



462194

LEGISLATIVE ACTION

Senate	.	House
Comm: RCS	.	
03/25/2014	.	
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The Committee on Banking and Insurance (Hays) recommended the following:

Senate Amendment (with title amendment)

Delete everything after the enacting clause
and insert:

Section 1. Paragraphs (a) and (n) of subsection (6) of
section 627.351, Florida Statutes, are amended to read:

627.351 Insurance risk apportionment plans.—

(6) CITIZENS PROPERTY INSURANCE CORPORATION.—

(a) The public purpose of this subsection is to ensure that
there is an orderly market for property insurance for residents



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11 and businesses of this state.

12 1. The Legislature finds that private insurers are
13 unwilling or unable to provide affordable property insurance
14 coverage in this state to the extent sought and needed. The
15 absence of affordable property insurance threatens the public
16 health, safety, and welfare and ~~likewise threatens~~ the economic
17 health of the state. The state therefore has a compelling public
18 interest and a public purpose to assist in assuring that
19 property in the state is insured and that it is insured at
20 affordable rates so as to facilitate the remediation,
21 reconstruction, and replacement of damaged or destroyed property
22 in order to reduce or avoid the negative effects on otherwise
23 ~~resulting to~~ the public health, safety, and welfare, to the
24 economy of the state, and to the revenues of the state and local
25 governments which are needed to provide for the public welfare.
26 It is necessary, therefore, to provide affordable property
27 insurance to applicants who are in good faith entitled to
28 procure insurance through the voluntary market but are unable to
29 do so. The Legislature intends, therefore, that affordable
30 property insurance be provided and that it continue to be
31 provided, as long as necessary, through Citizens Property
32 Insurance Corporation, a government entity that is an integral
33 part of the state, ~~and that is~~ not a private insurance company.
34 To that end, the corporation shall strive to increase the
35 availability of affordable property insurance in this state,
36 while achieving efficiencies and economies, and while providing
37 service to policyholders, applicants, and agents which is no
38 less than the quality generally provided in the voluntary
39 market, for the achievement of the foregoing public purposes.



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40 Because it is essential for this government entity to have the
41 maximum financial resources to pay claims following a
42 catastrophic hurricane, it is further the intent of the
43 Legislature that the corporation continue to be an integral part
44 of the state, ~~and~~ that the income of the corporation be exempt
45 from federal income taxation, and that interest on the debt
46 obligations issued by the corporation be exempt from federal
47 income taxation.

48 2. The Residential Property and Casualty Joint Underwriting
49 Association originally created by this statute shall be known as
50 the Citizens Property Insurance Corporation. The corporation
51 shall provide insurance for residential and commercial property,
52 for applicants who are entitled, but, in good faith, are unable
53 to procure insurance through the voluntary market. The
54 corporation shall operate pursuant to a plan of operation
55 approved by order of the Financial Services Commission. The plan
56 is subject to continuous review by the commission. The
57 commission may, by order, withdraw approval of all or part of a
58 plan if the commission determines that conditions have changed
59 since approval was granted and that the purposes of the plan
60 require changes in the plan. For the purposes of this
61 subsection, residential coverage includes both personal lines
62 residential coverage, which consists of the type of coverage
63 provided by homeowner's, mobile home owner's, dwelling,
64 tenant's, condominium unit owner's, and similar policies; and
65 commercial lines residential coverage, which consists of the
66 type of coverage provided by condominium association, apartment
67 building, and similar policies.

68 3. With respect to coverage for personal lines residential



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69 structures:

70 a. Effective January 1, 2014, a structure that has a
71 dwelling replacement cost of \$1 million or more, or a single
72 condominium unit that has a combined dwelling and contents
73 replacement cost of \$1 million or more is not eligible for
74 coverage by the corporation. Such dwellings insured by the
75 corporation on December 31, 2013, may continue to be covered by
76 the corporation until the end of the policy term. The office
77 shall approve the method used by the corporation for valuing the
78 dwelling replacement costs under ~~cost for the purposes of~~ this
79 subparagraph. If a policyholder is insured by the corporation
80 before being determined to be ineligible pursuant to this
81 subparagraph and such policyholder files a lawsuit challenging
82 the determination, the policyholder may remain insured by the
83 corporation until the conclusion of the litigation.

84 b. Effective January 1, 2015, a structure that has a
85 dwelling replacement cost of \$900,000 or more, or a single
86 condominium unit that has a combined dwelling and contents
87 replacement cost of \$900,000 or more, is not eligible for
88 coverage by the corporation. Such dwellings insured by the
89 corporation on December 31, 2014, may continue to be covered by
90 the corporation only until the end of the policy term.

91 c. Effective January 1, 2016, a structure that has a
92 dwelling replacement cost of \$800,000 or more, or a single
93 condominium unit that has a combined dwelling and contents
94 replacement cost of \$800,000 or more, is not eligible for
95 coverage by the corporation. Such dwellings insured by the
96 corporation on December 31, 2015, may continue to be covered by
97 the corporation until the end of the policy term.



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98 d. Effective January 1, 2017, a structure that has a
99 dwelling replacement cost of \$700,000 or more, or a single
100 condominium unit that has a combined dwelling and contents
101 replacement cost of \$700,000 or more, is not eligible for
102 coverage by the corporation. Such dwellings insured by the
103 corporation on December 31, 2016, may continue to be covered by
104 the corporation until the end of the policy term.

105
106 The requirements of sub-subparagraphs b.-d. do not apply in
107 counties where the office determines there is not a reasonable
108 degree of competition. In such counties a personal lines
109 residential structure that has a dwelling replacement cost of
110 less than \$1 million, or a single condominium unit that has a
111 combined dwelling and contents replacement cost of less than \$1
112 million, is eligible for coverage by the corporation.

113 4. It is the intent of the Legislature that policyholders,
114 applicants, and agents of the corporation receive service and
115 treatment of the highest possible level but never less than that
116 generally provided in the voluntary market. It is also intended
117 that the corporation be held to service standards no less than
118 those applied to insurers in the voluntary market by the office
119 with respect to responsiveness, timeliness, customer courtesy,
120 and overall dealings with policyholders, applicants, or agents
121 of the corporation.

122 5.a. Effective January 1, 2009, a personal lines
123 residential structure that is located in the "wind-borne debris
124 region," as defined in s. 1609.2, International Building Code
125 (2006), and that has an insured value on the structure of
126 \$750,000 or more is not eligible for coverage by the corporation



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127 unless the structure has opening protections as required under
128 the Florida Building Code for a newly constructed residential
129 structure in that area. A residential structure is deemed to
130 comply with this sub-subparagraph ~~subparagraph~~ if it has
131 shutters or opening protections on all openings and if such
132 opening protections complied with the Florida Building Code at
133 the time they were installed.

134 b. Any major structure as defined in s. 161.54(6) (a) for
135 which a permit is applied on or after July 1, 2014, for new
136 construction or substantial improvement as defined in s.
137 161.54~~(12)~~ is not eligible for coverage by the corporation if
138 the structure is seaward of the coastal construction control
139 line established pursuant to s. 161.053 or is within the Coastal
140 Barrier Resources System as designated by 16 U.S.C. ss. 3501-
141 3510. This sub-subparagraph does not apply to substantial
142 improvement of major structures located in a county where the
143 office determines that the corporation issues 75 percent or more
144 of the total of the number of policies for each line of personal
145 residential, commercial residential, and commercial
146 nonresidential insurance.

147 (n)~~1~~. Rates for coverage provided by the corporation must
148 be actuarially sound and subject to s. 627.062, except as
149 otherwise provided in this paragraph.

150 1. The corporation shall file its recommended rates with
151 the office at least annually. The corporation shall provide any
152 additional information regarding the rates which the office
153 requires. The office shall consider the recommendations of the
154 board and issue a final order establishing the rates for the
155 corporation within 45 days after the recommended rates are



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156 filed. The corporation may not pursue an administrative
157 challenge or judicial review of the final order of the office.

158 2. In addition to the rates otherwise determined pursuant
159 to this paragraph, the corporation shall impose and collect an
160 amount equal to the premium tax provided in s. 624.509 to
161 augment the financial resources of the corporation.

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

169 4. The rate filings for the corporation which were approved
170 by the office and took effect January 1, 2007, are rescinded,
171 except for those rates that were lowered. As soon as possible,
172 the corporation shall begin using the lower rates that were in
173 effect on December 31, 2006, and provide refunds to
174 policyholders who paid higher rates as a result of that rate
175 filing. The rates in effect on December 31, 2006, remain in
176 effect for the 2007 and 2008 calendar years except for any rate
177 change that results in a lower rate. The next rate change that
178 may increase rates shall take effect pursuant to a new rate
179 filing recommended by the corporation and established by the
180 office, subject to this paragraph.

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



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185 6. Beginning on or after January 1, 2010, and
186 notwithstanding the board's recommended rates and the office's
187 final order regarding the corporation's filed rates under
188 subparagraph 1., the corporation shall annually implement a rate
189 increase which, except for sinkhole coverage, does not exceed 10
190 percent for any single policy issued by the corporation,
191 excluding coverage changes and surcharges.

192 7. The corporation may also implement an increase to
193 reflect the effect on the corporation of the cash buildup factor
194 pursuant to s. 215.555(5)(b).

195 8. The corporation's implementation of rates as prescribed
196 in subparagraph 6. shall cease for any line of business written
197 by the corporation upon the corporation's implementation of
198 actuarially sound rates. Thereafter, the corporation shall
199 annually make a recommended actuarially sound rate filing for
200 each commercial and personal line of business the corporation
201 writes.

202 9. The corporation must submit any alternate study relating
203 to windstorm mitigation discounts to the office. Upon the
204 office's approval of the alternate study, the corporation must
205 include the discounts provided by the study in the next filing
206 of its recommended rates.

207 Section 2. Subsection (2) of section 627.711, Florida
208 Statutes, is amended, present subsections (6), (7), and (8) of
209 that section are renumbered as subsections (7), (8), and (9),
210 respectively, and a new subsection (6) is added to that section,
211 to read:

212 627.711 Notice of premium discounts for hurricane loss
213 mitigation; uniform mitigation verification inspection form.—



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214 (2) (a) The Financial Services Commission shall, by rule,
215 develop ~~by rule~~ a uniform mitigation verification inspection
216 form that shall be used by all insurers when submitted by
217 policyholders for the purpose of factoring discounts for wind
218 insurance. The commission may develop an addendum to the form
219 for use in a county that has adopted a building code that is
220 stricter than the building code recognized by the uniform
221 mitigation form. In developing the form, the commission shall
222 seek input from insurance, construction, and building code
223 representatives. ~~Further,~~ The commission shall also provide
224 guidance as to the length of time the inspection results are
225 valid. An insurer shall accept as valid a uniform mitigation
226 verification form signed by the following authorized mitigation
227 inspectors:

228 1. A home inspector licensed under s. 468.8314 who has
229 completed at least 3 hours of hurricane mitigation training
230 approved by the Construction Industry Licensing Board, which
231 includes hurricane mitigation techniques and compliance with the
232 uniform mitigation verification form and completion of a
233 proficiency exam;

234 2. A building code inspector certified under s. 468.607;

235 3. A general, building, or residential contractor licensed
236 under s. 489.111;

237 4. A professional engineer licensed under s. 471.015;

238 5. A professional architect licensed under s. 481.213; or

239 6. Any other individual or entity recognized by the insurer
240 as possessing the necessary qualifications to properly complete
241 a uniform mitigation verification form.

242 (b) An insurer may, but is not required to, accept a form



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243 from any other person possessing qualifications and experience
244 acceptable to the insurer.

245 (6) (a) An authorized mitigation inspector may not directly
246 or indirectly offer or deliver any compensation, inducement, or
247 reward to an insurance broker or insurance agent for the
248 referral of the owner of the inspected property to the inspector
249 or the inspection company. Section 455.227(1) (k) applies to
250 applicable licensees in violation of this paragraph.

251 (b) An insurance broker or insurance agent may not directly
252 or indirectly receive or accept any compensation, inducement, or
253 reward from an authorized mitigation inspector for the referral
254 of the owner of the inspected property to the inspector or the
255 inspection company. Section 626.6215(5) (d) applies to a
256 violation of this paragraph

257 Section 3. This act shall take effect July 1, 2014.

258
259 ===== T I T L E A M E N D M E N T =====

260 And the title is amended as follows:

261 Delete everything before the enacting clause
262 and insert:

263 A bill to be entitled

264 An act relating to Citizens Property Insurance
265 Corporation; amending s. 627.351, F.S.; providing
266 exemptions from the restriction on obtaining coverage
267 from the corporation for substantial improvement to
268 major structures under certain conditions; requiring
269 the corporation to submit any alternate study relating
270 to windstorm mitigation discounts to the office and,
271 if approved, including the discounts in its next rate



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272 filing; amending s. 627.711, F.S.; authorizing the
273 corporation to create an addendum to the uniform
274 mitigation verification form for use by counties under
275 certain circumstances; prohibiting a mitigation
276 inspector from paying an insurance broker or agent for
277 referrals and an insurance broker from receiving such
278 compensation; providing an effective date.