

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/CS/CS/HB 573 Manufactured and Mobile Homes

SPONSOR(S): Regulatory Affairs Committee; Government Operations Appropriations Subcommittee; Insurance & Banking Subcommittee; Hooper and others

TIED BILLS: **IDEN./SIM. BILLS:** CS/SB 378

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Insurance & Banking Subcommittee	13 Y, 0 N, As CS	Collins	Cooper
2) Government Operations Appropriations Subcommittee	11 Y, 0 N, As CS	Topp	Topp
3) Regulatory Affairs Committee	16 Y, 1 N, As CS	Collins/Callaway	Hamon

SUMMARY ANALYSIS

Citizens Property Insurance Corporation (Citizens) is a state-created, not-for-profit, tax-exempt governmental entity whose public purpose is to provide property insurance coverage to those unable to find affordable coverage in the voluntary admitted market. It is not a private insurance company. As of January 13, 2013, Citizens insures over 145,000 mobile or manufactured homes. By underwriting rule, Citizens imposes a minimum coverage limit for mobile or manufactured homes of \$6,000. The bill imposes a \$3,000 minimum insured value, instead of \$6,000. Thus, Citizens is required to offer coverage for mobile and manufactured homes for a minimum insured value of at least \$3,000. The bill also requires Citizens to provide coverage for certain carports, screened enclosures, and covered patios attached to mobile or manufactured homes. Citizens ceased covering these attached structures in 2012.

Section 723.061(1)(d), F.S., provides that a mobile home owner and/or tenant can be evicted from his or her mobile home due to a change in the use of the land comprising the mobile home park. The Florida Mobile Home Relocation Corporation (Corporation) was created to provide payments to mobile home owners who are required to move due to a change in the use of the land comprising their mobile home park. All funds for relocation payments are deposited into the Florida Mobile Home Relocation Trust Fund (Trust Fund). Currently, Chapter 723, F.S., is silent as to the manner in which funds are to be disbursed by the Department of Business and Professional Regulation (Department) to the Corporation. Instead, the funds are disbursed pursuant to a Memorandum of Understanding.

The bill amends s. 723.06115, F.S., to specify the manner in which funds are to be disbursed to the Corporation. Specifically:

- Before the beginning of each fiscal year, the Corporation shall determine its operating budget and provide that amount to the Department, in writing.
- Throughout the fiscal year, additional requests for necessary operating funding may be submitted to the Department, in writing.
- As it deems necessary, the Corporation shall advise the Department, in writing, of the amount needed to make payments to mobile home owners under the relocation program.

The Department must transfer the requested funds to the Corporation within five business days of the written request for funds to pay claims.

The requirements set forth in the bill effectively nullify any additional disbursement provisions, as listed in the current Memorandum of Understanding between the Department and the Corporation.

The bill has no fiscal impact on state and local funds. The bill is effective upon becoming law.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Background on Citizens Property Insurance Corporation

Citizens is a state-created, not-for-profit, tax-exempt governmental entity whose public purpose is to provide property insurance coverage to those unable to find affordable coverage in the voluntary admitted market. It is not a private insurance company.

As of January 31, 2013, Citizens is the largest property insurer in Florida with almost 1.3 million policies extending approximately \$418 billion of property coverage to Floridians.¹ Citizens insures over 444,000 residential and commercial policies in Florida's coastal areas and over 835,000 residential policies in Florida's non-coastal areas. The remaining policies are commercial policies insured in Florida's non-coastal areas. As of January 13, 2013, Citizens insures over 145,000 mobile or manufactured homes.²

Citizens writes various types of property insurance coverage for its policyholders. The types of coverage are divided into three separate accounts within the corporation:

1. Personal Lines Account (PLA) – Multiperil Policies³
of homeowners, mobile homeowners, dwelling fire, tenants, condominium unit owners and similar policies;
2. Commercial Lines Account (CLA) – Multiperil Policies
Consists of condominium association, apartment building, homeowner's association policies, and commercial non-residential multiperil policies on property located outside the Coastal Account area; and
3. Coastal Account – Wind-only⁴ and Multiperil Policies
Consists of wind-only and multiperil policies for personal residential, commercial residential, and commercial non-residential issued in limited eligible coastal areas.

Current Situation for Citizens' Coverage for Mobile and Manufactured Homes

The only coverage restriction for mobile or manufactured homes in the Citizens' governing statute requires Citizens to insure mobile or manufactured homes built before 1994 for the actual cash value of the home, rather than replacement cost of the home.⁵ However, by underwriting rule, Citizens imposes a minimum coverage limit for owner occupied and rented mobile or manufactured homes of \$6,000. For owner occupied homes, this means Citizens will not insure the home if the actual cash value or replacement cost of the home and contents replacement cost is less than \$6,000. For rented homes, if the contents replacement cost for the renter or tenant is less than \$6,000, then Citizens will not insure the contents of the renter or tenant.⁶

In addition, starting February 1, 2012, Citizens ceased providing coverage for the following structures whether or not the structure was attached to a mobile or manufactured home or a site built home:

¹ <https://www.citizensfla.com/> (last viewed February 22, 2013).

² Information received from Citizens dated March 7, 2013, on file with the Insurance & Banking Subcommittee.

³ A multi-peril policy is defined as a package policy, such as a homeowners or business insurance policy that provides coverage against several different perils. It also refers to the combination of property and liability coverage in one policy. (<http://www2.iii.org/glossary/>) Multi-peril property insurance policies include coverage for damage from windstorm and from other perils, such as fire, theft, and liability.

⁴ A wind-only policy is a property insurance policy that provides coverage against windstorm damage only. Coverage against non-windstorm events such as fire, theft, and liability are available in a separate policy.

⁵ s. 627.351(6)(c)16., F.S.

⁶ See Citizens Property Insurance Corporation Rating Rules for Mobile Homes and Mobile Home Dwellings for Personal Residential Multiperil and Personal Residential Wind Only, available at

https://www.citizensfla.com/agent/um_personallines.cfm?manual=current&link=/shared/manuals/manuals-pla/current/1MHO_ROP.pdf (last accessed on March 6, 2013).

- Screened enclosures that are aluminum framed or not covered by the same or substantially the same materials as that of the primary dwelling.
- Carports that are aluminum or not covered by the same or substantially the same materials as that of the primary dwelling.
- Patios that have a roof covering not constructed of the same or substantially the same materials as that of the primary dwelling.
- Awnings.
- Structures with a roof or wall covering that are thatch, lattice, slats or a similar material.
- Slat houses, chickees, tiki huts, gazebos, cabanas, canopies, pergolas or similar structures constructed to be open to the weather.

However, Citizens subsequently reconsidered its policy and approved a limited buyback option to allow mobile or manufactured home owners to purchase coverage for attached carports, screened enclosures, and covered patios up to a limit of \$10,000. The coverage is limited to actual cash value and subject to policy deductibles. The coverage does not apply to awnings, screens, other aluminum framed enclosures, gazebos, and other similar structures.⁷

Effect of the Bill on Citizens' Coverage for Mobile and Manufactured Homes

The bill imposes a \$3,000 minimum insured value, instead of \$6,000. Thus, Citizens is required to offer coverage for mobile and manufactured homes for a minimum insured value of at least \$3,000. This minimum applies to building, other structures, contents, additional living expense, and liability coverage for owner occupied mobile or manufactured homes. And, it applies to contents, additional living expense, and liability coverage provided to a renter or tenant of a mobile or manufactured home.

In addition, the bill requires Citizens to provide coverage for the following attached structures to mobile or manufactured homes:

- Screened enclosures that are aluminum framed or screened enclosures that are not covered by the same or substantially the same materials as that of the primary dwelling.
- Carports that are aluminum or carports not covered by the same or substantially the same materials as that of the primary dwelling.
- Patios that have a roof covering constructed of materials that are not the same or substantially the same materials as that of the primary dwelling.

Current Situation Relating to the Florida Mobile Home Relocation Trust Fund

Section 723.061(1)(d), F.S., provides that a mobile home owner and/or tenant can be evicted from his or her mobile home due to a change in the use of the land comprising the mobile home park. The park owner must give the affected mobile home owners and tenants at least six months' notice of the eviction due to the projected change in use, and of their need to secure other accommodations.⁸

In 2001, the Florida Mobile Home Relocation Corporation (Corporation) was created to provide payments to mobile home owners who are required to move due to a change in the use of the land comprising their mobile home park, pursuant to s. 723.061(1)(d), F.S.⁹ The Corporation is administered by a volunteer-based, six-member board.¹⁰ The board also employs or retains attorneys, accountants, and administrative personnel to perform its duties.¹¹

The corporation receives funding from three sources:

⁷ Citizens Property Insurance Corporation, *Citizens Reinstates Limited Coverages for Sinkhole, Mobile Homes, Builders*, Press Release Dated March 27, 2013. A copy of the press release is available at: <https://www.citizensfla.com/shared/press/articles/104/03.27.2013.pdf> (last viewed April 3, 2013).

⁸ Section 723.061(1)(d)2., Florida Statutes.

⁹ See generally: ss. 723.0611, 723.0612, and 723.06116, Florida Statutes.

¹⁰ Department of Business and Professional Regulation Internal Audit Report A-1112-BPR-032, page 2, dated October 4, 2012, on file with the Business and Professional Regulation Subcommittee.

¹¹ Id.

- An annual one dollar surcharge on mobile home lots located in a mobile home park, collected by the Department of Business and Professional Regulation (Department) pursuant to s. 723.007(2), F.S.;
- An annual one dollar surcharge on registration payments by mobile home owners collected by the Department of Highway Safety and Motor Vehicles; and
- Funds collected from mobile home park owners when the mobile home owner applies for payment of moving expenses or mobile home abandonment allowance.¹²

All funds are deposited into the Florida Mobile Home Relocation Trust Fund (Trust Fund), established by s. 723.06115, F.S. Chapter 723, F.S., does not specify how the funds are to be disbursed to the Corporation. Instead, the transfer of funds is conducted pursuant to a Memorandum of Understanding, entered into by the Department and the Corporation.

Currently, funds are disbursed to the Corporation on a monthly basis, less any amounts withheld for the required eight percent contributions to the general revenue fund.¹³ According to the Department, during fiscal year 2011-2012, \$759,376.86 was deposited into the Trust Fund while \$698,945.71 of that amount was transferred to the Corporation.¹⁴

Effect of Proposed Changes Related to the Florida Mobile Home Relocation Trust Fund

The bill amends s. 723.06115, F.S., to specify the manner in which funds from the Trust Fund are to be disbursed to the Corporation.

Specifically, the bill provides that the Department shall disburse funds from the Trust Fund to the Corporation using the following procedures:

- At the beginning of each fiscal year, the Corporation shall determine its operating costs and provide that amount to the Department, in writing. One-fourth of the operating budget shall be transferred to the Corporation each quarter. The Department shall make the first one-fourth quarter transfer on the first business day of the fiscal year and make the remaining one-fourth transfers before the second business day of the second, third and fourth quarters.
- Throughout the year, additional requests for necessary operating funds may be submitted to the Department, in writing, indicating the changes to the operating budget and the conditions that were unforeseen at the time the Corporation developed the operating budget at the beginning of the fiscal year.
- As it deems necessary, the Corporation shall advise the Department, in writing, of the amount needed to make payments to mobile home owners under the relocation program. The Department must distribute the amount within five business days of the Corporation's written request. Funds transferred from the Department to the Corporation shall be transferred electronically and maintained by the Corporation in a qualified public depository as defined in s. 280.02, Florida Statutes.

Finally, the bill specifies that other than the requirements set forth in the section, neither the Corporation nor the Department is required to take any other action as a prerequisite to accomplishing the provisions of this section. This effectively nullifies any additional disbursement "prerequisites" listed in the current Memorandum of Understanding between the Department and the Corporation.

B. SECTION DIRECTORY:

Section 1: amends s. 627.351, F.S., relating to insurance risk apportionment plans.

¹² Department of Business and Professional Regulation Internal Audit Report A-1112-BPR-032, page 1, dated October 4, 2012, on file with the Business and Professional Regulation Subcommittee.

¹³ Memorandum of Understanding, page 2, dated February 9, 2011, on file with the Business and Professional Regulation Subcommittee.

¹⁴ Department of Business and Professional Regulation 2013 Legislative Analysis of SB 378 (similar), page 4, dated January 31, 2013, on file with the Business and Professional Regulation Subcommittee.

Section 2: amends s. 723.06115, F.S., to specify the manner in which funds from the Florida Mobile Home Relocation Trust Fund are to be disbursed to the Florida Mobile Home Relocation Corporation.

Section 3: provides that the bill is effective upon becoming law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

More owners of mobile or manufactured homes will be eligible for insurance in Citizens under the bill's reduction of the minimum insured value on these homes from \$6,000 to \$3,000.

Mobile or manufactured home owners will be eligible for increased insurance coverage from Citizens as the bill requires Citizens to insure certain attached structures to the mobile or manufactured home.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not appear to require counties or municipalities to take an action requiring the expenditure of funds, reduce the authority that counties or municipalities have to raise revenues in the aggregate, nor reduce the percentage of sales tax shared with counties or municipalities.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On March 6, 2013, the Insurance & Banking Subcommittee considered a proposed committee substitute, adopted one amendment to the proposed committee substitute, and reported the bill favorably with a committee substitute. The proposed committee substitute removed the section of the bill relating to insurance coverage for mobile and manufactured homes by Citizens Property Insurance Corporation. The amendment adopted added back in a provision relating to this issue and requires Citizens to offer coverage for mobile and manufactured homes for a minimum insured value of at least \$3,000. The staff analysis was updated to reflect the committee substitute.

On March 20, 2013, the Government Operations Appropriations Subcommittee considered the bill and adopted one amendment. The bill was reported favorably as a committee substitute. The amendment clarified the responsibilities between the Department and the Corporation related to the Corporation's annual operating budget and the transfer of funds from the Department to the Corporation.

In addition, the amendment provided that other than the requirements specified under the proposed s. 723.06115, Florida Statutes, neither the Department nor the Corporation are required to take any other action as a prerequisite to accomplishing the provisions of this section. The staff analysis was updated to reflect the committee substitute.

On April 4, 2013, the Regulatory Affairs Committee heard the bill, adopted one amendment, and reported the bill favorably with a committee substitute. The amendment required Citizens to make available an insurance policy for mobile or manufactured homes for a minimum insured value of at least \$3,000.

The amendment also required Citizens to provide coverage for the following attached structures to mobile or manufactured homes:

- Screened enclosures that are aluminum framed or screened enclosures that are not covered by the same or substantially the same materials as that of the primary dwelling.
- Carports that are aluminum or carports not covered by the same or substantially the same materials as that of the primary dwelling.
- Patios that have a roof covering constructed of materials that are not the same or substantially the same materials as that of the primary dwelling.

The staff analysis was updated to reflect the committee substitute.