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1 A bill to be entitled
2 An act relating to property insurance; amending s.
3 215.555, F.S.; changing the name of the Florida
4 Hurricane Catastrophe Fund Finance Corporation to the
5 State Board of Administration Finance Corporation;
6 amending s. 624.155, F.S.; providing that Citizens
7 Property Insurance Corporation is an insurer subject
8 to civil actions as an agent of the state covered by
9 sovereign immunity; amending s. 626.752, F.S.,
10 relating to the exchange of business between an agent
11 and insurer; providing an exemption from the
12 requirements of that section to the corporation or
13 certain private entities under certain circumstances;
14 amending s. 627.062, F.S.; requiring the Office of
15 Insurance Regulation to calculate and publish
16 insurance inflation factors for use in residential
17 property insurance filings; prohibiting the office
18 from disapproving a rate as excessive due to the
19 insurer's purchase of reinsurance for certain
20 purposes; deleting obsolete provisions; conforming
21 cross-references; amending s. 627.0628, F.S.; adding a
22 member to the Florida Commission on Hurricane Loss
23 Projection Methodology; amending s. 627.0629, F.S.;
24 requiring insurers to provide notice of mitigation
25 discounts in a residential property insurance rate
26 filing; amending s. 627.171, F.S.; allowing a consent
27 to an excess rate to apply to subsequent policy
28 renewals; limiting the allowable amount of excess
29 rates to counties where there is no competition;

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30 amending s. 627.351, F.S.; revising legislative intent
31 with respect to the corporation; reducing the value of
32 residential structures that can be covered by the
33 corporation; revising the corporation's eligibility
34 criteria for structures located seaward of the coastal
35 construction control line; requiring the corporation's
36 board of governors to concur with certain decisions by
37 the executive director; providing for risk-sharing
38 agreements between the corporation and other insurers
39 and specifying the requirements and limitations of
40 such agreements; revising provisions relating to the
41 appointment of the board of governors and the
42 executive director; providing that renewal policies
43 are not eligible for continued coverage by the
44 corporation unless the premium for comparable coverage
45 from an authorized insurer exceeds a certain
46 percentage; deleting provisions allowing a
47 policyholder removed from the corporation to remain
48 eligible for coverage regardless of an offer of
49 coverage from an authorized insurer; revising
50 corporation criteria for appointing agents; requiring
51 the corporation to provide coverage for mobile homes
52 or manufactured homes and related structures;
53 requiring disclosure of potential corporation
54 surcharges and policyholder obligations to try and
55 obtain private market coverage; revising provisions
56 relating to the Auditor General's review of the
57 corporation; requiring the board to contract with an
58 independent auditing firm to conduct performance

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59 audits; authorizing the corporation to adopt programs
60 that encourage insurers to remove policies from the
61 corporation through a loan secured by a surplus note;
62 requiring the corporation to have an inspector
63 general; providing for appointment; providing duties;
64 requiring an annual report to the Legislature;
65 revising provisions relating to purchases by the
66 corporation; providing that the corporation is subject
67 to state agency purchasing requirements; requiring the
68 corporation to provide notice of purchasing decisions;
69 providing procedures for protesting such decisions;
70 providing applicability; revising the corporation's
71 rate standards; requiring that corporation rates be
72 competitive with approved rates charged in the
73 admitted market, actuarially sound, and include a
74 catastrophe risk factor; requiring the corporation to
75 annually certify its rates; requiring the board of
76 directors to provide recommendations to the
77 Legislature on ways of providing rate relief to those
78 who demonstrate a financial need; deleting obsolete
79 provisions; creating s. 627.3518, F.S.; establishing a
80 clearinghouse within the corporation for identifying
81 and diverting insurance coverage to private insurers;
82 providing definitions; providing requirements and
83 duties of the corporation, insurers, and agents;
84 establishing a temporary keepout program that allows
85 authorized insurers to provide coverage to applicants
86 for coverage through the corporation through the
87 market assistance program until the clearinghouse is

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88 operational; providing program components; providing
89 for expiration; creating s. 627.352, F.S.; creating
90 the Catastrophe Risk Capital Access Facility to
91 facilitate insurer access to global risk capital
92 markets and risk-transfer mechanisms; providing
93 legislative findings and intent; providing that the
94 facility may not operate as an insurer, reinsurer, or
95 other risk-bearing entity, and is not a state agency,
96 board, or commission; providing for membership;
97 providing for an initial governing board which must
98 submit a proposed plan of operation to the Office of
99 Insurance Regulation and recommendations relating to
100 public records and open meetings to the Legislature by
101 a certain date; providing for termination of the
102 initial board; providing for a permanent board;
103 specifying provisions that must be addressed by the
104 plan of operation; providing immunity from liability
105 for the board; amending s. 627.405, F.S.; authorizing
106 policyholders to assign benefits subject to conditions
107 in the policy; amending s. 627.410, F.S.; conforming
108 provisions to changes made by the act; amending s.
109 627.706, F.S.; authorizing an insurer to offer a
110 reduced amount of sinkhole coverage with an
111 appropriate reduction in premium; providing effective
112 dates.

113
114 Be It Enacted by the Legislature of the State of Florida:

115
116 Section 1. Paragraph (n) of subsection (2) and paragraph

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117 (d) of subsection (6) of section 215.555, Florida Statutes, are
118 amended to read:

119 215.555 Florida Hurricane Catastrophe Fund.—

120 (2) DEFINITIONS.—As used in this section:

121 (n) "Corporation" means the State Board of Administration
122 ~~Florida Hurricane Catastrophe Fund~~ Finance Corporation created
123 in paragraph (6) (d).

124 (6) REVENUE BONDS.—

125 (d) State Board of Administration ~~Florida Hurricane~~
126 ~~Catastrophe Fund~~ Finance Corporation.—

127 1. In addition to the findings and declarations in
128 subsection (1), the Legislature also finds and declares that:

129 a. The public benefits corporation created under this
130 paragraph will provide a mechanism ~~necessary~~ for the cost-
131 effective and efficient issuance of bonds. This mechanism will
132 eliminate unnecessary costs in the bond issuance process,
133 thereby increasing the amounts available for ~~to pay~~
134 reimbursement for losses to property sustained as a result of
135 hurricane damage.

136 b. The purpose of such bonds is to fund reimbursements
137 through the Florida Hurricane Catastrophe Fund ~~to pay~~ for the
138 costs of construction, reconstruction, repair, restoration, and
139 other costs associated with damage to properties of
140 policyholders of covered policies due to the occurrence of a
141 hurricane.

142 c. The efficacy of the financing mechanism will be enhanced
143 by the corporation's ownership of the assessments, by the
144 insulation of the assessments from possible bankruptcy
145 proceedings, and by covenants of the state with the

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146 corporation's bondholders.

147 ~~2.a.~~ The State Board of Administration Finance Corporation
148 ~~There is created, which is~~ a public benefits corporation and,
149 ~~which is~~ an instrumentality of the state, ~~to be known as the~~
150 ~~Florida Hurricane Catastrophe Fund Finance Corporation.~~ The
151 State Board of Administration Finance Corporation is for all
152 purposes the successor to the Florida Hurricane Catastrophe Fund
153 Finance Corporation.

154 ~~a.b.~~ The corporation shall operate under a five-member
155 board of directors consisting of the Governor or a designee, the
156 Chief Financial Officer or a designee, the Attorney General or a
157 designee, the director of the Division of Bond Finance of the
158 State Board of Administration, and the Chief Operating Officer
159 ~~senior employee of the State Board of Administration responsible~~
160 ~~for operations~~ of the Florida Hurricane Catastrophe Fund.

161 ~~b.e.~~ The corporation has all of the powers of corporations
162 under chapter 607 and under chapter 617, subject only to ~~the~~
163 ~~provisions of~~ this subsection.

164 ~~c.d.~~ The corporation may issue bonds and engage in such
165 other financial transactions as are necessary to provide
166 sufficient funds to achieve the purposes of this section.

167 ~~d.e.~~ The corporation may invest in any of the investments
168 authorized under s. 215.47.

169 ~~e.f.~~ There is ~~shall be~~ no liability on the part of, and no
170 cause of action shall arise against, any board members or
171 employees of the corporation for any actions taken by them in
172 the performance of their duties under this paragraph.

173 3.a. In actions under chapter 75 to validate any bonds
174 issued by the corporation, the notice required by s. 75.06 must

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175 ~~shall~~ be published in two newspapers of general circulation in
176 the state, and the complaint and order of the court shall be
177 served only on the State Attorney of the Second Judicial
178 Circuit.

179 b. The state hereby covenants with holders of bonds of the
180 corporation that the state will not repeal or abrogate the power
181 of the board to direct the Office of Insurance Regulation to
182 levy the assessments and to collect the proceeds of the revenues
183 pledged to the payment of such bonds as long as ~~any~~ such bonds
184 remain outstanding unless adequate provision has been made for
185 the payment of such bonds pursuant to the documents authorizing
186 the issuance of the ~~such~~ bonds.

187 ~~c.4.~~ The bonds of the corporation are not a debt of the
188 state or of any political subdivision, and neither the state nor
189 any political subdivision is liable on such bonds. The
190 corporation may not ~~does not have the power to~~ pledge the
191 credit, the revenues, or the taxing power of the state or of any
192 political subdivision. The credit, revenues, or taxing power of
193 the state or of any political subdivision may ~~shall~~ not be
194 deemed to be pledged to the payment of any bonds of the
195 corporation.

196 ~~d.5.a.~~ The property, revenues, and other assets of the
197 corporation; the transactions and operations of the corporation
198 and the income from such transactions and operations; and all
199 bonds issued under this paragraph and interest on such bonds are
200 exempt from taxation by the state and any political subdivision,
201 including the intangibles tax under chapter 199 and the income
202 tax under chapter 220. This exemption does not apply to any tax
203 imposed by chapter 220 on interest, income, or profits on debt

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204 obligations owned by corporations other than the State Board of
205 Administration ~~Florida Hurricane Catastrophe Fund~~ Finance
206 Corporation.

207 ~~e.b.~~ All bonds of the corporation are ~~shall be and~~
208 ~~constitute~~ legal investments without limitation for all public
209 bodies of this state; for all banks, trust companies, savings
210 banks, savings associations, savings and loan associations, and
211 investment companies; for all administrators, executors,
212 trustees, and other fiduciaries; for all insurance companies and
213 associations and other persons carrying on an insurance
214 business; and for all other persons who are now or may hereafter
215 be authorized to invest in bonds or other obligations of the
216 state and are ~~shall be and constitute~~ eligible securities to be
217 deposited as collateral for the security of any state, county,
218 municipal, or other public funds. This sub-subparagraph shall be
219 considered ~~as~~ additional and supplemental authority and may
220 ~~shall~~ not be limited without specific reference to this sub-
221 subparagraph.

222 ~~4.6.~~ The corporation and its corporate existence shall
223 continue until terminated by law; however, no such law shall
224 take effect as long as the corporation has bonds outstanding
225 unless adequate provision has been made for the payment of such
226 bonds pursuant to the documents authorizing the issuance of such
227 bonds. Upon termination of the existence of the corporation, all
228 of its rights and properties in excess of its obligations shall
229 pass to and be vested in the state.

230 Section 2. Subsection (1) of section 624.155, Florida
231 Statutes, is amended and subsection (10) is added to that
232 section, to read:

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233 624.155 Civil remedy.—

234 (1) Any person may bring a civil action against an insurer,
235 including Citizens Property Insurance Corporation, if ~~when~~ such
236 person is damaged:

237 (a) By a violation of any of the following provisions by
238 the insurer:

239 1. Section 626.9541(1) (i), (o), or (x);

240 2. Section 626.9551;

241 3. Section 626.9705;

242 4. Section 626.9706;

243 5. Section 626.9707; or

244 6. Section 627.7283.

245 (b) By the commission of any of the following acts by the
246 insurer:

247 1. Not attempting in good faith to settle claims if ~~when~~,
248 under all the circumstances, it could and should have done so,
249 had it acted fairly and honestly toward its insured and with due
250 regard for her or his interests;

251 2. Making claims payments to insureds or beneficiaries not
252 accompanied by a statement setting forth the coverage under
253 which payments are being made; or

254 3. Except as to liability coverages, failing to promptly
255 settle claims, when the obligation to settle a claim has become
256 reasonably clear, under one portion of the insurance policy
257 coverage in order to influence settlements under other portions
258 of the insurance policy coverage.

259

260 Notwithstanding the provisions of this subsection ~~the above to~~
261 ~~the contrary~~, a person pursuing a remedy under this section need

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262 not prove that such act was committed or performed with such
263 frequency as to indicate a general business practice.

264 (10) For the purposes of this section, Citizens Property
265 Insurance Corporation is an agent of the state covered under s.
266 768.28.

267 Section 3. Subsection (4) of section 626.752, Florida
268 Statutes, is amended to read:

269 626.752 Exchange of business.—

270 (4) The foregoing limitations and restrictions do ~~shall~~ not
271 ~~be construed and shall not~~ apply to the placing of surplus lines
272 business under the provisions of part VIII, or to the activities
273 of Citizens Property Insurance Corporation when placing new and
274 renewal business with authorized insurers in accordance with s.
275 627.3518.

276 Section 4. Subsection (2) and paragraph (d) of subsection
277 (3) of section 627.062, Florida Statutes, are amended to read:

278 627.062 Rate standards.—

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

280 (a) Insurers or rating organizations shall establish and
281 use rates, rating schedules, or rating manuals that allow the
282 insurer a reasonable rate of return on the classes of insurance
283 written in this state. A copy of rates, rating schedules, rating
284 manuals, premium credits or discount schedules, and surcharge
285 schedules, and changes thereto, must be filed with the office in
286 accordance with ~~under~~ one of the following procedures:

287 1. If the filing is made at least 90 days before the
288 proposed effective date and is not implemented during the
289 office's review of the filing and any proceeding and judicial
290 review, such filing is considered a "file and use" filing. In

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291 such case, the office shall finalize its review by issuance of a
292 notice of intent to approve or a notice of intent to disapprove
293 within 90 days after receipt of the filing. The notice of intent
294 to approve and the notice of intent to disapprove constitute
295 agency action for purposes of the Administrative Procedure Act.
296 Requests for supporting information, requests for mathematical
297 or mechanical corrections, or notification to the insurer by the
298 office of its preliminary findings does not toll the 90-day
299 period during ~~any~~ such proceedings and subsequent judicial
300 review. The rate shall be deemed approved if the office does not
301 issue a notice of intent to approve or a notice of intent to
302 disapprove within 90 days after receipt of the filing.

303 2. If the filing is not made in accordance with
304 subparagraph 1., such filing must be made as soon as
305 practicable, but within 30 days after the effective date, and is
306 considered a "use and file" filing. An insurer making a "use and
307 file" filing is potentially subject to an order by the office to
308 return ~~to policyholders~~ those portions of rates found to be
309 excessive to policyholders,~~7~~ as provided in paragraph (i) ~~(h)~~.

310 ~~3. For all property insurance filings made or submitted~~
311 ~~after January 25, 2007, but before May 1, 2012, an insurer~~
312 ~~seeking a rate that is greater than the rate most recently~~
313 ~~approved by the office shall make a "file and use" filing. For~~
314 ~~purposes of this subparagraph, motor vehicle collision and~~
315 ~~comprehensive coverages are not considered property coverages.~~

316 (b) Upon receiving a rate filing, the office shall review
317 the filing to determine if a rate is excessive, inadequate, or
318 unfairly discriminatory. In making that determination, the
319 office shall, in accordance with generally accepted and

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320 reasonable actuarial techniques, consider the following factors:

321 1. Past and prospective loss experience within and without
322 this state.

323 2. Past and prospective expenses.

324 3. The degree of competition among insurers for the risk
325 insured.

326 4. Investment income reasonably expected by the insurer,
327 consistent with the insurer's investment practices, from
328 investable premiums anticipated from ~~in~~ the filing, plus any
329 other expected income from currently invested assets
330 representing the amount expected on unearned premium reserves
331 and loss reserves. The commission may adopt rules that use ~~using~~
332 reasonable techniques of actuarial science and economics to
333 specify the manner in which insurers calculate investment income
334 attributable to classes of insurance written in this state and
335 ~~the manner~~ in which investment income is used to calculate
336 insurance rates. Such rules ~~manner~~ must allow ~~contemplate~~
337 ~~allowances~~ for an underwriting profit factor and full
338 consideration of investment income which produce a reasonable
339 rate of return; however, investment income from invested surplus
340 may not be considered.

341 5. The reasonableness of the judgment reflected in the
342 filing.

343 6. Dividends, savings, or unabsorbed premium deposits
344 allowed or returned to state ~~Florida~~ policyholders, members, or
345 subscribers.

346 7. The adequacy of loss reserves.

347 8. The cost of reinsurance. The office may not disapprove a
348 rate as excessive ~~solely~~ due solely to the insurer having

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349 obtained catastrophic reinsurance to cover the insurer's
350 estimated 250-year probable maximum loss or any lower level of
351 loss, or due solely to an admitted carrier purchasing private
352 reinsurance that would insure against potential deficits within
353 the Florida Hurricane Catastrophe Fund which the most recent
354 estimate made pursuant to s. 215.555(4)(c)2. predicts would be
355 funded through revenue bonds issued under s. 215.555(6).

356 9. Trend factors, including trends in actual losses per
357 insured unit for the insurer making the filing.

358 10. Conflagration and catastrophe hazards, if applicable.

359 11. Projected hurricane losses, if applicable, which must
360 be estimated using a model or method found to be acceptable or
361 reliable by the Florida Commission on Hurricane Loss Projection
362 Methodology, and as further provided in s. 627.0628.

363 12. A reasonable margin for underwriting profit and
364 contingencies.

365 13. The cost of medical services, if applicable.

366 14. Other relevant factors that affect the frequency or
367 severity of claims or expenses.

368 (c) The office shall calculate and publish insurance
369 inflation factors based on noncatastrophe direct loss costs for
370 use in residential property insurance filings. The office shall
371 update the published factors at least annually and make them
372 available on its website. The calculation of insurance inflation
373 factors are not subject to rulemaking under chapter 120.

374 1. An insurer making a residential property insurance rate
375 filing that proposes a change in noncatastrophe base rates by a
376 uniform factor equal to or less than the applicable published
377 insurance inflation factor, may make a rate filing under s.

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378 627.0645 which consists of a rate certification in lieu of a
379 full rate filing under paragraph (a). The office shall verify
380 insurer use of the appropriate published inflation factor and,
381 if the inflation factor is used appropriately, the filed rates
382 shall be deemed not excessive.

383 2. An insurer filing under this paragraph may make a
384 separate filing pursuant to paragraph (l) to adjust its rates
385 for reinsurance rates, reinsurance financing costs and products,
386 and cash buildup factor costs. The insurance inflation factors
387 do not apply to these filings.

388 3. This paragraph does not apply to filings made by
389 Citizens Property Insurance Corporation.

390 (d)~~(e)~~ In the case of fire insurance rates, consideration
391 must be given to the availability of water supplies and the
392 experience of the fire insurance business during ~~a period of not~~
393 ~~less than~~ the most recent 5-year or longer period for which such
394 experience is available.

395 (e)~~(d)~~ If conflagration or catastrophe hazards are
396 considered by an insurer in its rates or rating plan, including
397 surcharges and discounts, the insurer must ~~shall~~ establish a
398 reserve for that portion of the premium allocated to such hazard
399 and maintain the premium in a catastrophe reserve. Removal of
400 such premiums from the reserve for purposes other than paying
401 claims associated with a catastrophe or purchasing reinsurance
402 for catastrophes must be approved by the office. Any ceding
403 commission received by an insurer purchasing reinsurance for
404 catastrophes must be placed in the catastrophe reserve.

405 (f)~~(e)~~ After consideration of the rate factors provided in
406 paragraphs (b), ~~(e), and~~ (d), and (e) the office may find a rate

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407 to be excessive, inadequate, or unfairly discriminatory based
408 upon the following standards:

409 1. Rates shall be deemed excessive if they are likely to
410 produce a profit from Florida business which is unreasonably
411 high in relation to the risk involved in the class of business
412 or if expenses are unreasonably high in relation to services
413 rendered.

414 2. Rates shall be deemed excessive if, among other things,
415 the rate structure established by a stock insurance company
416 provides for replenishment of surpluses from premiums, ~~if the~~
417 such replenishment is attributable to investment losses.

418 3. Rates shall be deemed inadequate if ~~they are clearly~~
419 ~~insufficient~~, together with the investment income attributable
420 to them, they are clearly insufficient to sustain projected
421 losses and expenses in the class of business to which they
422 apply.

423 4. A rating plan, including discounts, credits, or
424 surcharges, shall be deemed unfairly discriminatory if it fails
425 to clearly and equitably reflect consideration of the
426 policyholder's participation in a risk management program
427 adopted pursuant to s. 627.0625.

428 5. A rate shall be deemed inadequate as to the premium
429 charged to a risk or group of risks if discounts or credits are
430 allowed which exceed a reasonable reflection of expense savings
431 and reasonably expected loss experience from the risk or group
432 of risks.

433 6. A rate shall be deemed unfairly discriminatory as to a
434 risk or group of risks if the application of premium discounts,
435 credits, or surcharges among such risks does not bear a

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436 reasonable relationship to the expected loss and expense
437 experience among the various risks.

438 (g)~~(f)~~ In reviewing a rate filing, the office may require
439 the insurer to provide, at the insurer's expense, all
440 information necessary to evaluate the condition of the company
441 and the reasonableness of the filing according to the criteria
442 enumerated in this section.

443 (h)~~(g)~~ The office may at any time review a rate, rating
444 schedule, rating manual, or rate change; the pertinent records
445 of the insurer; and market conditions. If the office finds on a
446 preliminary basis that a rate may be excessive, inadequate, or
447 unfairly discriminatory, the office shall initiate proceedings
448 to disapprove the rate and ~~shall so~~ notify the insurer. However,
449 the office may not disapprove as excessive any rate for which it
450 has given final approval or which has been deemed approved for 1
451 year after the effective date of the filing unless the office
452 finds that a material misrepresentation or material error was
453 made by the insurer or was contained in the filing. Upon
454 notification ~~being notified~~, the insurer or rating organization
455 shall, within 60 days, file with the office all information
456 that, in the belief of the insurer or organization, proves the
457 reasonableness, adequacy, and fairness of the rate or rate
458 change. The office shall issue a notice of intent to approve or
459 a notice of intent to disapprove pursuant to paragraph (a)
460 within 90 days after receipt of the insurer's initial response.
461 In such instances and in any administrative proceeding relating
462 to the legality of the rate, the insurer or rating organization
463 ~~shall~~ carry the burden of proof of showing, by a preponderance
464 of the evidence, ~~to show~~ that the rate is not excessive,

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465 inadequate, or unfairly discriminatory. After the office
466 notifies an insurer that a rate may be excessive, inadequate, or
467 unfairly discriminatory, unless the office withdraws the
468 notification, the insurer may not alter the rate except to
469 conform to the office's notice until the earlier of 120 days
470 after the date the notification was provided or 180 days after
471 the date of implementing the rate. ~~The office,~~ Subject to
472 chapter 120, the office may disapprove without the 60-day
473 notification any rate increase filed by an insurer within the
474 prohibited time period or during the time that the legality of
475 the increased rate is being contested.

476 (i) ~~(h)~~ If the office finds that a rate or rate change is
477 excessive, inadequate, or unfairly discriminatory, the office
478 shall issue an order of disapproval requiring ~~specifying~~ that a
479 new rate or rate schedule, which responds to the findings of the
480 office, be filed by the insurer. The office shall further order,
481 for any "use and file" filing made in accordance with
482 subparagraph (a)2., that the portion of premiums charged which
483 constitute ~~each policyholder constituting~~ the portion of the
484 rate above that which was actuarially justified be returned to
485 the policyholder in the form of a credit or refund. If the
486 office finds that an insurer's rate or rate change is
487 inadequate, the new rate or rate schedule filed with the office
488 in response to such a finding applies ~~is applicable~~ only to new
489 or renewal business ~~of the insurer~~ written by the insurer on or
490 after the effective date of the responsive filing.

491 (j) ~~(i)~~ Except as otherwise specifically provided in this
492 chapter, for property and casualty insurance the office may not
493 directly or indirectly:

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494 1. Prohibit an ~~any~~ insurer, including any residual market
495 plan or joint underwriting association, from paying acquisition
496 costs based on the full amount of premium, as defined in s.
497 627.403, applicable to any policy, or prohibit ~~any~~ such insurer
498 from including the full amount of acquisition costs in a rate
499 filing; or

500 2. Impede, abridge, or otherwise compromise an insurer's
501 right to acquire policyholders, advertise, or appoint agents,
502 including the calculation, manner, or amount of such agent
503 commissions, if any.

504 (k) ~~(j)~~ With respect to residential property insurance rate
505 filings, the rate filing must account for mitigation measures
506 undertaken by policyholders to reduce hurricane losses.

507 (l) ~~(k)~~ 1. A residential property insurer may make a separate
508 filing limited solely to an adjustment of its rates for
509 reinsurance, the cost of financing products used as a
510 replacement for reinsurance, financing costs incurred in the
511 purchase of reinsurance, and the actual cost paid due to the
512 application of the cash build-up factor pursuant to s.
513 215.555(5) (b) if the insurer:

514 a. Elects to purchase financing products, such as a
515 liquidity instrument or line of credit, in which case the cost
516 included in filing for the liquidity instrument or line of
517 credit may not result in a premium increase exceeding 3 percent
518 for any individual policyholder. All costs contained in the
519 filing may not result in an overall premium increase of more
520 than 15 percent for any individual policyholder.

521 b. Includes in the filing a copy of all of its reinsurance,
522 liquidity instrument, or line of credit contracts; proof of the

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523 billing or payment for the contracts; and the calculation upon
524 which the proposed rate change is based demonstrating that the
525 costs meet the criteria of this section.

526 2. An insurer that purchases reinsurance or financing
527 products from an affiliated company may make a separate filing
528 only if the costs for such reinsurance or financing products are
529 charged at or below charges made for comparable coverage by
530 nonaffiliated reinsurers or financial entities making such
531 coverage or financing products available in this state.

532 3. An insurer may make only one filing per 12-month period
533 under this paragraph.

534 4. An insurer that elects to implement a rate change under
535 this paragraph must file its rate filing with the office at
536 least 45 days before the effective date of the rate change.
537 After an insurer submits a complete filing that meets all of the
538 requirements of this paragraph, the office has 45 days after the
539 date of the filing to review the rate filing and determine if
540 the rate is excessive, inadequate, or unfairly discriminatory.

541
542 The provisions of this subsection do not apply to workers'
543 compensation, employer's liability insurance, and motor vehicle
544 insurance.

545 (3)

546 (d)1. The following categories or kinds of insurance and
547 types of commercial lines risks are not subject to paragraph
548 (2) (a) or paragraph (2) (g) ~~(2) (f)~~:

549 a. Excess or umbrella.

550 b. Surety and fidelity.

551 c. Boiler and machinery and leakage and fire extinguishing

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552 equipment.

553 d. Errors and omissions.

554 e. Directors and officers, employment practices, fiduciary
555 liability, and management liability.

556 f. Intellectual property and patent infringement liability.

557 g. Advertising injury and Internet liability insurance.

558 h. Property risks rated under a highly protected risks
559 rating plan.

560 i. General liability.

561 j. Nonresidential property, except for collateral
562 protection insurance as defined in s. 624.6085.

563 k. Nonresidential multiperil.

564 l. Excess property.

565 m. Burglary and theft.

566 n. Any other commercial lines categories or kinds of
567 insurance or types of commercial lines risks that the office
568 determines should not be subject to paragraph (2) (a) or
569 paragraph (2) (g) ~~(2) (f)~~ because of the existence of a
570 competitive market for such insurance, similarity of such
571 insurance to other categories or kinds of insurance not subject
572 to paragraph (2) (a) or paragraph (2) (g) ~~(2) (f)~~, or to improve
573 the general operational efficiency of the office.

574 2. Insurers or rating organizations shall establish and use
575 rates, rating schedules, or rating manuals that ~~to~~ allow the
576 insurer a reasonable rate of return on insurance and risks
577 described in subparagraph 1. which are written in this state.

578 3. An insurer must notify the office of any changes to
579 rates for insurance and risks described in subparagraph 1.
580 within 30 days after the effective date of the change. The

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581 notice must include the name of the insurer, the type or kind of
582 insurance subject to rate change, total premium written during
583 the immediately preceding year by the insurer for the type or
584 kind of insurance subject to the rate change, and the average
585 statewide percentage change in rates. Underwriting files,
586 premiums, losses, and expense statistics relating ~~with regard~~ to
587 such insurance and risks written by an insurer must be
588 maintained by the insurer and subject to examination by the
589 office. Upon examination, the office, in accordance with
590 generally accepted and reasonable actuarial techniques, shall
591 consider the rate factors in paragraphs (2) (b), (d) ~~(e)~~, and (e)
592 ~~(d)~~ and the standards in paragraph (2) (f) ~~(2) (e)~~ to determine if
593 the rate is excessive, inadequate, or unfairly discriminatory.

594 4. A rating organization must notify the office of any
595 changes to loss cost for insurance and risks described in
596 subparagraph 1. within 30 days after the effective date of the
597 change. The notice must include the name of the rating
598 organization, the type or kind of insurance subject to a loss
599 cost change, loss costs during the immediately preceding year
600 for the type or kind of insurance subject to the loss cost
601 change, and the average statewide percentage change in loss
602 cost. Actuarial data relating ~~with regard~~ to changes to loss
603 cost for risks not subject to paragraph (2) (a) or paragraph
604 (2) (g) ~~(2) (f)~~ must be maintained by the rating organization for
605 2 years after the effective date of the change and are subject
606 to examination by the office. The office may require the rating
607 organization to incur the costs associated with an examination.
608 Upon examination, the office, in accordance with generally
609 accepted and reasonable actuarial techniques, shall consider the

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610 rate factors in paragraphs (2) (b), (d), and (e) ~~(2) (b) (d)~~ and
611 the standards in paragraph (2) (f) ~~(2) (e)~~ to determine if the
612 rate is excessive, inadequate, or unfairly discriminatory.

613 Section 5. Paragraph (b) of subsection (2) of section
614 627.0628, Florida Statutes, is amended to read:

615 627.0628 Florida Commission on Hurricane Loss Projection
616 Methodology; public records exemption; public meetings
617 exemption.—

618 (2) COMMISSION CREATED.—

619 (b) The commission shall consist of the following 12 ~~11~~
620 members:

621 1. The insurance consumer advocate.

622 2. The senior employee of the State Board of Administration
623 responsible for operations of the Florida Hurricane Catastrophe
624 Fund.

625 3. The Executive Director of the Citizens Property
626 Insurance Corporation.

627 4. The Director of the Division of Emergency Management.

628 5. The actuary member of the Florida Hurricane Catastrophe
629 Fund Advisory Council.

630 6. An employee of the office who is an actuary responsible
631 for property insurance rate filings and who is appointed by the
632 director of the office.

633 7. Five members appointed by the Chief Financial Officer,
634 as follows:

635 a. An actuary who is employed full time by a property and
636 casualty insurer that was responsible for at least 1 percent of
637 the aggregate statewide direct written premium for homeowner's
638 insurance in the calendar year preceding the member's

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639 appointment to the commission.

640 b. An expert in insurance finance who is a full-time member
641 of the faculty of the State University System and who has a
642 background in actuarial science.

643 c. An expert in statistics who is a full-time member of the
644 faculty of the State University System and who has a background
645 in insurance.

646 d. An expert in computer system design who is a full-time
647 member of the faculty of the State University System.

648 e. An expert in meteorology who is a full-time member of
649 the faculty of the State University System and who specializes
650 in hurricanes.

651 8. A licensed professional structural engineer who is a
652 full-time faculty member in the State University System and who
653 has expertise in wind mitigation techniques. This appointment
654 shall be made by the Governor.

655 Section 6. Subsection (1) of section 627.0629, Florida
656 Statutes, is amended to read:

657 627.0629 Residential property insurance; rate filings.—

658 (1) It is the intent of the Legislature that insurers
659 provide savings to consumers who install or implement windstorm
660 damage mitigation techniques, alterations, or solutions to their
661 properties to prevent windstorm losses. A rate filing for
662 residential property insurance must include notice of the
663 mitigation discounts offered by the insurer, which must be
664 actuarially reasonable discounts, credits, or other rate
665 differentials, or appropriate reductions in deductibles, for
666 properties on which fixtures or construction techniques
667 demonstrated to reduce the amount of loss in a windstorm have

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668 been installed or implemented. The fixtures or construction
669 techniques must include, but are not limited to, fixtures or
670 construction techniques that enhance roof strength, roof
671 covering performance, roof-to-wall strength, wall-to-floor-to-
672 foundation strength, ~~opening protection,~~ and the impact
673 resistance of window, door, and skylight openings strength.
674 Credits, discounts, or other rate differentials, or appropriate
675 reductions in deductibles, for fixtures and construction
676 techniques that meet the minimum requirements of the Florida
677 Building Code must be included in the rate filing. ~~The office~~
678 ~~shall determine the discounts, credits, other rate~~
679 ~~differentials, and appropriate reductions in deductibles that~~
680 ~~reflect the full actuarial value of such revaluation, which may~~
681 ~~be used by insurers in rate filings.~~

682 Section 7. Section 627.171, Florida Statutes, is amended to
683 read:

684 627.171 Excess rates.—

685 (1) With the written consent of the insured signed before
686 ~~prior to~~ the policy inception date and filed with the insurer,
687 the insurer may use a rate in excess of the otherwise applicable
688 filed rate on any specific risk. The signed consent form is
689 valid for subsequent renewals and must include the filed rate as
690 well as the excess rate for the risk insured. ~~and~~ A copy of the
691 form must be maintained by the insurer for 3 years and be
692 available for review by the office.

693 (2) In those counties in which the office has determined
694 there is not a reasonable degree of competition, an insurer may
695 not use excess rates authorized under ~~pursuant to~~ this section
696 for more than 10 percent of its commercial insurance policies

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697 written or renewed in each calendar year for any line of
698 commercial insurance or for more than 5 percent of its personal
699 lines insurance policies written or renewed in each calendar
700 year for any line of personal insurance. In determining the 10-
701 percent limitation for commercial insurance policies, the
702 insurer shall exclude a ~~any~~ workers' compensation policy that
703 was written for an employer who had coverage in the joint
704 underwriting plan created by s. 627.311(5) immediately before
705 ~~prior to~~ the writing of the policy by the insurer and a ~~any~~
706 workers' compensation policy that was written for an employer
707 who had been offered coverage in the joint underwriting plan but
708 who was written a policy by the insurer in lieu of accepting the
709 joint underwriting plan policy. Such ~~These~~ workers' compensation
710 policies shall be excluded from the 10-percent limitation for
711 the first 3 years of coverage.

712 Section 8. Paragraphs (a), (b), (c), (g), (i), (m), (q),
713 and (z) of subsection (6) of section 627.351, Florida Statutes,
714 are amended, and paragraph (gg) is added to that subsection, to
715 read:

716 627.351 Insurance risk apportionment plans.—

717 (6) CITIZENS PROPERTY INSURANCE CORPORATION.—

718 (a) The public purpose of this subsection is to ensure that
719 there is an orderly market for property insurance for residents
720 and businesses of this state.

721 1. The Legislature finds that private insurers are entering
722 the Florida property insurance market ~~unwilling or unable~~ to
723 provide affordable property insurance coverage in many regions
724 of the state. The Legislature further finds that when Citizens
725 Property Insurance Corporation offers rates that are not

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726 adequate to cover the average costs that are generated from the
727 claims filed by its policyholders, the deficiency may create a
728 financial burden on all other state policyholders who must
729 purchase their own insurance from private insurers at full
730 actuarial cost and pay an added fee to cover a portion of the
731 cost for claims filed by policyholders of the corporation. The
732 Legislature intends that the corporation not act as a barrier or
733 competitor to the private insurance market but be available to
734 residents of ~~in~~ this state only if there is no private market
735 coverage available at rates determined reasonable by the Office
736 of Insurance Regulation ~~to the extent sought and needed.~~ The
737 absence of ~~affordable~~ property insurance threatens the public
738 health, safety, and welfare and likewise threatens the economic
739 health of the state. As the corporation has continued its rapid
740 growth and exposure, it increasingly threatens state residents
741 with having to absorb an even greater financial burden than they
742 are currently bearing. The state, therefore, has a compelling
743 public interest and a public purpose to assist in assuring that
744 property in the state is insured and ~~that it is~~ insured at
745 affordable, actuarially sound, noncompetitive rates so as to
746 facilitate the remediation, reconstruction, and replacement of
747 damaged or destroyed property without overburdening the
748 policyholders of this state in order to reduce or avoid ~~the~~
749 negative effects on otherwise resulting to the public health,
750 safety, and welfare; on, ~~to~~ the economy of the state; and on, ~~and to~~
751 and ~~to~~ the revenues of the state and local governments which are
752 needed to provide for the public welfare. It is necessary,
753 therefore, to make ~~provide~~ affordable, actuarially sound,
754 noncompetitive property insurance available to applicants who

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755 are, in good faith, entitled to procure insurance through the
756 voluntary market but are unable to do so. The Legislature
757 intends, therefore, that affordable, actuarially sound,
758 noncompetitive property insurance be provided and ~~that it~~
759 continue to be provided, as long as necessary, through Citizens
760 Property Insurance Corporation, a government entity that is an
761 integral part of the state, ~~and that is~~ not a private insurance
762 company, or through referrals to private insurers participating
763 in a clearinghouse established by the corporation. To that end,
764 the corporation shall strive to promote ~~increase~~ the
765 availability of affordable and actuarially sound private
766 property insurance in this state, supplemented by coverage
767 provided by the corporation if appropriate, while achieving
768 efficiencies and economies, ~~and while~~ providing service to
769 policyholders, applicants, and agents which is no less than the
770 quality generally provided in the voluntary market, for the
771 achievement of the foregoing public purposes. Because it is
772 essential for this government entity to have the maximum
773 financial resources to pay claims following a catastrophic
774 hurricane, it is further the intent of the Legislature that the
775 corporation continue to be an integral part of the state and not
776 a private insurance company, ~~and~~ that the income of the
777 corporation be exempt from federal income taxation, and that
778 interest on the debt obligations issued by the corporation be
779 exempt from federal income taxation.

780 2. The Residential Property and Casualty Joint Underwriting
781 Association originally created by this statute shall be known as
782 the Citizens Property Insurance Corporation. The corporation
783 shall provide ~~insurance for~~ residential and commercial property

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784 ~~insurance~~, for applicants who are eligible ~~entitled~~, but, in
785 good faith, are unable to procure insurance through the
786 voluntary market. The corporation shall operate pursuant to a
787 plan of operation approved by order of the Financial Services
788 Commission. The plan is subject to continuous review by the
789 commission, ~~and~~ the commission may, by order, withdraw approval
790 of all or part of a plan if the commission determines that
791 conditions have changed since approval was granted and that the
792 purposes of the plan require changes in the plan. For the
793 purposes of this subsection, residential coverage includes both
794 personal lines residential coverage, which consists of the type
795 of coverage provided by homeowner's, mobile home owner's,
796 dwelling, tenant's, condominium unit owner's, and similar
797 policies; and commercial lines residential coverage, which
798 consists of the type of coverage provided by condominium
799 association, apartment building, and similar policies.

800 3. With respect to coverage for personal lines residential
801 structures:

802 a. Effective January 1, 2014 ~~2009~~, a personal lines
803 residential structure that has a dwelling replacement cost of \$1
804 ~~\$2~~ million or more, or a single condominium unit that has a
805 combined dwelling and contents replacement cost of \$1 ~~\$2~~ million
806 or more is not eligible for coverage by the corporation. Such
807 dwellings insured by the corporation on December 31, 2013 ~~2008~~,
808 may continue to be covered by the corporation until the end of
809 the policy term. ~~However, such dwellings may reapply and obtain~~
810 ~~coverage if the property owner provides the corporation with a~~
811 ~~sworn affidavit from one or more insurance agents, on a form~~
812 ~~provided by the corporation, stating that the agents have made~~

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813 ~~their best efforts to obtain coverage and that the property has~~
814 ~~been rejected for coverage by at least one authorized insurer~~
815 ~~and at least three surplus lines insurers. If such conditions~~
816 ~~are met, the dwelling may be insured by the corporation for up~~
817 ~~to 3 years, after which time the dwelling is ineligible for~~
818 ~~coverage.~~ The office shall approve the method used by the
819 corporation for valuing the dwelling replacement costs under
820 ~~cost for the purposes of~~ this subparagraph. If a policyholder is
821 insured by the corporation before ~~prior to~~ being determined ~~to~~
822 ~~be~~ ineligible pursuant to this subparagraph and such
823 policyholder files a lawsuit challenging the determination, the
824 policyholder may remain insured by the corporation until the
825 conclusion of the litigation.

826 b. Effective January 1, 2015, a structure that has a
827 dwelling replacement cost of \$900,000 or more, or a single
828 condominium unit that has a combined dwelling and contents
829 replacement cost of \$900,000 or more, is not eligible for
830 coverage by the corporation. Such dwellings insured by the
831 corporation on December 31, 2014, may continue to be covered by
832 the corporation until the end of the policy term.

833 c. Effective January 1, 2016, a structure that has a
834 dwelling replacement cost of \$800,000 or more, or a single
835 condominium unit that has a combined dwelling and contents
836 replacement cost of \$800,000 or more, is not eligible for
837 coverage by the corporation. Such dwellings insured by the
838 corporation on December 31, 2015, may continue to be covered by
839 the corporation until the end of the policy term.

840 d. Effective January 1, 2017, a structure that has a
841 dwelling replacement cost of \$700,000 or more, or a single

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842 condominium unit that has a combined dwelling and contents
843 replacement cost of \$700,000 or more, is not eligible for
844 coverage by the corporation. Such dwellings insured by the
845 corporation on December 31, 2016, may continue to be covered by
846 the corporation until the end of the policy term.

847 e. Effective January 1, 2018, a structure that has a
848 dwelling replacement cost of \$600,000 or more, or a single
849 condominium unit that has a combined dwelling and contents
850 replacement cost of \$600,000 or more, is not eligible for
851 coverage by the corporation. Such dwellings insured by the
852 corporation on December 31, 2017, may continue to be covered by
853 the corporation until the end of the policy term.

854 f. Effective January 1, 2019, a structure that has a
855 dwelling replacement cost of \$500,000 or more, or a single
856 condominium unit that has a combined dwelling and contents
857 replacement cost of \$500,000 or more, is not eligible for
858 coverage by the corporation. Such dwellings insured by the
859 corporation on December 31, 2018, may continue to be covered by
860 the corporation until the end of the policy term.

861
862 The requirements of sub-subparagraphs b.-f. do not apply in
863 counties where the office determines there is not a reasonable
864 degree of competition. In such counties the eligibility
865 requirements of sub-subparagraph a. apply.

866 4. It is the intent of the Legislature that policyholders,
867 applicants, and agents of the corporation receive service and
868 treatment of the highest possible level but never less than that
869 generally provided in the voluntary market. It is also intended
870 that the corporation be held to service standards no less than

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871 those applied to insurers in the voluntary market by the office
872 with respect to responsiveness, timeliness, customer courtesy,
873 and overall dealings with policyholders, applicants, or agents
874 of the corporation.

875 5. A new structure for which a notice of commencement has
876 been issued on or after July 1, 2014, pursuant to s. 713.135,
877 which is located seaward of the coastal construction control
878 line created pursuant to s. 161.053, is ineligible for coverage
879 through the corporation unless the structure meets the coastal
880 code-plus building code criteria developed and recommended by
881 the Florida Building Commission. Filing a notice of commencement
882 for an addition to an existing structure that was built before
883 July 1, 2014, requires that the addition be built according to
884 the code-plus building criteria but does not require that the
885 existing structure meet the code-plus criteria in order to be
886 eligible for coverage through the corporation. ~~Effective January~~
887 ~~1, 2009, a personal lines residential structure that is located~~
888 ~~in the "wind borne debris region," as defined in s. 1609.2,~~
889 ~~International Building Code (2006), and that has an insured~~
890 ~~value on the structure of \$750,000 or more is not eligible for~~
891 ~~coverage by the corporation unless the structure has opening~~
892 ~~protections as required under the Florida Building Code for a~~
893 ~~newly constructed residential structure in that area. A~~
894 ~~residential structure shall be deemed to comply with this~~
895 ~~subparagraph if it has shutters or opening protections on all~~
896 ~~openings and if such opening protections complied with the~~
897 ~~Florida Building Code at the time they were installed.~~

898 6. For any claim filed under any policy of the corporation,
899 a public adjuster may not charge, agree to, or accept any

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900 compensation, payment, commission, fee, or other thing of value
901 greater than 10 percent of the additional amount actually paid
902 over the amount that was originally offered by the corporation
903 for any one claim.

904 (b)1. All insurers authorized to write one or more subject
905 lines of business in this state are subject to assessment by the
906 corporation and, for the purposes of this subsection, are
907 referred to collectively as "assessable insurers." Insurers
908 writing one or more subject lines of business in this state
909 pursuant to part VIII of chapter 626 are not assessable
910 insurers; however, ~~but~~ insureds who procure one or more subject
911 lines of business in this state pursuant to part VIII of chapter
912 626 are subject to assessment by the corporation and are
913 referred to collectively as "assessable insureds." An insurer's
914 assessment liability begins on the first day of the calendar
915 year following the year in which the insurer was issued a
916 certificate of authority to transact insurance for subject lines
917 of business in this state and terminates 1 year after the end of
918 the first calendar year during which the insurer no longer holds
919 a certificate of authority to transact insurance for subject
920 lines of business in this state.

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

924 (I) A personal lines account for personal residential
925 policies issued by the corporation, or issued by the Residential
926 Property and Casualty Joint Underwriting Association and renewed
927 by the corporation, which provides comprehensive, multiperil
928 coverage on risks that are not located in areas eligible for

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929 coverage by the Florida Windstorm Underwriting Association as
930 those areas were defined on January 1, 2002, and for policies
931 that do not provide coverage for the peril of wind on risks that
932 are located in such areas;

933 (II) A commercial lines account for commercial residential
934 and commercial nonresidential policies issued by the
935 corporation, or issued by the Residential Property and Casualty
936 Joint Underwriting Association and renewed by the corporation,
937 which provides coverage for basic property perils on risks that
938 are not located in areas eligible for coverage by the Florida
939 Windstorm Underwriting Association as those areas were defined
940 on January 1, 2002, and for policies that do not provide
941 coverage for the peril of wind on risks that are located in such
942 areas; and

943 (III) A coastal account for personal residential policies
944 and commercial residential and commercial nonresidential
945 property policies issued by the corporation, or transferred to
946 the corporation, which provides coverage for the peril of wind
947 on risks that are located in areas eligible for coverage by the
948 Florida Windstorm Underwriting Association as those areas were
949 defined on January 1, 2002. The corporation may offer policies
950 that provide multiperil coverage and ~~the corporation~~ shall
951 ~~continue to~~ offer policies that provide coverage only for the
952 peril of wind for risks located in areas eligible for coverage
953 in the coastal account. In issuing multiperil coverage, the
954 corporation may use its approved policy forms and rates for the
955 personal lines account. An applicant or insured who is eligible
956 to purchase a multiperil policy from the corporation may
957 purchase a multiperil policy from an authorized insurer without

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958 prejudice to the applicant's or insured's eligibility to
959 prospectively purchase a policy that provides coverage only for
960 the peril of wind from the corporation. An applicant or insured
961 who is eligible for a corporation policy that provides coverage
962 only for the peril of wind may elect to purchase or retain such
963 policy and also purchase or retain coverage excluding wind from
964 an authorized insurer without prejudice to the applicant's or
965 insured's eligibility to prospectively purchase a policy that
966 provides multiperil coverage from the corporation. It is the
967 goal of the Legislature that there be an overall average savings
968 of 10 percent or more for a policyholder who currently has a
969 wind-only policy with the corporation, and an ex-wind policy
970 with a voluntary insurer or the corporation, and who obtains a
971 multiperil policy from the corporation. It is the intent of the
972 Legislature that the offer of multiperil coverage in the coastal
973 account be made and implemented in a manner that does not
974 adversely affect the tax-exempt status of the corporation or
975 creditworthiness of or security for currently outstanding
976 financing obligations or credit facilities of the coastal
977 account, the personal lines account, or the commercial lines
978 account. ~~The coastal account must also include quota share~~
979 ~~primary insurance under subparagraph (c)2.~~ The area eligible for
980 coverage under the coastal account also includes the area within
981 Port Canaveral, which is bordered on the south by the City of
982 Cape Canaveral, bordered on the west by the Banana River, and
983 bordered on the north by Federal Government property.

984 b. The three separate accounts must be maintained as long
985 as financing obligations entered into by the Florida Windstorm
986 Underwriting Association or Residential Property and Casualty

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987 Joint Underwriting Association are outstanding, in accordance
988 with the terms of the corresponding financing documents. If the
989 financing obligations are no longer outstanding, the corporation
990 may use a single account for all revenues, assets, liabilities,
991 losses, and expenses of the corporation. Consistent with this
992 subparagraph and prudent investment policies that minimize the
993 cost of carrying debt, the board shall exercise its best efforts
994 to retire existing debt or obtain the approval of necessary
995 parties to amend the terms of existing debt, in order ~~so as~~ to
996 structure the most efficient plan for consolidating ~~to~~
997 ~~consolidate~~ the three separate accounts into a single account.

998 c. Creditors of the Residential Property and Casualty Joint
999 Underwriting Association and the accounts specified in sub-sub-
1000 subparagraphs a.(I) and (II) may have a claim against, and
1001 recourse to, those accounts and no claim against, or recourse
1002 to, the account referred to in sub-sub-subparagraph a.(III).
1003 Creditors of the Florida Windstorm Underwriting Association have
1004 a claim against, and recourse to, the account referred to in
1005 sub-sub-subparagraph a.(III) and no claim against, or recourse
1006 to, the accounts referred to in sub-sub-subparagraphs a.(I) and
1007 (II).

1008 d. Revenues, assets, liabilities, losses, and expenses not
1009 attributable to particular accounts shall be prorated among the
1010 accounts.

1011 e. The Legislature finds that the revenues of the
1012 corporation are revenues that are necessary to meet the
1013 requirements set forth in documents authorizing the issuance of
1014 bonds under this subsection.

1015 f. The income of the corporation may not inure to the

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1016 benefit of any private person.

1017 3. With respect to a deficit in an account:

1018 a. After accounting for the Citizens policyholder surcharge
1019 imposed under sub-subparagraph i., if the remaining projected
1020 deficit incurred in the coastal account in a particular calendar
1021 year:

1022 (I) Is not greater than 2 percent of the aggregate
1023 statewide direct written premium for the subject lines of
1024 business for the prior calendar year, the entire deficit shall
1025 be recovered through regular assessments of assessable insurers
1026 under paragraph (q) and assessable insureds.

1027 (II) Exceeds 2 percent of the aggregate statewide direct
1028 written premium for the subject lines of business for the prior
1029 calendar year, the corporation shall levy regular assessments on
1030 assessable insurers under paragraph (q) and on assessable
1031 insureds in an amount equal to the greater of 2 percent of the
1032 projected deficit or 2 percent of the aggregate statewide direct
1033 written premium for the subject lines of business for the prior
1034 calendar year. Any remaining projected deficit shall be
1035 recovered through emergency assessments under sub-subparagraph
1036 d.

1037 b. Each assessable insurer's share of the amount being
1038 assessed under sub-subparagraph a. must be in the proportion
1039 that the assessable insurer's direct written premium for the
1040 subject lines of business for the year preceding the assessment
1041 bears to the aggregate statewide direct written premium for the
1042 subject lines of business for that year. The assessment
1043 percentage applicable to each assessable insured is the ratio of
1044 the amount being assessed under sub-subparagraph a. to the

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1045 aggregate statewide direct written premium for the subject lines
1046 of business for the prior year. Assessments levied by the
1047 corporation on assessable insurers under sub-subparagraph a.
1048 must be paid as required by the corporation's plan of operation
1049 and paragraph (q). Assessments levied by the corporation on
1050 assessable insureds under sub-subparagraph a. shall be collected
1051 by the surplus lines agent at the time the surplus lines agent
1052 collects the surplus lines tax required by s. 626.932, and paid
1053 to the Florida Surplus Lines Service Office at the time the
1054 surplus lines agent pays the surplus lines tax to that office.
1055 Upon receipt of regular assessments from surplus lines agents,
1056 the Florida Surplus Lines Service Office shall transfer the
1057 assessments directly to the corporation as determined by the
1058 corporation.

1059 c. After accounting for the Citizens policyholder surcharge
1060 imposed under sub-subparagraph i., the remaining projected
1061 deficits in the personal lines account and in the commercial
1062 lines account in a particular calendar year shall be recovered
1063 through emergency assessments under sub-subparagraph d.

1064 d. Upon a determination by the executive director, with the
1065 concurrence of the board of governors, that a projected deficit
1066 in an account exceeds the amount that is expected to be
1067 recovered through regular assessments under sub-subparagraph a.,
1068 plus the amount that is expected to be recovered through
1069 policyholder surcharges under sub-subparagraph i., the executive
1070 director, with concurrence by the board, after verification by
1071 the office, shall levy emergency assessments for as many years
1072 as necessary to cover the deficits, to be collected by
1073 assessable insurers and the corporation and collected from

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1074 assessable insureds upon issuance or renewal of policies for
1075 subject lines of business, excluding National Flood Insurance
1076 policies. The executive director shall notify the Financial
1077 Services Commission of the emergency assessments within 5 days
1078 after the board's concurrence with the executive director's
1079 determination that such assessments are necessary. The amount
1080 collected in a particular year must be a uniform percentage of
1081 that year's direct written premium for subject lines of business
1082 and all accounts of the corporation, excluding National Flood
1083 Insurance Program policy premiums, as annually determined by the
1084 executive director, with concurrence by the board, and verified
1085 by the office. The office shall verify the arithmetic
1086 calculations involved in the board's determination within 30
1087 days after receipt of the information on which the determination
1088 was based. The office shall notify assessable insurers and the
1089 Florida Surplus Lines Service Office of the date on which
1090 assessable insurers shall begin to collect and assessable
1091 insureds shall begin to pay such assessment. The date must be at
1092 least ~~may be not less than~~ 90 days after the date the
1093 corporation levies emergency assessments pursuant to this sub-
1094 subparagraph. Notwithstanding any other provision of law, the
1095 corporation and each assessable insurer that writes subject
1096 lines of business shall collect emergency assessments from its
1097 policyholders without such obligation being affected by any
1098 credit, limitation, exemption, or deferment. Emergency
1099 assessments levied by the corporation on assessable insureds
1100 shall be collected by the surplus lines agent at the time the
1101 surplus lines agent collects the surplus lines tax required by
1102 s. 626.932 and paid to the Florida Surplus Lines Service Office

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1103 at the time the surplus lines agent pays the surplus lines tax
1104 to that office. The emergency assessments collected shall be
1105 transferred directly to the corporation on a periodic basis as
1106 determined by the corporation and held by the corporation solely
1107 in the applicable account. The aggregate amount of emergency
1108 assessments levied for an account ~~under this sub-subparagraph~~ in
1109 any calendar year may be less than but not exceed the greater of
1110 10 percent of the amount needed to cover the deficit, plus
1111 interest, fees, commissions, required reserves, and other costs
1112 associated with financing the original deficit, or 10 percent of
1113 the aggregate statewide direct written premium for subject lines
1114 of business and all accounts of the corporation for the prior
1115 year, plus interest, fees, commissions, required reserves, and
1116 other costs associated with financing the deficit.

1117 e. The corporation may pledge the proceeds of assessments,
1118 projected recoveries from the Florida Hurricane Catastrophe
1119 Fund, other insurance and reinsurance recoverables, policyholder
1120 surcharges and other surcharges, and other funds available to
1121 the corporation as the source of revenue for and to secure bonds
1122 issued under paragraph (q), bonds or other indebtedness issued
1123 under subparagraph (c)3., or lines of credit or other financing
1124 mechanisms issued or created under this subsection, or to retire
1125 any other debt incurred as a result of deficits or events giving
1126 rise to deficits, or in any other way that the executive
1127 director, with the concurrence of the board, determines will
1128 efficiently recover such deficits. The purpose of the lines of
1129 credit or other financing mechanisms is to provide additional
1130 resources to assist the corporation in covering claims and
1131 expenses attributable to a catastrophe. As used in this

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1132 subsection, the term "assessments" includes regular assessments
1133 under sub-subparagraph a. or subparagraph (q)1. and emergency
1134 assessments under sub-subparagraph d. Emergency assessments
1135 collected under sub-subparagraph d. are not part of an insurer's
1136 rates, are not premium, and are not subject to premium tax,
1137 fees, or commissions; however, failure to pay the emergency
1138 assessment shall be treated as failure to pay premium. The
1139 emergency assessments ~~under sub-subparagraph d.~~ shall continue
1140 as long as any bonds issued or other indebtedness incurred with
1141 respect to a deficit for which the assessment was imposed remain
1142 outstanding, unless adequate provision has been made for the
1143 payment of such bonds or other indebtedness pursuant to the
1144 documents governing such bonds or indebtedness.

1145 f. As used in this subsection for purposes of any deficit
1146 incurred on or after January 25, 2007, the term "subject lines
1147 of business" means insurance written by assessable insurers or
1148 procured by assessable insureds for all property and casualty
1149 lines of business in this state, but not including workers'
1150 compensation or medical malpractice. As used in this sub-
1151 subparagraph, the term "property and casualty lines of business"
1152 includes all lines of business identified on Form 2, Exhibit of
1153 Premiums and Losses, in the annual statement required of
1154 authorized insurers under s. 624.424 and any rule adopted under
1155 this section, except for those lines identified as accident and
1156 health insurance and except for policies written under the
1157 National Flood Insurance Program or the Federal Crop Insurance
1158 Program. For purposes of this sub-subparagraph, the term
1159 "workers' compensation" includes both workers' compensation
1160 insurance and excess workers' compensation insurance.

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1161 g. The Florida Surplus Lines Service Office shall annually
1162 determine ~~annually~~ the aggregate statewide written premium in
1163 subject lines of business procured by assessable insureds and
1164 report that information to the corporation in a form and at a
1165 time the corporation specifies to ensure that the corporation
1166 can meet the requirements of this subsection and the
1167 corporation's financing obligations.

1168 h. The Florida Surplus Lines Service Office shall verify
1169 the proper application by surplus lines agents of assessment
1170 percentages for regular assessments and emergency assessments
1171 levied under this subparagraph on assessable insureds and assist
1172 the corporation in ensuring the accurate, timely collection and
1173 payment of assessments by surplus lines agents as required by
1174 the corporation.

1175 i. ~~In 2008 or thereafter,~~ Upon a determination by the board
1176 of governors that an account has a projected deficit, the board
1177 shall levy a Citizens policyholder surcharge against all
1178 policyholders of the corporation.

1179 (I) The surcharge shall be levied as a uniform percentage
1180 ~~of the premium for the policy~~ of up to 15 percent of the policy
1181 ~~such~~ premium, which funds shall be used to offset the deficit.

1182 (II) The surcharge is payable upon cancellation or
1183 termination of the policy, upon renewal of the policy, or upon
1184 issuance of a new policy by the corporation within the first 12
1185 months after the date of the levy or the period of time
1186 necessary to fully collect the surcharge amount.

1187 (III) The corporation may not levy any regular assessments
1188 under paragraph (q) pursuant to sub-subparagraph a. or sub-
1189 subparagraph b. with respect to a particular year's deficit

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1190 until the corporation has first levied the full amount of the
1191 surcharge authorized by this sub-subparagraph.

1192 (IV) The surcharge is not considered premium and is not
1193 subject to commissions, fees, or premium taxes. However, failure
1194 to pay the surcharge shall be treated as failure to pay premium.

1195 j. If the amount of any assessments or surcharges collected
1196 from corporation policyholders, assessable insurers or their
1197 policyholders, or assessable insureds exceeds the amount of the
1198 deficits, such excess amounts shall be remitted to and retained
1199 by the corporation in a reserve to be used by the corporation,
1200 as determined by the executive director, with the concurrence of
1201 the board of governors, and approved by the office, to pay
1202 claims or reduce any past, present, or future plan-year deficits
1203 or to reduce outstanding debt.

1204 (c) The corporation's plan of operation:

1205 1. Must provide for adoption of residential property and
1206 casualty insurance policy forms and commercial residential and
1207 nonresidential property insurance forms, which must be approved
1208 by the office before use. The corporation shall adopt the
1209 following policy forms:

1210 a. Standard personal lines policy forms that are
1211 comprehensive multiperil policies providing full coverage of a
1212 residential property equivalent to the coverage provided in the
1213 private insurance market under an HO-3, HO-4, or HO-6 policy.

1214 b. Basic personal lines policy forms that are policies
1215 similar to an HO-8 policy or a dwelling fire policy that provide
1216 coverage meeting the requirements of the secondary mortgage
1217 market, but which is more limited than the coverage under a
1218 standard policy.

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1219 c. Commercial lines residential and nonresidential policy
1220 forms that are generally similar to the basic perils of full
1221 coverage obtainable for commercial residential structures and
1222 commercial nonresidential structures in the admitted voluntary
1223 market.

1224 d. Personal lines and commercial lines residential property
1225 insurance forms that cover the peril of wind only. Such ~~The~~
1226 forms are applicable only to residential properties located in
1227 areas eligible for coverage under the coastal account referred
1228 to in sub-subparagraph (b)2.a.

1229 e. Commercial lines nonresidential property insurance forms
1230 that cover the peril of wind only. Such ~~The~~ forms are applicable
1231 only to nonresidential properties located in areas eligible for
1232 coverage under the coastal account referred to in sub-
1233 subparagraph (b)2.a.

1234 f. The corporation may adopt variations of the policy forms
1235 listed in sub-subparagraphs a.-e. which contain more restrictive
1236 coverage.

1237 g. Effective January 1, 2013, the corporation shall offer a
1238 basic personal lines policy similar to an HO-8 policy with
1239 dwelling repair based on common construction materials and
1240 methods.

1241 2. Must provide that the corporation and an authorized
1242 insurer may enter into a risk-sharing agreement for the purpose
1243 of reducing the corporation's exposure. As used in this
1244 subparagraph, the term "risk-sharing agreement" means an
1245 agreement between the corporation and an authorized insurer for
1246 the corporation to retain part, but not all, of the risk for a
1247 specified group of policies or specified perils within a group

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1248 of policies, as part of the terms for removal of policies from
1249 the corporation.

1250 a. Entering into a risk-sharing agreement is voluntary and
1251 at the discretion of the corporation and the authorized insurer.
1252 To avoid unnecessary expense, the executive director, with
1253 concurrence of the board of governors, may limit the
1254 corporation's participation in risk-sharing agreements to those
1255 participants capable and willing to assume a minimum of 25
1256 percent of the exposure on at least 100,000 policies and may
1257 specify other limitations. A risk-sharing agreement in which the
1258 corporation retains part of the risk may not exceed 5 years.

1259 b. The risk-sharing agreement may cover policies in any
1260 account and may cover any perils. The corporation may act as a
1261 reinsurer or a cedent under a risk sharing agreement or an
1262 excess of loss agreement. If the corporation is the reinsurer,
1263 the insurance policy forms and endorsements must be approved by
1264 the office, cover all perils that are the subject of the risk-
1265 sharing agreement, and cover at least the same limits as the
1266 corporation policies being replaced.

1267 c. The terms of each risk-sharing agreement must ensure
1268 that the consideration received by the corporation is
1269 commensurate with the risk retained by the corporation and the
1270 risk assumed by the authorized insurer. The corporation may not
1271 share risk for bad faith.

1272 d. The risk-sharing agreement must specify the proportion
1273 of exposure that the authorized insurer reports to the Florida
1274 Hurricane Catastrophe Fund and the exposure retained by the
1275 corporation. Each shall pay premium and receive reimbursements
1276 from the fund for the exposure that they retain or assume as

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1277 provided in the risk-sharing agreement. The risk retained or
1278 assumed is eligible for coverage by the fund and is not
1279 considered reinsurance for purposes of coverage by the fund.
1280 However, the authorized insurer and the corporation may report
1281 participation in the risk sharing agreement on their financial
1282 statements as reinsurance if appropriate according to the
1283 characteristics of the agreement based on statutory accounting
1284 rules and instructions.

1285 e. Notwithstanding any other provision of law:

1286 (I) Policies offered coverage by the corporation or an
1287 authorized insurer through a risk-sharing agreement are not
1288 eligible for coverage by the corporation outside of the
1289 agreement; and

1290 (II) A risk-sharing agreement between the corporation and
1291 an authorized insurer is not subject to the requirements of a
1292 take-out or keep-out program under ss. 627.3517 and this
1293 subsection, except that the agreement must be filed by the
1294 authorized insurer with the office for review and approval
1295 before the execution of the agreement by the insurer.

1296 f. To ensure that exposures are accurately reported to the
1297 Florida Hurricane Catastrophe Fund, the corporation and each
1298 insurer participating in a risk-sharing agreement under this
1299 subparagraph must report its exposure under covered policies to
1300 the fund as required under s. 215.555(5)(c), including the
1301 requirement that, by September 1 of each year, each insurer
1302 notify the board of its insured values under covered policies as
1303 of June 30 of that year. Each report must also specify the
1304 percentage of liability applicable to the corporation and the
1305 percentage applicable to the insurer. Pursuant to its authority

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1306 under s. 215.555, the State Board of Administration shall adopt
1307 rules to administer this sub-subparagraph.

1308 ~~2. Must provide that the corporation adopt a program in~~
1309 ~~which the corporation and authorized insurers enter into quota~~
1310 ~~share primary insurance agreements for hurricane coverage, as~~
1311 ~~defined in s. 627.4025(2)(a), for eligible risks, and adopt~~
1312 ~~property insurance forms for eligible risks which cover the~~
1313 ~~peril of wind only.~~

1314 a. As used in this subsection, the term:

1315 ~~(I) "Quota share primary insurance" means an arrangement in~~
1316 ~~which the primary hurricane coverage of an eligible risk is~~
1317 ~~provided in specified percentages by the corporation and an~~
1318 ~~authorized insurer. The corporation and authorized insurer are~~
1319 ~~each solely responsible for a specified percentage of hurricane~~
1320 ~~coverage of an eligible risk as set forth in a quota share~~
1321 ~~primary insurance agreement between the corporation and an~~
1322 ~~authorized insurer and the insurance contract. The~~
1323 ~~responsibility of the corporation or authorized insurer to pay~~
1324 ~~its specified percentage of hurricane losses of an eligible~~
1325 ~~risk, as set forth in the agreement, may not be altered by the~~
1326 ~~inability of the other party to pay its specified percentage of~~
1327 ~~losses. Eligible risks that are provided hurricane coverage~~
1328 ~~through a quota share primary insurance arrangement must be~~
1329 ~~provided policy forms that set forth the obligations of the~~
1330 ~~corporation and authorized insurer under the arrangement,~~
1331 ~~clearly specify the percentages of quota share primary insurance~~
1332 ~~provided by the corporation and authorized insurer, and~~
1333 ~~conspicuously and clearly state that the authorized insurer and~~
1334 ~~the corporation may not be held responsible beyond their~~

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1335 ~~specified percentage of coverage of hurricane losses.~~

1336 ~~(II) "Eligible risks" means personal lines residential and~~
1337 ~~commercial lines residential risks that meet the underwriting~~
1338 ~~criteria of the corporation and are located in areas that were~~
1339 ~~eligible for coverage by the Florida Windstorm Underwriting~~
1340 ~~Association on January 1, 2002.~~

1341 ~~b. The corporation may enter into quota share primary~~
1342 ~~insurance agreements with authorized insurers at corporation~~
1343 ~~coverage levels of 90 percent and 50 percent.~~

1344 ~~c. If the corporation determines that additional coverage~~
1345 ~~levels are necessary to maximize participation in quota share~~
1346 ~~primary insurance agreements by authorized insurers, the~~
1347 ~~corporation may establish additional coverage levels. However,~~
1348 ~~the corporation's quota share primary insurance coverage level~~
1349 ~~may not exceed 90 percent.~~

1350 ~~d. Any quota share primary insurance agreement entered into~~
1351 ~~between an authorized insurer and the corporation must provide~~
1352 ~~for a uniform specified percentage of coverage of hurricane~~
1353 ~~losses, by county or territory as set forth by the corporation~~
1354 ~~board, for all eligible risks of the authorized insurer covered~~
1355 ~~under the agreement.~~

1356 ~~e. Any quota share primary insurance agreement entered into~~
1357 ~~between an authorized insurer and the corporation is subject to~~
1358 ~~review and approval by the office. However, such agreement shall~~
1359 ~~be authorized only as to insurance contracts entered into~~
1360 ~~between an authorized insurer and an insured who is already~~
1361 ~~insured by the corporation for wind coverage.~~

1362 ~~f. For all eligible risks covered under quota share primary~~
1363 ~~insurance agreements, the exposure and coverage levels for both~~

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1364 ~~the corporation and authorized insurers shall be reported by the~~
1365 ~~corporation to the Florida Hurricane Catastrophe Fund. For all~~
1366 ~~policies of eligible risks covered under such agreements, the~~
1367 ~~corporation and the authorized insurer must maintain complete~~
1368 ~~and accurate records for the purpose of exposure and loss~~
1369 ~~reimbursement audits as required by fund rules. The corporation~~
1370 ~~and the authorized insurer shall each maintain duplicate copies~~
1371 ~~of policy declaration pages and supporting claims documents.~~

1372 ~~g. The corporation board shall establish in its plan of~~
1373 ~~operation standards for quota share agreements which ensure that~~
1374 ~~there is no discriminatory application among insurers as to the~~
1375 ~~terms of the agreements, pricing of the agreements, incentive~~
1376 ~~provisions if any, and consideration paid for servicing policies~~
1377 ~~or adjusting claims.~~

1378 ~~h. The quota share primary insurance agreement between the~~
1379 ~~corporation and an authorized insurer must set forth the~~
1380 ~~specific terms under which coverage is provided, including, but~~
1381 ~~not limited to, the sale and servicing of policies issued under~~
1382 ~~the agreement by the insurance agent of the authorized insurer~~
1383 ~~producing the business, the reporting of information concerning~~
1384 ~~eligible risks, the payment of premium to the corporation, and~~
1385 ~~arrangements for the adjustment and payment of hurricane claims~~
1386 ~~incurred on eligible risks by the claims adjuster and personnel~~
1387 ~~of the authorized insurer. Entering into a quota sharing~~
1388 ~~insurance agreement between the corporation and an authorized~~
1389 ~~insurer is voluntary and at the discretion of the authorized~~
1390 ~~insurer.~~

1391 ~~3.a. May provide that the corporation may employ or~~
1392 ~~otherwise contract with individuals or other entities to provide~~

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1393 ~~administrative or professional services that may be appropriate~~
1394 ~~to effectuate the plan. The corporation may~~ borrow funds by
1395 issuing bonds or by incurring other indebtedness, and shall have
1396 other powers reasonably necessary to effectuate the requirements
1397 of this subsection, including, without limitation, the power to
1398 issue bonds and incur other indebtedness in order to refinance
1399 outstanding bonds or other indebtedness. The corporation may
1400 seek judicial validation of its bonds or other indebtedness
1401 under chapter 75. The corporation may issue bonds or incur other
1402 indebtedness, or have bonds issued on its behalf by a unit of
1403 local government pursuant to subparagraph (q)2. in the absence
1404 of a hurricane or other weather-related event, upon a
1405 determination by the corporation, subject to approval by the
1406 office, that such action would enable it to efficiently meet the
1407 financial obligations of the corporation and that such
1408 financings are reasonably necessary to effectuate the
1409 requirements of this subsection. The corporation may take all
1410 actions needed to facilitate tax-free status for such bonds or
1411 indebtedness, including formation of trusts or other affiliated
1412 entities. The corporation may pledge assessments, projected
1413 recoveries from the Florida Hurricane Catastrophe Fund, other
1414 reinsurance recoverables, Citizens policyholder surcharges and
1415 other surcharges, and other funds available to the corporation
1416 as security for bonds or other indebtedness. In recognition of
1417 s. 10, Art. I of the State Constitution, prohibiting the
1418 impairment of obligations of contracts, it is the intent of the
1419 Legislature that ~~no~~ action not be taken whose purpose is to
1420 impair any bond indenture or financing agreement or any revenue
1421 source committed by contract to such bond or other indebtedness.

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1422 b. May provide that the corporation employ or otherwise
1423 contract with individuals or other entities to provide
1424 administrative or professional services that may be appropriate
1425 to effectuate the plan. To ensure that the corporation is
1426 operating in an efficient and economic manner while providing
1427 quality service to policyholders, applicants, and agents, the
1428 board shall commission an independent third-party consultant
1429 having expertise in insurance company management or insurance
1430 company management consulting to prepare a report and make
1431 recommendations on the relative costs and benefits of
1432 outsourcing various policy issuance and service functions to
1433 private servicing carriers or entities performing similar
1434 functions in the private market for a fee, rather than
1435 performing such functions in-house. In making such
1436 recommendations, the consultant shall consider how other
1437 residual markets, both in this state and around the country,
1438 outsource appropriate functions or use servicing carriers to
1439 better match expenses with revenues that fluctuate based on a
1440 widely varying policy count. The report must be completed by
1441 July 1, 2012. Upon receiving the report, the executive director,
1442 with the concurrence of the board, shall develop a plan to
1443 implement the report and submit the plan for review,
1444 modification, and approval to the Financial Services Commission.
1445 Upon the commission's approval of the plan, the board shall
1446 begin implementing the plan by January 1, 2013.

1447 4. Must require that the corporation operate subject to the
1448 supervision and approval of a board of governors consisting of
1449 nine ~~eight~~ individuals who are residents of this state and who
1450 are from different geographical areas of the ~~this~~ state, one of

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1451 whom is appointed by the Chief Financial Officer and serves
1452 solely to advocate on behalf of the consumer. The appointment of
1453 a consumer representative by the Chief Financial Officer is in
1454 addition to the appointments authorized under sub-subparagraph
1455 a.

1456 a. The Governor, the Chief Financial Officer, the President
1457 of the Senate, and the Speaker of the House of Representatives
1458 shall each appoint two members of the board. All board members,
1459 except those appointed by the speaker, must be confirmed by the
1460 Senate during the legislative session following their
1461 appointment. At least one of the two members appointed by each
1462 appointing officer must have demonstrated expertise in insurance
1463 and must be ~~is~~ deemed to be within the scope of the exemption
1464 provided under ~~in~~ s. 112.313(7) (b). The Chief Financial Officer
1465 shall designate one of the appointees as chair for the purpose
1466 of presiding over the orderly conduct of meetings. An appointee
1467 serves as chair for no more than one term. All board members
1468 serve at the pleasure of the appointing officer. All members of
1469 the board are subject to removal at will by the officers who
1470 appointed them. All board members, including the chair, shall
1471 ~~must~~ be appointed ~~to serve~~ for 3-year terms beginning annually
1472 on a date designated by the plan. ~~However, for the first term~~
1473 ~~beginning on or after July 1, 2009, each appointing officer~~
1474 ~~shall appoint one member of the board for a 2-year term and one~~
1475 ~~member for a 3-year term.~~ A board vacancy shall be filled for
1476 the unexpired term by the appointing officer. A board member may
1477 not serve for more than two terms, except that a board member
1478 appointed to fill an unexpired term created by a vacancy may be
1479 appointed for two subsequent terms. The Chief Financial Officer

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1480 shall appoint a technical advisory group to provide information
1481 and advice to the executive director and the board in connection
1482 with the corporation's ~~board's~~ duties under this subsection. The
1483 executive director shall be appointed by and serve at the
1484 pleasure of the Governor and the Chief Financial Officer. ~~and~~
1485 Senior managers of the corporation shall be appointed by the
1486 executive director, with the concurrence of ~~engaged by the~~
1487 board, and serve at the pleasure of the executive director
1488 ~~board.~~ Appointment of the ~~Any~~ executive director ~~appointed on or~~
1489 ~~after July 1, 2006,~~ is subject to confirmation by the Senate
1490 upon original appointment and upon the election or reelection of
1491 the Governor and Chief Financial Officer if retained. The
1492 executive director is responsible for employing other staff ~~as~~
1493 the corporation may require, subject to review and concurrence
1494 by the board.

1495 b. The board shall create a Market Accountability Advisory
1496 Committee to assist the corporation in developing awareness of
1497 its rates and its customer and agent service levels in
1498 relationship to the voluntary market insurers writing similar
1499 coverage.

1500 (I) The members of the advisory committee consist of the
1501 following 11 persons, one of whom must be elected chair by the
1502 members of the committee: four representatives, one appointed by
1503 the Florida Association of Insurance Agents, one by the Florida
1504 Association of Insurance and Financial Advisors, one by the
1505 Professional Insurance Agents of Florida, and one by the Latin
1506 American Association of Insurance Agencies; three
1507 representatives appointed by the insurers with the three highest
1508 voluntary market share of residential property insurance

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1509 business in the state; one representative from the Office of
1510 Insurance Regulation; one consumer appointed by the board who is
1511 insured by the corporation at the time of appointment to the
1512 committee; one representative appointed by the Florida
1513 Association of Realtors; and one representative appointed by the
1514 Florida Bankers Association. All members shall be appointed to
1515 3-year terms, serve at the pleasure of the board of governors,
1516 and may serve for consecutive terms.

1517 (II) The committee shall report to the corporation at each
1518 board meeting on insurance market issues that ~~which~~ may include
1519 rates and rate competition within ~~with~~ the voluntary market;
1520 service, including policy issuance, claims processing, and
1521 general responsiveness to policyholders, applicants, and agents;
1522 and matters relating to depopulation.

1523 5. Must provide a procedure for determining the eligibility
1524 of a risk for coverage by the corporation which applies to both
1525 new and renewal policies, as follows:

1526 a. Subject to s. 627.3517, with respect to personal lines
1527 residential risks, if the risk is offered coverage from an
1528 authorized insurer at the insurer's approved rate under a
1529 standard policy including wind coverage or, if consistent with
1530 the insurer's underwriting rules as filed with the office, a
1531 basic policy including wind coverage, for a new application to
1532 the corporation for coverage, the risk is not eligible for any
1533 policy issued by the corporation unless the premium for coverage
1534 from the authorized insurer is more than 15 percent greater than
1535 the premium for comparable coverage from the corporation. For
1536 renewal policies, the risk is not eligible for a policy issued
1537 by the corporation unless the premium for coverage from an

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1538 authorized insurer is more than 5 percent higher than the
1539 premium for comparable coverage from the corporation. If the
1540 risk is not able to obtain such offer, the risk is eligible for
1541 a standard policy including wind coverage or a basic policy
1542 including wind coverage issued by the corporation; however, if
1543 the risk could not be insured under a standard policy including
1544 wind coverage regardless of market conditions, the risk is
1545 eligible for a basic policy including wind coverage unless
1546 ~~rejected under subparagraph 8. However, a policyholder of the~~
1547 ~~corporation or a policyholder removed from the corporation~~
1548 ~~through an assumption agreement until the end of the assumption~~
1549 ~~period remains eligible for coverage from the corporation~~
1550 ~~regardless of any offer of coverage from an authorized insurer~~
1551 ~~or surplus lines insurer.~~ The corporation shall determine the
1552 type of policy to be provided on the basis of objective
1553 standards specified in the underwriting manual and based on
1554 generally accepted underwriting practices.

1555 (I) If the risk accepts an offer of coverage through the
1556 market assistance plan or through a mechanism established by the
1557 corporation before a policy is issued to the risk by the
1558 corporation or during the first 30 days of coverage by the
1559 corporation, and the producing agent who submitted the
1560 application to the plan or to the corporation is not currently
1561 appointed by the insurer, the insurer shall:

1562 (A) Pay to the producing agent of record ~~of the policy~~ for
1563 the first year, an amount that is the greater of the insurer's
1564 usual and customary commission for the type of policy written or
1565 a fee equal to the usual and customary commission of the
1566 corporation; or

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1567 (B) Offer to allow the producing agent of record ~~of the~~
1568 ~~policy~~ to continue servicing the policy for at least 1 year and
1569 offer to pay the agent the greater of the insurer's or the
1570 corporation's usual and customary commission for the type of
1571 policy written.

1572
1573 If the producing agent is unwilling or unable to accept
1574 appointment, the new insurer shall pay the agent in accordance
1575 with sub-sub-sub-subparagraph (A).

1576 (II) If the corporation enters into a contractual agreement
1577 for a take-out plan, the producing agent of record of the
1578 corporation policy is entitled to retain any unearned commission
1579 on the policy, and the insurer shall:

1580 (A) Pay to the producing agent of record, for the first
1581 year, an amount that is the greater of the insurer's usual and
1582 customary commission for the type of policy written or a fee
1583 equal to the usual and customary commission of the corporation;
1584 or

1585 (B) Offer to allow the producing agent of record to
1586 continue servicing the policy for at least 1 year and offer to
1587 pay the agent the greater of the insurer's or the corporation's
1588 usual and customary commission for the type of policy written.

1589
1590 If the producing agent is unwilling or unable to accept
1591 appointment, the new insurer shall pay the agent in accordance
1592 with sub-sub-sub-subparagraph (A).

1593 b. With respect to commercial lines residential risks, ~~for~~
1594 ~~a new application to the corporation for coverage,~~ if the risk
1595 is offered coverage under a policy including wind coverage from

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1596 an authorized insurer at its approved rate, the risk is not
1597 eligible for a policy issued by the corporation unless the
1598 premium for coverage from the authorized insurer is more than 15
1599 percent greater than the premium for comparable coverage from
1600 the corporation. If the risk is not able to obtain any such
1601 offer, the risk is eligible for a policy including wind coverage
1602 issued by the corporation. ~~However, a policyholder of the~~
1603 ~~corporation or a policyholder removed from the corporation~~
1604 ~~through an assumption agreement until the end of the assumption~~
1605 ~~period remains eligible for coverage from the corporation~~
1606 ~~regardless of an offer of coverage from an authorized insurer or~~
1607 ~~surplus lines insurer.~~

1608 (I) If the risk accepts an offer of coverage through the
1609 market assistance plan or through a mechanism established by the
1610 corporation before a policy is issued to the risk by the
1611 corporation or during the first 30 days of coverage by the
1612 corporation, and the producing agent who submitted the
1613 application to the plan or the corporation is not currently
1614 appointed by the insurer, the insurer shall:

1615 (A) Pay to the producing agent of record ~~of the policy~~, for
1616 the first year, an amount that is the greater of the insurer's
1617 usual and customary commission for the type of policy written or
1618 a fee equal to the usual and customary commission of the
1619 corporation; or

1620 (B) Offer to allow the producing agent of record ~~of the~~
1621 ~~policy~~ to continue servicing the policy for at least 1 year and
1622 offer to pay the agent the greater of the insurer's or the
1623 corporation's usual and customary commission for the type of
1624 policy written.

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1625
1626 If the producing agent is unwilling or unable to accept
1627 appointment, the new insurer shall pay the agent in accordance
1628 with sub-sub-sub-subparagraph (A).

1629 (II) If the corporation enters into a contractual agreement
1630 for a take-out plan, the producing agent of record of the
1631 corporation policy is entitled to retain any unearned commission
1632 on the policy, and the insurer shall:

1633 (A) Pay to the producing agent of record, for the first
1634 year, an amount that is the greater of the insurer's usual and
1635 customary commission for the type of policy written or a fee
1636 equal to the usual and customary commission of the corporation;
1637 or

1638 (B) Offer to allow the producing agent of record to
1639 continue servicing the policy for at least 1 year and offer to
1640 pay the agent the greater of the insurer's or the corporation's
1641 usual and customary commission for the type of policy written.

1642
1643 If the producing agent is unwilling or unable to accept
1644 appointment, the new insurer shall pay the agent in accordance
1645 with sub-sub-sub-subparagraph (A).

1646 c. For purposes of determining comparable coverage under
1647 sub-subparagraphs a. and b., the comparison must be based on
1648 those forms and coverages that are reasonably comparable. The
1649 corporation may rely on a determination of comparable coverage
1650 and premium made by the producing agent who submits the
1651 application to the corporation, made in the agent's capacity as
1652 the corporation's agent. A comparison may be made solely of the
1653 premium with respect to the main building or structure ~~only~~ on

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1654 the following basis: the same coverage A or other building
1655 limits; the same percentage hurricane deductible that applies on
1656 an annual basis or that applies to each hurricane for commercial
1657 residential property; the same percentage of ordinance and law
1658 coverage, if the same limit is offered by both the corporation
1659 and the authorized insurer; the same mitigation credits, to the
1660 extent the same types of credits are offered both by the
1661 corporation and the authorized insurer; the same method for loss
1662 payment, such as replacement cost or actual cash value, if the
1663 same method is offered both by the corporation and the
1664 authorized insurer in accordance with underwriting rules; and
1665 any other form or coverage that is reasonably comparable as
1666 determined by the board. If an application is submitted to the
1667 corporation for wind-only coverage in the coastal account, the
1668 premium for the corporation's wind-only policy plus the premium
1669 for the ex-wind policy that is offered by an authorized insurer
1670 to the applicant must be compared to the premium for multiperil
1671 coverage offered by an authorized insurer, subject to the
1672 standards for comparison specified in this subparagraph. If the
1673 corporation or the applicant requests from the authorized
1674 insurer a breakdown of the premium of the offer by types of
1675 coverage so that a comparison may be made by the corporation or
1676 its agent and the authorized insurer refuses or is unable to
1677 provide such information, the corporation may treat the offer as
1678 not being an offer of coverage from an authorized insurer at the
1679 insurer's approved rate.

1680 6. Must include rules for classifications of risks and
1681 rates.

1682 7. Must provide that if premium and investment income for

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1683 an account attributable to a particular calendar year are in
1684 excess of projected losses and expenses for the account
1685 attributable to that year, such excess must ~~shall~~ be held in
1686 surplus in the account. Such surplus must be available to defray
1687 deficits in that account as to future years and used for that
1688 purpose before assessing assessable insurers and assessable
1689 insureds as to any calendar year.

1690 8. Must provide objective criteria and procedures that are
1691 ~~to be~~ uniformly applied to all applicants in determining whether
1692 an individual risk is so hazardous as to be uninsurable. In
1693 making this determination and in establishing the criteria and
1694 procedures, the following must be considered:

1695 a. Whether the likelihood of a loss for the individual risk
1696 is substantially higher than for other risks of the same class;
1697 and

1698 b. Whether the uncertainty associated with the individual
1699 risk is such that an appropriate premium cannot be determined.

1700
1701 The acceptance or rejection of a risk by the corporation shall
1702 be construed as the private placement of insurance, and the
1703 provisions of chapter 120 do not apply.

1704 9. Must provide that the corporation make its best efforts
1705 to procure catastrophe reinsurance at reasonable rates, to cover
1706 its projected 100-year probable maximum loss as determined by
1707 the board of governors.

1708 10. Must provide that the policies issued by the
1709 corporation ~~must~~ provide that if the corporation or the market
1710 assistance plan obtains an offer from an authorized insurer to
1711 cover the risk at its approved rates, the risk is no longer

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1712 eligible for renewal through the corporation, except as
1713 otherwise provided in this subsection.

1714 11. Must provide that corporation policies and applications
1715 ~~must~~ include a notice that the corporation policy could, under
1716 this section, be replaced with a policy issued by an authorized
1717 insurer which does not provide coverage identical to the
1718 coverage provided by the corporation. The notice must also
1719 specify that acceptance of corporation coverage creates a
1720 conclusive presumption that the applicant or policyholder is
1721 aware of this potential.

1722 12. May establish, subject to approval by the office,
1723 different eligibility requirements and operational procedures
1724 for any line or type of coverage for any specified county or
1725 area if the board determines that such changes are justified due
1726 to the voluntary market being sufficiently stable and
1727 competitive in such area or for such line or type of coverage
1728 and that consumers who, in good faith, are unable to obtain
1729 insurance through the voluntary market through ordinary methods
1730 continue to have access to coverage from the corporation. If
1731 coverage is sought in connection with a real property transfer,
1732 the requirements and procedures may not provide an effective
1733 date of coverage later than the date of the closing of the
1734 transfer as established by the transferor, the transferee, and,
1735 if applicable, the lender.

1736 13. Must provide that, with respect to the coastal account,
1737 any assessable insurer that has ~~with~~ a surplus as to
1738 policyholders of \$25 million or less writing 25 percent or more
1739 of its total countrywide property insurance premiums in this
1740 state may ~~petition the office~~, within the first 90 days of each

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1741 calendar year, petition the office to qualify as a limited
1742 apportionment company. A regular assessment levied by the
1743 corporation on a limited apportionment company for a deficit
1744 incurred by the corporation for the coastal account may be paid
1745 to the corporation on a monthly basis as the assessments are
1746 collected by the limited apportionment company from its
1747 insureds. ~~The, but a~~ limited apportionment company must begin
1748 collecting the regular assessments within ~~not later than~~ 90 days
1749 after the regular assessments are levied by the corporation, and
1750 the regular assessments must be paid in full within 15 months
1751 after being levied by the corporation. A limited apportionment
1752 company shall collect from its policyholders any emergency
1753 assessment imposed under sub-subparagraph (b)3.d. The plan must
1754 provide that, if the office determines that any regular
1755 assessment will result in an impairment of the surplus of a
1756 limited apportionment company, the office may direct that all or
1757 part of such assessment be deferred as provided in subparagraph
1758 (q)4. However, an emergency assessment to be collected from
1759 policyholders under sub-subparagraph (b)3.d. may not be limited
1760 or deferred.

1761 14. Must provide that the corporation appoint as its
1762 licensed agents only those agents who at the time of initial
1763 appointment also hold an appointment as defined in s. 626.015(3)
1764 with an insurer who ~~at the time of the agent's initial~~
1765 ~~appointment by the corporation~~ is authorized to write and is
1766 actually writing personal lines residential property coverage,
1767 commercial residential property coverage, or commercial
1768 nonresidential property coverage within the state. As a
1769 condition of continued appointment, agents of the corporation

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1770 must maintain appropriate documentation specified by the
1771 corporation which warrants and certifies that alternative
1772 coverage was annually sought for each risk placed by that agent
1773 with the corporation in accordance with s. 627.3518. After
1774 January 1, 2014, if an agent places a policy with the
1775 corporation which was ineligible for coverage based on
1776 eligibility standards at the time of placement, agent
1777 commissions may not be paid on that policy.

1778 15. Must provide a premium payment plan option to its
1779 policyholders which, at a minimum, allows for quarterly and
1780 semiannual payment of premiums. A monthly payment plan may, but
1781 is not required to, be offered.

1782 16. Must make available a policy for mobile homes or
1783 manufactured homes with a minimum insured value of at least
1784 \$3,000. ~~Must limit~~ Coverage on mobile homes or manufactured
1785 homes built before 1994 is limited to actual cash value of the
1786 dwelling rather than replacement costs of the dwelling. Such
1787 coverage must also include the following attached structures:

1788 a. Screened enclosures that are aluminum framed or that are
1789 not covered by the same or substantially the same materials as
1790 those of the primary dwelling;

1791 b. Carports that are aluminum or that are not covered by
1792 the same or substantially the same materials as those of the
1793 primary dwelling; and

1794 c. Patios that have a roof covering constructed of
1795 materials that are not the same or substantially the same
1796 materials as those of the primary dwelling.

1797 17. May provide such limits of coverage as the board
1798 determines, consistent with the requirements of this subsection.

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1799 18. May require commercial property to meet specified
1800 hurricane mitigation construction features as a condition of
1801 eligibility for coverage.

1802 19. Must provide that new or renewal policies issued by the
1803 corporation on or after January 1, 2012, which cover sinkhole
1804 loss do not include coverage for any loss to appurtenant
1805 structures, driveways, sidewalks, decks, or patios that are
1806 directly or indirectly caused by sinkhole activity. The
1807 corporation shall exclude such coverage using a notice of
1808 coverage change, which may be included with the policy renewal,
1809 and not by issuance of a notice of nonrenewal of the excluded
1810 coverage upon renewal of the current policy.

1811 20. Must, as of July ~~January~~ 1, 2014 ~~2012~~, ~~must~~ require
1812 that the agent obtain from an applicant for coverage from the
1813 corporation an acknowledgment signed by the applicant, which
1814 includes, at a minimum, the following statement:

1815
1816 ACKNOWLEDGMENT OF POTENTIAL SURCHARGE AND ASSESSMENT LIABILITY:

1817
1818 1. AS A POLICYHOLDER OF CITIZENS PROPERTY INSURANCE
1819 CORPORATION, I UNDERSTAND THAT IF THE CORPORATION SUSTAINS A
1820 DEFICIT AS A RESULT OF HURRICANE LOSSES OR FOR ANY OTHER REASON,
1821 MY POLICY COULD BE SUBJECT TO SURCHARGES, WHICH WILL BE DUE AND
1822 PAYABLE UPON RENEWAL, CANCELLATION, OR TERMINATION OF THE
1823 POLICY, AND THAT THE SURCHARGES COULD BE AS HIGH AS 45 PERCENT
1824 OF MY PREMIUM, OR A DIFFERENT AMOUNT AS IMPOSED BY THE FLORIDA
1825 LEGISLATURE.

1826 2. I UNDERSTAND THAT I CAN AVOID THE CITIZENS POLICYHOLDER
1827 SURCHARGE, WHICH COULD BE AS HIGH AS 45 PERCENT OF MY PREMIUM,

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1828 BY OBTAINING COVERAGE FROM A PRIVATE MARKET INSURER AND THAT TO
1829 BE ELIGIBLE FOR COVERAGE BY CITIZENS I MUST FIRST TRY TO OBTAIN
1830 PRIVATE MARKET COVERAGE BEFORE APPLYING FOR OR RENEWING COVERAGE
1831 WITH CITIZENS. I UNDERSTAND THAT PRIVATE MARKET INSURANCE RATES
1832 ARE REGULATED AND APPROVED BY THE STATE.

1833 3.2. I ~~ALSO~~ UNDERSTAND THAT I MAY BE SUBJECT TO EMERGENCY
1834 ASSESSMENTS TO THE SAME EXTENT AS POLICYHOLDERS OF OTHER
1835 INSURANCE COMPANIES, OR A DIFFERENT AMOUNT AS IMPOSED BY THE
1836 FLORIDA LEGISLATURE.

1837 4.3. I ~~ALSO~~ UNDERSTAND THAT CITIZENS PROPERTY INSURANCE
1838 CORPORATION IS NOT SUPPORTED BY THE FULL FAITH AND CREDIT OF THE
1839 STATE OF FLORIDA.

1840 a. The corporation shall maintain, in electronic format or
1841 otherwise, a copy of the applicant's signed acknowledgment and
1842 provide a copy of the statement to the policyholder as part of
1843 his or her ~~the first~~ renewal after the effective date of this
1844 subparagraph.

1845 b. The signed acknowledgment form creates a conclusive
1846 presumption that the policyholder understood and accepted his or
1847 her potential surcharge and assessment liability as a
1848 policyholder of the corporation.

1849 (g) The executive director, with the concurrence of the
1850 board, shall determine whether it is more cost-effective and in
1851 the best interests of the corporation to use legal services
1852 provided by in-house attorneys employed by the corporation
1853 rather than contracting with outside counsel. In making such
1854 determination, the board shall document its findings and ~~shall~~
1855 ~~consider~~ the expertise needed; whether time commitments exceed
1856 in-house staff resources; whether local representation is

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1857 needed; the travel, lodging and other costs associated with in-
1858 house representation; and such other factors that the board
1859 determines are relevant.

1860 (i)1. The Office of the Internal Auditor is established
1861 within the corporation to provide a central point for
1862 coordination of and responsibility for activities that promote
1863 accountability, integrity, and efficiency to the policyholders
1864 and to the taxpayers of this state. The internal auditor shall
1865 be appointed by the board of governors, shall report to and be
1866 under the general supervision of the board of governors, and is
1867 not subject to supervision by an ~~any~~ employee of the
1868 corporation. Administrative staff and support shall be provided
1869 by the corporation. The internal auditor shall be appointed
1870 without regard to political affiliation. It is the duty and
1871 responsibility of the internal auditor to:

1872 a. Provide direction for, supervise, conduct, and
1873 coordinate audits, investigations, and management reviews
1874 relating to the programs and operations of the corporation.

1875 b. Conduct, supervise, or coordinate other activities
1876 carried out or financed by the corporation for the purpose of
1877 promoting efficiency in the administration of, or preventing and
1878 detecting fraud, abuse, and mismanagement in, its programs and
1879 operations.

1880 c. Submit final audit reports, reviews, or investigative
1881 reports to the board of governors, the executive director, the
1882 members of the Financial Services Commission, and the President
1883 of the Senate and the Speaker of the House of Representatives.

1884 d. Keep the executive director and the board of governors
1885 informed concerning fraud, abuses, and internal control

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1886 deficiencies relating to programs and operations administered or
1887 financed by the corporation, recommend corrective action, and
1888 report on the progress made in implementing corrective action.

1889 e. Cooperate and coordinate activities with the
1890 corporation's inspector general.

1891 ~~e. Report expeditiously to the Department of Law~~
1892 ~~Enforcement or other law enforcement agencies, as appropriate,~~
1893 ~~whenever the internal auditor has reasonable grounds to believe~~
1894 ~~there has been a violation of criminal law.~~

1895 2. On or before February 15, the internal auditor shall
1896 prepare an annual report evaluating the effectiveness of the
1897 internal controls of the corporation and providing
1898 recommendations for corrective action, if necessary, and
1899 summarizing the audits, reviews, and investigations conducted by
1900 the office during the preceding fiscal year. The final report
1901 shall be furnished to the board of governors and the executive
1902 director, the President of the Senate, the Speaker of the House
1903 of Representatives, and the Financial Services Commission.

1904 (m)1. The Auditor General shall conduct an operational
1905 audit of the corporation annually ~~every 3 years~~ to evaluate
1906 management's performance in administering laws, policies, and
1907 procedures governing the operations of the corporation in an
1908 efficient and effective manner. The scope of the review must
1909 ~~shall~~ include, but is not limited to, evaluating claims
1910 handling, customer service, take-out programs and bonuses;;
1911 financing arrangements made to address a 100-year probable
1912 maximum loss; personnel costs and administration; underwriting,
1913 including processes designed to ensure compliance with policy
1914 eligibility requirements of law;~~;~~ procurement of goods and

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1915 services;~~7~~ internal controls;~~7~~ and the internal audit function;
1916 and related internal controls. A copy of the report shall be
1917 provided to the corporation's board, the President of the
1918 Senate, the Speaker of the House of Representatives, each member
1919 of the Financial Services Commission, and the Office of
1920 Insurance Regulation. The initial audit must be completed by
1921 February 1, 2009.

1922 2. The executive director, with the concurrence of the
1923 board, shall contract with an independent auditing firm to
1924 conduct a performance audit of the corporation every 2 years.
1925 The objectives of the audit include, but are not limited to, an
1926 evaluation, within the context of insurance industry best
1927 practices, of the corporation's strategic planning processes,
1928 the functionality of the corporation's organizational structure,
1929 the compensation levels of senior management, and the overall
1930 management and operations of the corporation. A copy of the
1931 audit report shall be provided to the corporation's board, the
1932 President of the Senate, the Speaker of the House of
1933 Representatives, each member of the Financial Services
1934 Commission, the Office of Insurance Regulation, and the Auditor
1935 General. The initial audit must be completed by June 1, 2014.

1936 (q)1. The corporation shall certify to the office its needs
1937 for annual assessments as to a particular calendar year, and for
1938 any interim assessments that it deems ~~to be~~ necessary to sustain
1939 operations as to a particular year pending the receipt of annual
1940 assessments. Upon verification, the office shall approve such
1941 certification, and the corporation shall levy such annual or
1942 interim assessments. Such assessments shall be prorated as
1943 provided in paragraph (b). The corporation shall take all

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1944 reasonable and prudent steps necessary to collect the amount of
1945 assessments due from each assessable insurer, including, if
1946 prudent, filing suit to collect the assessments, and the office
1947 may provide such assistance to the corporation it deems
1948 appropriate. If the corporation is unable to collect an
1949 assessment from any assessable insurer, the uncollected
1950 assessments shall be levied as an additional assessment against
1951 the assessable insurers and any assessable insurer required to
1952 pay an additional assessment as a result of such failure to pay
1953 shall have a cause of action against the ~~such~~ nonpaying
1954 assessable insurer. Assessments must ~~shall~~ be included as ~~an~~
1955 ~~appropriate factor~~ in the making of rates. The failure of a
1956 surplus lines agent to collect and remit any regular or
1957 emergency assessment levied by the corporation is ~~considered to~~
1958 ~~be~~ a violation of s. 626.936 and subjects the surplus lines
1959 agent to the penalties provided in that section.

1960 2. The governing body of any unit of local government, any
1961 residents of which are insured by the corporation, may issue
1962 bonds as defined in s. 125.013 or s. 166.101 ~~from time to time~~
1963 to fund an assistance program, in conjunction with the
1964 corporation, for the purpose of defraying deficits of the
1965 corporation. In order to avoid needless and indiscriminate
1966 proliferation, duplication, and fragmentation of such assistance
1967 programs, the ~~any~~ unit of local government, ~~any residents of~~
1968 ~~which are insured by the corporation,~~ may provide for the
1969 payment of losses, regardless of whether or not the losses
1970 occurred within or outside of the territorial jurisdiction of
1971 the local government. Revenue bonds under this subparagraph may
1972 not be issued until validated pursuant to chapter 75, unless a

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1973 state of emergency is declared by executive order or
1974 proclamation of the Governor pursuant to s. 252.36 which makes
1975 ~~making~~ such findings as are necessary to determine that it is in
1976 the best interests of, and necessary for, the protection of the
1977 public health, safety, and general welfare of residents of this
1978 state and declaring it an essential public purpose to permit
1979 certain municipalities or counties to issue such bonds as will
1980 permit relief to claimants and policyholders of the corporation.
1981 Any such unit of local government may enter into ~~such~~ contracts
1982 with the corporation and with any other entity created pursuant
1983 to this subsection as ~~are~~ necessary to carry out this paragraph.
1984 Any bonds issued are ~~under this subparagraph~~ shall be payable
1985 from and secured by moneys received by the corporation from
1986 emergency assessments under sub-subparagraph (b)3.d., and
1987 assigned and pledged to or on behalf of the unit of local
1988 government for the benefit of the holders of such bonds. The
1989 funds, credit, property, and taxing power of the state or of the
1990 unit of local government may ~~shall~~ not be pledged for the
1991 payment of such bonds.

1992 ~~3.a.~~ The corporation shall adopt one or more programs
1993 subject to approval by the office for the reduction of both new
1994 and renewal writings by ~~in~~ the corporation. The corporation may
1995 consider any prudent and not unfairly discriminatory approach to
1996 reducing corporation writings.

1997 a. The corporation may adopt a credit against assessment
1998 liability or other liability which provides an incentive for
1999 insurers to take and keep risks out of the corporation by
2000 maintaining or increasing voluntary writings in counties or
2001 areas in which corporation risks are highly concentrated, and a

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2002 program to provide a formula under which an insurer voluntarily
2003 taking risks out of the corporation by maintaining or increasing
2004 voluntary writings is relieved, wholly or partially, from
2005 assessments under sub-subparagraph (b)3.a.

2006 b. ~~Beginning January 1, 2008,~~ Any program the corporation
2007 adopts for the payment of bonuses to an insurer for each risk
2008 the insurer removes from the corporation must ~~shall~~ comply with
2009 s. 627.3511(2) and may not exceed the amount referenced in s.
2010 627.3511(2) for each risk removed. ~~The corporation may consider~~
2011 ~~any prudent and not unfairly discriminatory approach to reducing~~
2012 ~~corporation writings, and may adopt a credit against assessment~~
2013 ~~liability or other liability that provides an incentive for~~
2014 ~~insurers to take risks out of the corporation and to keep risks~~
2015 ~~out of the corporation by maintaining or increasing voluntary~~
2016 ~~writings in counties or areas in which corporation risks are~~
2017 ~~highly concentrated and a program to provide a formula under~~
2018 ~~which an insurer voluntarily taking risks out of the corporation~~
2019 ~~by maintaining or increasing voluntary writings will be relieved~~
2020 ~~wholly or partially from assessments under sub-subparagraph~~
2021 ~~(b)3.a. However,~~ Any "take-out bonus" or payment to an insurer
2022 must be conditioned on the property being insured for at least 5
2023 years by the insurer, unless canceled or nonrenewed by the
2024 policyholder. If the policy is canceled or nonrenewed by the
2025 policyholder before the end of the 5-year period, the amount of
2026 the take-out bonus must be prorated for the time period the
2027 policy was insured. If ~~When~~ the corporation enters into a
2028 contractual agreement for a take-out plan, the producing agent
2029 of record of the corporation policy is entitled to retain any
2030 unearned commission on such policy, and the insurer shall

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2031 either:

2032 (I) Pay to the producing agent of record of the policy, for
2033 the first year, an amount which is the greater of the insurer's
2034 usual and customary commission for the type of policy written or
2035 a policy fee equal to the usual and customary commission of the
2036 corporation; or

2037 (II) Offer to allow the producing agent of record ~~of the~~
2038 ~~policy~~ to continue servicing the policy for at least ~~a period of~~
2039 ~~not less than~~ 1 year and offer to pay the agent the insurer's
2040 usual and customary commission for the type of policy written.
2041 If the producing agent is unwilling or unable to accept
2042 appointment by the new insurer, the new insurer shall pay the
2043 agent in accordance with sub-sub-subparagraph (I).

2044 ~~c.b.~~ Any credit or exemption from regular assessments
2045 adopted under this subparagraph shall last up to no longer than
2046 ~~the~~ 3 years after ~~following~~ the cancellation or expiration of
2047 the policy by the corporation. With the approval of the office,
2048 the board may extend such credits for an additional year if the
2049 insurer guarantees an additional year of renewability for all
2050 policies removed from the corporation, or for 2 additional years
2051 if the insurer guarantees 2 additional years of renewability for
2052 all policies so removed.

2053 ~~d.e.~~ A ~~There shall be no~~ credit, limitation, exemption, or
2054 deferment from emergency assessments ~~to be~~ collected from
2055 policyholders pursuant to sub-subparagraph (b)3.d. is
2056 prohibited.

2057 4. The corporation plan shall provide for the deferment, in
2058 whole or in part, of the assessment of an assessable insurer,
2059 other than an emergency assessment collected from policyholders

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2060 pursuant to sub-subparagraph (b)3.d., if the office finds that
2061 payment of the assessment would endanger or impair the solvency
2062 of the insurer. ~~If In the event~~ an assessment against an
2063 assessable insurer is deferred in whole or in part, the amount
2064 by which such assessment is deferred may be assessed against the
2065 other assessable insurers in a manner consistent with the basis
2066 for assessments set forth in paragraph (b).

2067 5. ~~Effective July 1, 2007,~~ In order to evaluate the costs
2068 and benefits of approved take-out plans, if the corporation pays
2069 a bonus or other payment to an insurer for an approved take-out
2070 plan, it shall maintain a record of the address or such other
2071 identifying information on the property or risk removed in order
2072 to track if and when the property or risk is later insured by
2073 the corporation.

2074 ~~6.~~ Any policy taken out, assumed, or removed from the
2075 corporation is, as of the effective date of the take-out,
2076 assumption, or removal, direct insurance issued by the insurer
2077 and not by the corporation, even if the corporation continues to
2078 service the policies. This subparagraph applies to policies of
2079 the corporation and not policies taken out, assumed, or removed
2080 from any other entity.

2081 6. The corporation may adopt one or more programs to
2082 encourage authorized insurers to remove policies from the
2083 corporation through a loan from the corporation to an insurer
2084 secured by a surplus note that contains such necessary and
2085 reasonable provisions as the corporation requires. Such surplus
2086 note is subject to the review and approval of the office
2087 pursuant to s. 628.401. The corporation may include, but is not
2088 limited to, provisions regarding the maximum size of a loan to

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2089 an insurer, capital matching requirements, the relationship
2090 between the aggregate number of policies or amount of loss
2091 exposure removed from the association and the amount of a loan,
2092 retention requirements related to policies removed from the
2093 corporation, and limitations on the number of insurers receiving
2094 loans from the corporation under any one management group in
2095 whatever form or arrangement. If a loan secured by a surplus
2096 note is provided to a new mutual insurance company, the
2097 corporation may require the board of the new mutual insurer to
2098 have a majority of independent board members, may restrict the
2099 ability of the new mutual insurer to convert to a stock insurer
2100 while the mutual insurer owes any principal or interest under
2101 the surplus note to the corporation, establish a capital match
2102 requirement of up to \$1 of private capital for each \$4 of the
2103 corporation's loan to a new mutual insurer, and limit the
2104 eligibility of a new mutual insurer for a waiver of the ceding
2105 commission traditionally associated with take-out programs from
2106 the corporation to those new mutual insurers that agree
2107 contractually to maintain an expense ratio below 20 per cent of
2108 written premium. For this purpose, the term "expense ratio"
2109 means the sum of agent commissions and other acquisition
2110 expenses; general and administrative expenses; and premium
2111 taxes, licenses, and fees, divided by the gross written premium.

2112 (z) In enacting the provisions of this section, the
2113 Legislature recognizes that both the Florida Windstorm
2114 Underwriting Association and the Residential Property and
2115 Casualty Joint Underwriting Association have entered into
2116 financing arrangements that obligate each entity to service its
2117 debts and maintain the capacity to repay funds secured under

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2118 these financing arrangements. It is the intent of the
2119 Legislature that ~~nothing in~~ this section not be construed to
2120 compromise, diminish, or interfere with the rights of creditors
2121 under such financing arrangements. It is further the intent of
2122 the Legislature to preserve the obligations of the Florida
2123 Windstorm Underwriting Association and Residential Property and
2124 Casualty Joint Underwriting Association with regard to
2125 outstanding financing arrangements, with such obligations
2126 passing entirely and unchanged to the corporation and,
2127 specifically, to the applicable account of the corporation. So
2128 long as any bonds, notes, indebtedness, or other financing
2129 obligations of the Florida Windstorm Underwriting Association or
2130 the Residential Property and Casualty Joint Underwriting
2131 Association are outstanding, under the terms of the financing
2132 documents pertaining to them, the executive director of the
2133 corporation, with the concurrence of the ~~governing board, of the~~
2134 ~~corporation~~ shall have and shall exercise the authority to levy,
2135 charge, collect, and receive all premiums, assessments,
2136 surcharges, charges, revenues, and receipts that the
2137 associations had authority to levy, charge, collect, or receive
2138 under the provisions of subsection (2) and this subsection,
2139 respectively, as they existed on January 1, 2002, to provide
2140 moneys, without exercise of the authority provided by this
2141 subsection, in at least the amounts, and by the times, as would
2142 be provided under those former provisions of subsection (2) or
2143 this subsection, respectively, so that the value, amount, and
2144 collectability of any assets, revenues, or revenue source
2145 pledged or committed to, or any lien thereon securing such
2146 outstanding bonds, notes, indebtedness, or other financing

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2147 obligations ~~is will~~ not be diminished, impaired, or adversely
2148 affected by the amendments made by this section ~~act~~ and to
2149 permit compliance with all provisions of financing documents
2150 pertaining to such bonds, notes, indebtedness, or other
2151 financing obligations, or the security or credit enhancement for
2152 them, and any reference in this subsection to bonds, notes,
2153 indebtedness, financing obligations, or similar obligations, of
2154 the corporation must ~~shall~~ include like instruments or contracts
2155 of the Florida Windstorm Underwriting Association and the
2156 Residential Property and Casualty Joint Underwriting Association
2157 to the extent not inconsistent with the ~~provisions of the~~
2158 financing documents pertaining to them.

2159 (gg) The Office of Inspector General is established within
2160 the corporation to provide a central point for coordination of
2161 and responsibility for activities that promote accountability,
2162 integrity, and efficiency. The office shall be headed by an
2163 inspector general, which is a senior management position that
2164 involves planning, coordinating, and performing activities
2165 assigned to and assumed by the inspector general for the
2166 corporation.

2167 1. The inspector general shall be appointed by the
2168 Financial Services Commission and may be removed from office
2169 only by the commission. The inspector general shall be appointed
2170 without regard to political affiliation.

2171 a. At a minimum, the inspector general must possess a
2172 bachelor's degree from an accredited college or university and 8
2173 years of professional experience related to the duties of an
2174 inspector general as described in this paragraph, of which 5
2175 years must have been at a supervisory level.

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2176 b. Until June 30, 2014, the inspector general shall be
2177 under the general supervision of the Financial Services
2178 Commission and not subject to the supervision of any employee of
2179 the corporation. Beginning July 1, 2014, the inspector general
2180 shall report to, and be under the supervision of, the chair of
2181 the board of governors. The executive director or corporation
2182 staff may not prevent or prohibit the inspector general from
2183 initiating, carrying out, or completing any review, evaluation,
2184 or investigation.

2185 2. The inspector general shall initiate, direct,
2186 coordinate, participate in, and perform studies, reviews,
2187 evaluations, and investigations designed to assess management
2188 practices; compliance with laws, rules, and policies; and
2189 program effectiveness and efficiency. This includes:

2190 a. Conducting internal examinations; investigating
2191 allegations of fraud, waste, abuse, malfeasance, mismanagement,
2192 employee misconduct, or violations of corporation policies; and
2193 conducting any other investigations as directed by the Financial
2194 Services Commission or as independently determined.

2195 b. Evaluating and recommending actions regarding security,
2196 the ethical behavior of personnel and vendors, and compliance
2197 with rules, laws, policies, and personnel matters; and rendering
2198 ethics opinions.

2199 c. Overseeing or participating in personnel and
2200 administrative policy compliance and management, operational
2201 reviews, and conducting and selecting human resources-related
2202 advice and consultation.

2203 d. In conjunction with the ethics and compliance officer,
2204 evaluating the application of a corporation code of ethics,

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2205 providing input on the design and content of ethics-related
2206 policy training courses, educating employees on the code and on
2207 appropriate conduct, and checking for compliance.

2208 e. Participating in policy development and review. This
2209 includes working collaboratively with the ethics and compliance
2210 officer in the creation, modification, and maintenance of
2211 personnel and administrative services policies and in the
2212 identification of policy enhancements; and researching policy-
2213 related issues.

2214 f. Participating in the activities of the senior management
2215 team and evaluating the management's compliance with recommended
2216 solutions.

2217 g. Cooperating and coordinating activities with the chief
2218 of internal audit, but not conducting internal audits.

2219 h. Maintaining records of investigations and discipline in
2220 accordance with established policies.

2221 i. Supervising and directing the tasks and assignments of
2222 the staff assigned to assist with the inspector general's
2223 projects. This includes regular review and feedback regarding
2224 work in progress and upon completion and providing input
2225 regarding relevant training and staff development activities as
2226 warranted.

2227 j. Directing, planning, preparing, and presenting interim
2228 and final reports and oral briefings to the Financial Services
2229 Commission and the executive director which communicate the
2230 results of studies, reviews, and investigations.

2231 k. Reporting expeditiously to the Department of Law
2232 Enforcement or other law enforcement agencies, as appropriate,
2233 whenever the inspector general has reasonable grounds to believe

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2234 there has been a violation of criminal law.

2235 1. Providing the executive director and board chairman with
2236 independent and objective assessments of programs and
2237 activities.

2238 m. Complying with the General Principles and Standards for
2239 Offices of Inspector General as published and revised by the
2240 Association of Inspectors General.

2241 3. At least annually, the inspector general shall provide a
2242 report to the President of the Senate and the Speaker of the
2243 House of Representatives regarding the corporation's
2244 clearinghouse and the extent to which policies are being
2245 returned to the voluntary market. This report must include an
2246 analysis regarding the effectiveness of the clearinghouse in
2247 encouraging voluntary market participation in depopulation.

2248 Section 9. Effective October 1, 2013, paragraph (e) of
2249 subsection (6) of section 627.351, Florida Statutes, is amended
2250 to read

2251 627.351 Insurance risk apportionment plans.—

2252 (6) CITIZENS PROPERTY INSURANCE CORPORATION.—

2253 (e) The corporation is subject to s. 287.057 for the
2254 purchase of commodities and contractual services except as
2255 otherwise provided in this paragraph. Services provided by
2256 tradepersons or technical experts to assist a licensed adjuster
2257 in the evaluation of individual claims are not subject to the
2258 procurement requirements of this section. Additionally, the
2259 procurement of financial services providers and underwriters
2260 must be made pursuant to s. 627.3513 ~~Purchases that equal or~~
2261 ~~exceed \$2,500, but are less than \$25,000, shall be made by~~
2262 ~~receipt of written quotes, written record of telephone quotes,~~

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2263 ~~or informal bids, whenever practical. The procurement of goods~~
2264 ~~or services valued at or over \$25,000 shall be subject to~~
2265 ~~competitive solicitation, except in situations where the goods~~
2266 ~~or services are provided by a sole source or are deemed an~~
2267 ~~emergency purchase; the services are exempted from competitive~~
2268 ~~solicitation requirements under s. 287.057(3)(f); or the~~
2269 ~~procurement of services is subject to s. 627.3513. Justification~~
2270 ~~for the sole-sourcing or emergency procurement must be~~
2271 ~~documented. Contracts for goods or services valued at or more~~
2272 ~~than over \$100,000 are subject to approval by the board.~~

2273 1. The corporation is an agency for the purposes of s.
2274 287.057, except for subsection (22) of that section for which
2275 the corporation is an eligible user.

2276 a. The authority of the Department of Management Services
2277 and the Chief Financial Officer under s. 287.057 extends to the
2278 corporation as if the corporation were an agency.

2279 b. The executive director of the corporation is the agency
2280 head under s. 287.057, except for resolution of bid protests for
2281 which the board would serve as the agency head.

2282 2. The corporation must provide notice of a decision or
2283 intended decision concerning a solicitation, contract award, or
2284 exceptional purchase by electronic posting. Such notice must
2285 contain the following statement: "Failure to file a protest
2286 within the time prescribed in this section constitutes a waiver
2287 of proceedings."

2288 a. A person adversely affected by the corporation's
2289 decision or intended decision to award a contract pursuant to s.
2290 287.057(1) or s. 287.057(3)(c) who elects to challenge the
2291 decision must file a written notice of protest with the

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2292 executive director of the corporation within 72 hours after the
2293 corporation posts a notice of its decision or intended decision.
2294 For a protest of the terms, conditions, and specifications
2295 contained in a solicitation, including any provisions governing
2296 the methods for ranking bids, proposals, replies, awarding
2297 contracts, reserving rights of further negotiation, or modifying
2298 or amending any contract, the notice of protest must be filed in
2299 writing within 72 hours after the posting of the solicitation.
2300 Saturdays, Sundays, and state holidays are excluded in the
2301 computation of the 72-hour time period.

2302 b. A formal written protest must be filed within 10 days
2303 after the date the notice of protest is filed. The formal
2304 written protest must state with particularity the facts and law
2305 upon which the protest is based. Upon receipt of a formal
2306 written protest that has been timely filed, the corporation must
2307 stop the solicitation or contract award process until the
2308 subject of the protest is resolved by final board action unless
2309 the executive director sets forth in writing particular facts
2310 and circumstances that require the continuance of the
2311 solicitation or contract award process without delay in order to
2312 avoid an immediate and serious danger to the public health,
2313 safety, or welfare. The corporation must provide an opportunity
2314 to resolve the protest by mutual agreement between the parties
2315 within 7 business days after receipt of the formal written
2316 protest. If the subject of a protest is not resolved by mutual
2317 agreement within 7 business days, the corporation's board must
2318 place the protest on the agenda and resolve it at its next
2319 regularly scheduled meeting. The protest must be heard by the
2320 board at a publicly noticed meeting in accordance with

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2321 procedures established by the board.

2322 c. In a protest of an invitation-to-bid or request-for-
2323 proposals procurement, submissions made after the bid or
2324 proposal opening which amend or supplement the bid or proposal
2325 may not be considered. In protesting an invitation-to-negotiate
2326 procurement, submissions made after the corporation announces
2327 its intent to award a contract, reject all replies, or withdraw
2328 the solicitation that amends or supplements the reply may not be
2329 considered. Unless otherwise provided by law, the burden of
2330 proof rests with the party protesting the corporation's action.
2331 In a competitive-procurement protest, other than a rejection of
2332 all bids, proposals, or replies, the corporation's board must
2333 conduct a de novo proceeding to determine whether the
2334 corporation's proposed action is contrary to the corporation's
2335 governing statutes, the corporation's rules or policies, or the
2336 solicitation specifications. The standard of proof for the
2337 proceeding is whether the corporation's action was clearly
2338 erroneous, contrary to competition, arbitrary, or capricious. In
2339 any bid-protest proceeding contesting an intended corporation
2340 action to reject all bids, proposals, or replies, the standard
2341 of review by the board is whether the corporation's intended
2342 action is illegal, arbitrary, dishonest, or fraudulent.

2343 d. Failure to file a notice of protest or failure to file a
2344 formal written protest constitutes a waiver of proceedings.

2345 3. Contract actions and decisions by the board under this
2346 paragraph are final. Any further legal remedy must be made in
2347 the Circuit Court of Leon County.

2348 Section 10. The purchase of commodities and contractual
2349 services by Citizens Property Insurance Corporation commenced

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2350 before October 1, 2013, is governed by the law in effect on
2351 September 30, 2013.

2352 Section 11. Effective January 1, 2014, paragraph (n) of
2353 subsection (6) of section 627.351, Florida Statutes, is amended
2354 to read:

2355 627.351 Insurance risk apportionment plans.—

2356 (6) CITIZENS PROPERTY INSURANCE CORPORATION.—

2357 ~~(n)1. Rates for coverage provided by the corporation must~~
2358 ~~be actuarially sound and subject to s. 627.062, Except as~~
2359 ~~otherwise provided in this paragraph, rates for coverage~~
2360 provided by the corporation must be actuarially sound and not
2361 competitive with approved rates charged in the admitted
2362 voluntary market in order for the corporation to function as a
2363 residual market mechanism that provides insurance only if
2364 insurance cannot be procured in the voluntary market.

2365 a. In establishing actuarially sound rates the corporation
2366 shall include an appropriate catastrophe risk load factor that
2367 reflects the actual catastrophic risk exposure retained by the
2368 corporation.

2369 b. In establishing noncompetitive rates for personal and
2370 commercial lines residential policies, the average rates of the
2371 corporation for each rating territory may not be less than the
2372 average rates charged by the insurer that had the highest
2373 average rate in that rating territory among the 20 voluntary
2374 admitted insurers with the greatest total direct written premium
2375 in the state for that line of business in the preceding year.

2376 c. In establishing noncompetitive rates for mobile home
2377 coverage, the average rates of the corporation may not be less
2378 than the average rates charged by the insurer that had the

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2379 highest average rate in that rating territory among the five
2380 voluntary admitted insurers with the greatest total written
2381 premium for mobile home owner's policies in the state in the
2382 preceding year. The corporation shall file its recommended rates
2383 with the office at least annually. ~~The corporation shall provide~~
2384 ~~any additional information regarding the rates which the office~~
2385 ~~requires. The office shall consider the recommendations of the~~
2386 ~~board and issue a final order establishing the rates for the~~
2387 ~~corporation within 45 days after the recommended rates are~~
2388 ~~filed. The corporation may not pursue an administrative~~
2389 ~~challenge or judicial review of the final order of the office.~~

2390 d. Rates for commercial nonresidential policies must be
2391 actuarially sound in accordance with sub-subparagraph a.

2392 e. The requirements of sub-subparagraphs b. and c. do not
2393 apply to rates in territories where the office determines there
2394 is not a reasonable degree of competition. In such territories
2395 the corporation's rates must be actuarially sound in accordance
2396 with sub-subparagraph a. However, in territories located in a
2397 county where the corporation provides more than 75 percent of
2398 personal lines residential policies providing wind coverage,
2399 subparagraph 3. applies to all new personal lines residential
2400 policies written by the corporation in such territories.

2401 2. In addition to the rates otherwise determined pursuant
2402 to this paragraph, the corporation shall impose and collect an
2403 amount equal to the premium tax provided in s. 624.509 to
2404 augment the financial resources of the corporation.

2405 ~~3. After the public hurricane loss projection model under~~
2406 ~~s. 627.06281 has been found to be accurate and reliable by the~~
2407 ~~Florida Commission on Hurricane Loss Projection Methodology, the~~

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2408 ~~model shall serve as the minimum benchmark for determining the~~
2409 ~~windstorm portion of the corporation's rates. This subparagraph~~
2410 ~~does not require or allow the corporation to adopt rates lower~~
2411 ~~than the rates otherwise required or allowed by this paragraph.~~

2412 ~~4. The rate filings for the corporation which were approved~~
2413 ~~by the office and took effect January 1, 2007, are rescinded,~~
2414 ~~except for those rates that were lowered. As soon as possible,~~
2415 ~~the corporation shall begin using the lower rates that were in~~
2416 ~~effect on December 31, 2006, and provide refunds to~~
2417 ~~policyholders who paid higher rates as a result of that rate~~
2418 ~~filing. The rates in effect on December 31, 2006, remain in~~
2419 ~~effect for the 2007 and 2008 calendar years except for any rate~~
2420 ~~change that results in a lower rate. The next rate change that~~
2421 ~~may increase rates shall take effect pursuant to a new rate~~
2422 ~~filing recommended by the corporation and established by the~~
2423 ~~office, subject to this paragraph.~~

2424 ~~5. Beginning on July 15, 2009, and annually thereafter, the~~
2425 ~~corporation must make a recommended actuarially sound rate~~
2426 ~~filing for each personal and commercial line of business it~~
2427 ~~writes, to be effective no earlier than January 1, 2010.~~

2428 ~~3.6. For policies initially insured by the corporation~~
2429 ~~before January 1, 2014, and which have continuously been insured~~
2430 ~~by the corporation since that date, Beginning on or after~~
2431 ~~January 1, 2010, and notwithstanding the board's recommended~~
2432 ~~rates and the office's final order regarding the corporation's~~
2433 ~~filed rates under subparagraph 1., the corporation shall~~
2434 ~~annually implement a rate increase that which, except for~~
2435 ~~sinkhole coverage, does not exceed 10 percent for any single~~
2436 ~~policy issued by the corporation, excluding coverage changes and~~

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2437 surcharges.

2438 ~~4.7.~~ The corporation may also implement an increase to
2439 reflect the effect on the corporation of the cash buildup factor
2440 pursuant to s. 215.555(5)(b).

2441 ~~5.8.~~ The corporation's implementation of rates as
2442 prescribed in subparagraph ~~3. 6.~~ shall cease for any line of
2443 business written by the corporation upon the corporation's
2444 implementation of the rates described in subparagraph 1
2445 ~~actuarially sound rates~~. Thereafter, the corporation shall
2446 annually make a ~~recommended actuarially sound~~ rate filing
2447 implementing such rates for each ~~commercial and personal~~ line of
2448 business the corporation writes.

2449 6. The corporation shall annually certify to the office
2450 that its rates comply with the requirements of this paragraph.
2451 If any adjustment in the rates or rating factors of the
2452 corporation is necessary to ensure such compliance, the
2453 corporation shall make and implement such adjustments and file
2454 its revised rates and rating factors with the office. If the
2455 office thereafter determines that the revised rates and rating
2456 factors fail to comply with this paragraph, it shall notify the
2457 corporation and require the corporation to amend its rates or
2458 rating factors in conjunction with its next rate filing. The
2459 office must notify the corporation by electronic means of any
2460 rate filing it approves for any insurer among the insurers
2461 referred to in this paragraph.

2462 7. By January 1, 2014, the board shall provide
2463 recommendations to the Legislature on how to provide relief to a
2464 policyholder whose premium reflects the full rate required under
2465 subparagraph 1. and who demonstrates a financial need at the

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2466 time of application or renewal.

2467 Section 12. Section 627.3518, Florida Statutes, is created
2468 to read:

2469 627.3518 Citizens Property Insurance Corporation
2470 clearinghouse.—The Legislature recognizes that Citizens Property
2471 Insurance Corporation has authority to establish a clearinghouse
2472 as a separate organizational unit within the corporation for the
2473 purpose of determining the eligibility of new and renewal risks,
2474 excluding commercial residential, seeking coverage through the
2475 corporation and facilitating the identification and diversion of
2476 ineligible applicants and current policyholders from the
2477 corporation into the voluntary insurance market. The purpose of
2478 this section is to augment that authority by providing a
2479 framework for the corporation to implement such program by
2480 January 1, 2014.

2481 (1) As used in this section, the term:

2482 (a) "Clearinghouse" means the clearinghouse diversion
2483 program created under this section.

2484 (b) "Corporation" means Citizens Property Insurance
2485 Corporation.

2486 (c) "Exclusive agent" means a licensed insurance agent who
2487 has agreed, by contract, to act exclusively for one company or
2488 group of affiliated insurance companies and is disallowed by the
2489 provisions of that contract to directly write for any other
2490 unaffiliated insurer absent express consent from the company or
2491 group of affiliated insurance companies.

2492 (d) "Independent agent" means a licensed insurance agent
2493 not described in paragraph (c).

2494 (2) In order to confirm eligibility with the corporation

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2495 and to enhance the access of new applicants for coverage and
2496 existing policyholders of the corporation to offers of coverage
2497 from authorized and eligible insurers, the corporation shall
2498 establish a clearinghouse for personal residential risks in
2499 order to facilitate the diversion of ineligible applicants and
2500 existing policyholders from the corporation into the voluntary
2501 insurance market. The corporation shall also develop appropriate
2502 procedures for facilitating the diversion of ineligible
2503 applicants and existing policyholders for commercial residential
2504 coverage into the private insurance market, and shall report
2505 such procedures to the President of the Senate and the Speaker
2506 of the House of Representatives by July 1, 2015.

2507 (3) The clearinghouse has the same rights and
2508 responsibilities in carrying out its duties as a licensed
2509 general lines agent, but is not required to employ or engage a
2510 licensed general lines agent or to maintain an insurance agency
2511 license in order to solicit and place insurance coverage. In
2512 establishing the clearinghouse, the corporation may:

2513 (a) Require all new applications and all policies due for
2514 renewal to be submitted to the clearinghouse in order to
2515 facilitate obtaining an offer of coverage from an authorized
2516 insurer before binding or renewing coverage by the corporation.

2517 (b) Employ or otherwise contract with individuals or other
2518 entities to provide administrative or professional services in
2519 order to carry out the plan within the corporation in accordance
2520 with the applicable purchasing requirements under s. 627.351.

2521 (c) Enter into a contract with an authorized or eligible
2522 insurer participating in the clearinghouse and accept an
2523 appointment by such insurer.

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2524 (d) Provide funds to operate the clearinghouse. Insurers
2525 and agents participating in the clearinghouse are not required
2526 to pay a fee to offset or partially offset the cost of the
2527 clearinghouse, or use the clearinghouse for the renewal of
2528 policies initially written through the clearinghouse.

2529 (e) Develop an enhanced application for obtaining
2530 information that will assist private insurers in determining
2531 whether to make an offer of coverage through the clearinghouse.

2532 (f) Before approving new applications for coverage by the
2533 corporation, require that every application be subject to a
2534 period of 2 business days during which an insurer participating
2535 in the program may select the application for coverage. The
2536 insurer may issue a binder on any policy selected for coverage
2537 for at least 30 days but not more than 60 days.

2538 (4) An authorized or eligible insurer may participate in
2539 the clearinghouse; however, participation is not mandatory. An
2540 insurer that makes an offer of coverage to a new applicant or
2541 renews a policy for a policyholder through the clearinghouse:

2542 (a) Is not required to individually appoint an agent whose
2543 customer is underwritten and bound through the clearinghouse.
2544 Notwithstanding s. 626.112, an insurer is not required to
2545 appoint an agent on a policy underwritten through the
2546 clearinghouse if that policy remains with the insurer. An
2547 insurer may appoint an agent whose customer is initially
2548 underwritten and bound through the clearinghouse. If an insurer
2549 accepts a policy from an agent who is not appointed pursuant to
2550 this paragraph and thereafter accepts a policy from such agent,
2551 the provisions of s. 626.112 requiring appointment apply to the
2552 agent.

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2553 (b) Must enter into a limited agency agreement with each
2554 agent who is not appointed in accordance with paragraph (a) and
2555 whose customer is underwritten and bound through the
2556 clearinghouse.

2557 (c) Must enter into its standard agency agreement with each
2558 agent whose customer is underwritten and bound through the
2559 clearinghouse if that agent has been appointed by the insurer
2560 pursuant to s. 626.112.

2561 (d) Must comply with s. 627.4133(2).

2562 (e) Must allow authorized or eligible insurers
2563 participating in the clearinghouse to participate through their
2564 single, designated managing general agent or broker; however,
2565 the provisions of paragraph (6) (a) regarding ownership, control,
2566 and use of the expirations apply.

2567 (f) Must pay the producing agent a commission equal to that
2568 paid by the corporation or the usual and customary commission
2569 paid by the insurer for that line of business, whichever is
2570 greater.

2571 (5) (a) Notwithstanding s. 627.3517, an applicant for new
2572 coverage is not eligible for coverage from the corporation if
2573 the applicant is offered coverage from an authorized insurer
2574 through the clearinghouse at a premium that is at or below the
2575 eligibility threshold established under s. 627.351(6) (c) 5.a.

2576 (b) Notwithstanding any other provisions of law, if a
2577 renewing policyholder of the corporation is offered coverage
2578 from an authorized insurer for a personal lines or commercial
2579 lines risk at a premium that is no more than 15 percent above
2580 the corporation's renewal premium for comparable coverage, the
2581 risk is not eligible for coverage with the corporation.

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2582 (c) Notwithstanding s. 626.916(1), if an applicant for new
2583 or renewal coverage from the corporation does not receive an
2584 offer of coverage from an authorized insurer, the applicant may
2585 choose to accept an offer of coverage from an eligible insurer
2586 or its broker under ss. 626.913-626.937. Such offer of coverage
2587 from an eligible insurer does not make the risk ineligible for
2588 coverage with the corporation.

2589 (d) An applicant for new or renewal coverage from the
2590 corporation may choose to accept any offer of coverage received
2591 through the clearinghouse from an authorized insurer which is
2592 greater than 15 percent of the corporation's renewal premium.

2593 (e) Section 627.351(6) (c)5.a.(I) and b.(I) does not apply
2594 to an offer of coverage from an authorized insurer obtained
2595 through the clearinghouse.

2596 (6) An independent agent who submits a new application for
2597 coverage or who is the agent of record on a renewal policy
2598 submitted to the clearinghouse:

2599 (a) Is granted and must maintain ownership and the
2600 exclusive use of expirations, records, or other written or
2601 electronic information directly related to such application or
2602 renewal written through the corporation or through an insurer
2603 participating in the clearinghouse, notwithstanding s.
2604 627.351(6) (c)5.a.(I) (B) and (II) (B). Such ownership is granted
2605 for as long as the insured remains with the agency or until sold
2606 or surrendered in writing by the agent. A contract with the
2607 corporation or required by the corporation may not amend,
2608 modify, interfere with, or limit such rights of ownership. Such
2609 expirations, records, or other written or electronic information
2610 may be used to review an application or issue a policy or for

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2611 any other purpose necessary for placing business through the
2612 clearinghouse.

2613 (b) Is not required to be appointed by an insurer
2614 participating in the clearinghouse for policies written solely
2615 through the clearinghouse, notwithstanding s. 626.112.

2616 (c) May accept an appointment from an insurer participating
2617 in the clearinghouse.

2618 (d) May enter into a standard or limited agency agreement
2619 with the insurer, at the insurer's option.

2620

2621 An applicant ineligible for coverage under subsection (5)
2622 remains ineligible if the applicant's independent agent is
2623 unwilling or unable to enter into a standard or limited agency
2624 agreement with an insurer participating in the clearinghouse.

2625 (7) An exclusive agent who submits a new application for
2626 coverage or who is the agent of record on a renewal policy
2627 submitted to the clearinghouse:

2628 (a) Must maintain ownership and the exclusive use of
2629 expirations, records, or other written or electronic information
2630 directly related to such application or renewal written through
2631 the corporation or through an insurer participating in the
2632 clearinghouse, notwithstanding s. 627.351(6)(c)5.a.(I)(B) and
2633 (II)(B). A contract with the corporation or required by the
2634 corporation may not amend, modify, interfere with, or limit such
2635 rights of ownership. Such expirations, records, or other written
2636 or electronic information may be used to review an application
2637 or issue a policy or for any other purpose necessary for placing
2638 business through the clearinghouse.

2639 (b) Is not required to be appointed by an insurer

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2640 participating in the clearinghouse for policies written solely
2641 through the clearinghouse, notwithstanding s. 626.112.

2642 (c) Must only facilitate the placement of an offer of
2643 coverage from an insurer whose limited servicing agreement is
2644 approved by that exclusive agent's exclusive insurer.

2645 (d) May enter into a limited servicing agreement with the
2646 insurer making an offer of coverage, and may do so only after
2647 the exclusive agent's insurer has approved the terms of the
2648 agreement. The exclusive agent's insurer must approve a limited
2649 service agreement for the clearinghouse if the insurer has
2650 approved a service agreement with the agent for other purposes.

2651
2652 An applicant is ineligible for coverage under subsection (5) if
2653 the applicant's exclusive agent is unwilling or unable to enter
2654 into a standard or limited agency agreement with a participating
2655 insurer making an offer of coverage to that applicant.

2656 (8) Submission of an application to the clearinghouse for
2657 coverage by the corporation does not constitute the binding of
2658 coverage, and the failure of the clearinghouse to obtain an
2659 offer of coverage by an insurer is not considered acceptance of
2660 coverage of the risk by the corporation.

2661 (9) The clearinghouse may not include commercial
2662 nonresidential policies.

2663 Section 13. Temporary keepout program.—Citizens Property
2664 Insurance Corporation shall implement a temporary keepout
2665 program beginning July 1, 2013, and ending on the date the
2666 clearinghouse program established under s. 627.3518, Florida
2667 Statutes, is operational.

2668 (1) Subject to procedures adopted by the corporation, the

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2669 program shall provide an opportunity for new applicants for
2670 personal residential multiperil coverage with the corporation to
2671 be offered coverage with authorized insurers through the market
2672 assistance plan established under s. 627.3515, Florida Statutes.

2673 (2) The program is subject to all of the following:

2674 (a) The corporation may not accept a new personal
2675 residential multiperil application for coverage within 72 hours
2676 after submission of the risk to the market assistance plan under
2677 subsection (1).

2678 (b) Section 627.3517, Florida Statutes, relating to
2679 consumer choice of agent does not apply to applications for
2680 coverage accepted by authorized insurers under the program.

2681 (c) Insurers issuing policies under this section are
2682 subject to s. 627.3518(3), Florida Statutes, relating to agent
2683 appointment.

2684 (d) Notwithstanding s. 626.916(1), Florida Statutes, if an
2685 applicant for new or renewal coverage from the corporation does
2686 not receive an offer of coverage from an eligible insurer, the
2687 applicant may accept an offer from a designated broker of an
2688 insurer eligible under ss. 626.913-626.937, Florida Statutes.

2689 (e) An exclusive agent must only facilitate the placement
2690 of an offer of coverage from an insurer whose limited servicing
2691 agreement is approved by that exclusive agent's exclusive
2692 insurer.

2693
2694 An applicant is ineligible for coverage if the applicant's agent
2695 is unwilling or unable to enter into a standard or limited
2696 agency agreement with a participating insurer making an offer of
2697 coverage to that applicant.

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2698 (3) This section expires on January 1, 2014, or when the
2699 clearinghouse program established under s. 627.3518, Florida
2700 Statutes, becomes operational, whichever occurs first.

2701 Section 14. Section 627.352, Florida Statutes, is created
2702 to read:

2703 627.352 Catastrophe Risk Capital Access Facility.—

2704 (1) LEGISLATIVE FINDINGS AND INTENT.—The Legislature finds
2705 and declares that:

2706 (a) A growing and competitive private sector market for
2707 residential property insurance is in the public interest.

2708 (b) The global market for catastrophe risk has expanded
2709 dramatically, resulting in the availability of billions of
2710 dollars in additional risk capital for insurers and new and
2711 innovative alternative risk-transfer mechanisms.

2712 (c) Having access to additional risk capital and risk-
2713 transfer mechanisms provides an opportunity for property
2714 insurers in this state to expand their capacity to write
2715 additional business and diversify their catastrophe risk, which
2716 will serve the public interest of fostering private sector
2717 market growth.

2718 (d) Despite an expansion in the amount of available global
2719 risk capital, state property insurers in general, and smaller
2720 state property insurers in particular, face challenges accessing
2721 global markets if the relatively small amount of risk finance
2722 required by any one company is not economically viable in the
2723 larger global market.

2724 (e) It is the intent of the Legislature to establish a
2725 self-regulating mechanism to facilitate the access of property
2726 insurers generally, and smaller property insurers in particular,

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2727 to global risk capital markets and risk-transfer mechanisms for
2728 property risks in this state.

2729 (2) FACILITY CREATED.—A nonprofit association, to be known
2730 as the Catastrophe Risk Capital Access Facility, is hereby
2731 created.

2732 (a) The facility must operate pursuant to a plan of
2733 operation adopted by the governing board, except that the
2734 initial plan of operation shall be recommended by the initial
2735 governing board and adopted by the office after consultation
2736 with potential participating insurers and other interested
2737 parties.

2738 (b) The facility is not intended to be, and may not
2739 function as, an insurer, reinsurer, or other risk-bearing
2740 entity, and is not a state agency, board, or commission.

2741 (3) MEMBERSHIP.—An insurer holding a certificate of
2742 authority to transact property insurance in this state is
2743 eligible to become a member of the facility. To become a member,
2744 an insurer must file a declaration of intent with the office by
2745 September 30, 2013.

2746 (4) INITIAL GOVERNING BOARD.—

2747 (a) Each insurer that timely files a declaration under
2748 subsection (3) is a member of the initial governing board of the
2749 facility and has a vote proportional to its share of direct
2750 premium for property insurance written in this state as of
2751 December 31, 2012. At a minimum, three insurers must file a
2752 declaration of intent to constitute an initial governing board
2753 and activate the facility.

2754 (b) The initial governing board must hold its first meeting
2755 at a time and place specified by the office. At the first

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2756 meeting, the initial governing board must elect one of its
2757 members to serve as chair.

2758 (c) The initial governing board must submit a recommended
2759 plan of operation to the office by December 1, 2013. The initial
2760 governing board may retain staff or professionals to assist in
2761 the preparation of the proposed plan of operation.

2762 (d) The initial governing board must provide the presiding
2763 officers and minority party leaders of the Legislature with
2764 recommendations and draft legislation addressing the facility's
2765 need, if any, for exemptions from public records and open
2766 meetings laws by December 31, 2013.

2767 (e) The functions of the initial governing board terminate
2768 upon the election of a governing board as provided in the plan
2769 of operation.

2770 (5) GOVERNING BOARD.—Beginning on the effective date of the
2771 plan of operation, the facility shall operate under a seven-
2772 member governing board composed of representatives of member
2773 insurers, appointed as specified in the plan of operation.

2774 (6) PLAN OF OPERATION.—The plan of operation:

2775 (a) Must specify the following functions of the facility:

2776 1. Aggregating the demand of members for risk finance for
2777 state property risks from global capital markets.

2778 2. Designing and executing risk-transfer tools such as
2779 insurance-linked securities and other appropriate instruments
2780 for state property risks for members; using special purpose
2781 vehicles or onshore or offshore protected cells, as appropriate,
2782 to increase members' access to risk capital for state property
2783 risks; and making use of any other financial instruments or
2784 reinsurance or pooling arrangements that may develop in the

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2785 market.

2786 3. Identifying and coordinating appropriate risk-transfer
2787 products and opportunities for state property risks, initially
2788 targeting layers of coverage below, alongside, and above the
2789 coverage provided by the Florida Hurricane Catastrophe Fund.

2790 4. Establishing and maintaining regular and ongoing contact
2791 with global risk capital market participants, institutions, and
2792 investors in order to identify opportunities that satisfy and
2793 coordinate with insurer demand for additional risk capital for
2794 state property risks.

2795 (b) Must provide that in conducting its affairs, the
2796 facility may not:

2797 1. Take a position in, or provide financial support for,
2798 any risk-transfer transaction.

2799 2. Be a guarantor of premium or make any other financial
2800 guarantees to a member.

2801 3. Enter into any contract on the part of the state or
2802 create any state contractual obligations.

2803 4. Impose or levy any taxes, assessments, or similar
2804 charges.

2805 (c) Must provide for funding the expenses of the facility,
2806 including an initial charge that applies to all members and
2807 subsequent charges to members on a pro rata basis.

2808 (d) Must provide additional annual enrollment periods for
2809 eligible insurers to become members of the facility.

2810 (e) Must provide for the election and terms of the
2811 governing board.

2812 (f) May provide for the appointment or retention of staff
2813 and professionals as the governing board deems appropriate.

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2814 (g) Must require the facility to submit a biennial report
2815 and annual independent audits to the members of the Financial
2816 Services Commission and the presiding officers of the
2817 Legislature by December 31 of each even-numbered year beginning
2818 in 2014.

2819 (7) IMMUNITY FROM LIABILITY.—No liability on the part of,
2820 and no cause of action of any nature, may arise against the
2821 facility or its agents or employees, the governing board, or the
2822 department or office or their representatives for any action
2823 taken by them in the performance of their powers and duties
2824 under this section.

2825 Section 15. Subsection (1) of section 627.405, Florida
2826 Statutes, is amended to read:

2827 627.405 Insurable interest; property.—

2828 (1) A ~~No~~ contract for property ~~of insurance of property or~~
2829 ~~of any interest in property or arising from property~~ is not
2830 ~~shall be~~ enforceable as to the insurance except for the benefit
2831 of persons having an insurable interest in the things insured ~~as~~
2832 at the time of the loss. Policyholders under a contract of
2833 property insurance may assign benefits to be received under that
2834 contract consistent with, and subject to, the conditions in the
2835 policy.

2836 Section 16. Subsection (1) of section 627.410, Florida
2837 Statutes, is amended to read:

2838 627.410 Filing, approval of forms.—

2839 (1) A ~~No~~ basic insurance policy or annuity contract form,
2840 or application form where written application is required and is
2841 to be made a part of the policy or contract, ~~or~~ group
2842 certificates issued under a master contract delivered in this

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2843 state, or printed rider or endorsement form or form of renewal
2844 certificate, may not ~~shall~~ be delivered or issued for delivery
2845 in this state, unless the form has been filed with the office by
2846 or on ~~in~~ behalf of the insurer that ~~which~~ proposes to use such
2847 form and has been approved by the office. This provision does
2848 not apply to surety bonds or to policies, riders, endorsements,
2849 or forms of unique character that ~~which~~ are designed for and
2850 used with ~~relation to~~ insurance on ~~upon~~ a particular subject,
2851 ~~(other than as to health insurance)~~, or that ~~which~~ relate to the
2852 manner of distributing ~~distribution of~~ benefits or to the
2853 reservation of rights and benefits under life or health
2854 insurance policies and are used at the request of the individual
2855 policyholder, contract holder, or certificateholder. For ~~As to~~
2856 group insurance policies effectuated and delivered outside this
2857 state but covering persons resident in this state, the group
2858 certificates to be delivered or issued for delivery in this
2859 state shall be filed with the office for information purposes
2860 only.

2861 Section 17. Paragraph (b) of subsection (1) of section
2862 627.706, Florida Statutes, is amended to read:

2863 627.706 Sinkhole insurance; catastrophic ground cover
2864 collapse; definitions.-

2865 (1)

2866 (b) The insurer shall make available, for an appropriate
2867 additional premium, coverage for sinkhole losses on any
2868 structure, including the contents of personal property contained
2869 therein, in an amount equal to the full amount of coverage on
2870 the structure. The insurer may also offer less coverage equal to
2871 25 or 50 percent of the amount of coverage on the structure,

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2872 with an appropriate reduction in the additional premium ~~to the~~
2873 ~~extent provided in the form to which the coverage attaches.~~ The
2874 insurer may require an inspection of the property before
2875 issuance of sinkhole loss coverage. A policy for residential
2876 property insurance may include a deductible amount applicable to
2877 sinkhole losses equal to 1 percent, 2 percent, 5 percent, or 10
2878 percent of the policy dwelling limits, with appropriate premium
2879 discounts offered with each deductible amount.

2880 Section 18. Except as otherwise expressly provided in the
2881 act, this act shall take effect July 1, 2013.