are dissolved.

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3062        (f)~~(e)~~ "Sinkhole activity" means settlement or systematic  
3063        weakening of the earth supporting such property only when such  
3064        settlement or systematic weakening results from movement or  
3065        raveling of soils, sediments, or rock materials into  
3066        subterranean voids created by the effect of water on a limestone  
3067        or similar rock formation.

3068        (g) "Uninhabitable" means condemned and ordered vacated by  
3069        the governmental agency charged with making such findings and  
3070        issuing such orders in the county in which the insured structure  
3071        is located.

3072        Section 17. This act shall take effect upon becoming a  
3073        law.