

By the Committee on Banking and Insurance; and Senator Hays

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1 A bill to be entitled
2 An act relating to Citizens Property Insurance
3 Corporation; amending s. 627.351, F.S.; providing
4 exemptions from the restriction on obtaining coverage
5 from the corporation for substantial improvement to
6 major structures under certain conditions; requiring
7 the corporation to submit any alternate study relating
8 to windstorm mitigation discounts to the office and,
9 if approved, including the discounts in its next rate
10 filing; amending s. 627.711, F.S.; authorizing the
11 corporation to create an addendum to the uniform
12 mitigation verification form for use by counties under
13 certain circumstances; prohibiting a mitigation
14 inspector from paying for referrals from an insurance
15 broker, insurance agent, or employee of an insurance
16 agency and a broker, agent, or employee from receiving
17 such compensation; providing an effective date.

18
19 Be It Enacted by the Legislature of the State of Florida:

20
21 Section 1. Paragraphs (a) and (n) of subsection (6) of
22 section 627.351, Florida Statutes, are amended to read:

23 627.351 Insurance risk apportionment plans.—

24 (6) CITIZENS PROPERTY INSURANCE CORPORATION.—

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

28 1. The Legislature finds that private insurers are
29 unwilling or unable to provide affordable property insurance

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30 coverage in this state to the extent sought and needed. The
31 absence of affordable property insurance threatens the public
32 health, safety, and welfare and ~~likewise threatens~~ the economic
33 health of the state. The state therefore has a compelling public
34 interest and a public purpose to assist in assuring that
35 property in the state is insured and that it is insured at
36 affordable rates so as to facilitate the remediation,
37 reconstruction, and replacement of damaged or destroyed property
38 in order to reduce or avoid the negative effects on otherwise
39 ~~resulting to~~ the public health, safety, and welfare, to the
40 economy of the state, and to the revenues of the state and local
41 governments which are needed to provide for the public welfare.
42 It is necessary, therefore, to provide affordable property
43 insurance to applicants who are in good faith entitled to
44 procure insurance through the voluntary market but are unable to
45 do so. The Legislature intends, therefore, that affordable
46 property insurance be provided and that it continue to be
47 provided, as long as necessary, through Citizens Property
48 Insurance Corporation, a government entity that is an integral
49 part of the state, ~~and that is~~ not a private insurance company.
50 To that end, the corporation shall strive to increase the
51 availability of affordable property insurance in this state,
52 while achieving efficiencies and economies, and while providing
53 service to policyholders, applicants, and agents which is no
54 less than the quality generally provided in the voluntary
55 market, for the achievement of the foregoing public purposes.
56 Because it is essential for this government entity to have the
57 maximum financial resources to pay claims following a
58 catastrophic hurricane, it is further the intent of the

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59 Legislature that the corporation continue to be an integral part
60 of the state, and that the income of the corporation be exempt
61 from federal income taxation, and that interest on the debt
62 obligations issued by the corporation be exempt from federal
63 income taxation.

64 2. The Residential Property and Casualty Joint Underwriting
65 Association originally created by this statute shall be known as
66 the Citizens Property Insurance Corporation. The corporation
67 shall provide insurance for residential and commercial property,
68 for applicants who are entitled, but, in good faith, are unable
69 to procure insurance through the voluntary market. The
70 corporation shall operate pursuant to a plan of operation
71 approved by order of the Financial Services Commission. The plan
72 is subject to continuous review by the commission. The
73 commission may, by order, withdraw approval of all or part of a
74 plan if the commission determines that conditions have changed
75 since approval was granted and that the purposes of the plan
76 require changes in the plan. For the purposes of this
77 subsection, residential coverage includes both personal lines
78 residential coverage, which consists of the type of coverage
79 provided by homeowner's, mobile home owner's, dwelling,
80 tenant's, condominium unit owner's, and similar policies; and
81 commercial lines residential coverage, which consists of the
82 type of coverage provided by condominium association, apartment
83 building, and similar policies.

84 3. With respect to coverage for personal lines residential
85 structures:

86 a. Effective January 1, 2014, a structure that has a
87 dwelling replacement cost of \$1 million or more, or a single

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88 condominium unit that has a combined dwelling and contents
89 replacement cost of \$1 million or more is not eligible for
90 coverage by the corporation. Such dwellings insured by the
91 corporation on December 31, 2013, may continue to be covered by
92 the corporation until the end of the policy term. The office
93 shall approve the method used by the corporation for valuing the
94 dwelling replacement costs under ~~cost for the purposes of~~ this
95 subparagraph. If a policyholder is insured by the corporation
96 before being determined to be ineligible pursuant to this
97 subparagraph and such policyholder files a lawsuit challenging
98 the determination, the policyholder may remain insured by the
99 corporation until the conclusion of the litigation.

100 b. Effective January 1, 2015, a structure that has a
101 dwelling replacement cost of \$900,000 or more, or a single
102 condominium unit that has a combined dwelling and contents
103 replacement cost of \$900,000 or more, is not eligible for
104 coverage by the corporation. Such dwellings insured by the
105 corporation on December 31, 2014, may continue to be covered by
106 the corporation only until the end of the policy term.

107 c. Effective January 1, 2016, a structure that has a
108 dwelling replacement cost of \$800,000 or more, or a single
109 condominium unit that has a combined dwelling and contents
110 replacement cost of \$800,000 or more, is not eligible for
111 coverage by the corporation. Such dwellings insured by the
112 corporation on December 31, 2015, may continue to be covered by
113 the corporation until the end of the policy term.

114 d. Effective January 1, 2017, a structure that has a
115 dwelling replacement cost of \$700,000 or more, or a single
116 condominium unit that has a combined dwelling and contents

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117 replacement cost of \$700,000 or more, is not eligible for
118 coverage by the corporation. Such dwellings insured by the
119 corporation on December 31, 2016, may continue to be covered by
120 the corporation until the end of the policy term.
121

122 The requirements of sub-subparagraphs b.-d. do not apply in
123 counties where the office determines there is not a reasonable
124 degree of competition. In such counties a personal lines
125 residential structure that has a dwelling replacement cost of
126 less than \$1 million, or a single condominium unit that has a
127 combined dwelling and contents replacement cost of less than \$1
128 million, is eligible for coverage by the corporation.

129 4. It is the intent of the Legislature that policyholders,
130 applicants, and agents of the corporation receive service and
131 treatment of the highest possible level but never less than that
132 generally provided in the voluntary market. It is also intended
133 that the corporation be held to service standards no less than
134 those applied to insurers in the voluntary market by the office
135 with respect to responsiveness, timeliness, customer courtesy,
136 and overall dealings with policyholders, applicants, or agents
137 of the corporation.

138 5.a. Effective January 1, 2009, a personal lines
139 residential structure that is located in the "wind-borne debris
140 region," as defined in s. 1609.2, International Building Code
141 (2006), and that has an insured value on the structure of
142 \$750,000 or more is not eligible for coverage by the corporation
143 unless the structure has opening protections as required under
144 the Florida Building Code for a newly constructed residential
145 structure in that area. A residential structure is deemed to

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146 comply with this sub-subparagraph ~~subparagraph~~ if it has
147 shutters or opening protections on all openings and if such
148 opening protections complied with the Florida Building Code at
149 the time they were installed.

150 b. Any major structure as defined in s. 161.54(6) (a) for
151 which a permit is applied on or after July 1, 2014, for new
152 construction or substantial improvement as defined in s.
153 161.54~~(12)~~ is not eligible for coverage by the corporation if
154 the structure is seaward of the coastal construction control
155 line established pursuant to s. 161.053 or is within the Coastal
156 Barrier Resources System as designated by 16 U.S.C. ss. 3501-
157 3510. This sub-subparagraph does not apply to substantial
158 improvement of major structures located in a county where the
159 office determines that the corporation issues 75 percent or more
160 of the total of the number of policies for each line of personal
161 residential, commercial residential, and commercial
162 nonresidential insurance.

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

166 1. The corporation shall file its recommended rates with
167 the office at least annually. The corporation shall provide any
168 additional information regarding the rates which the office
169 requires. The office shall consider the recommendations of the
170 board and issue a final order establishing the rates for the
171 corporation within 45 days after the recommended rates are
172 filed. The corporation may not pursue an administrative
173 challenge or judicial review of the final order of the office.

174 2. In addition to the rates otherwise determined pursuant

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175 to this paragraph, the corporation shall impose and collect an
176 amount equal to the premium tax provided in s. 624.509 to
177 augment the financial resources of the corporation.

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

185 4. The rate filings for the corporation which were approved
186 by the office and took effect January 1, 2007, are rescinded,
187 except for those rates that were lowered. As soon as possible,
188 the corporation shall begin using the lower rates that were in
189 effect on December 31, 2006, and provide refunds to
190 policyholders who paid higher rates as a result of that rate
191 filing. The rates in effect on December 31, 2006, remain in
192 effect for the 2007 and 2008 calendar years except for any rate
193 change that results in a lower rate. The next rate change that
194 may increase rates shall take effect pursuant to a new rate
195 filing recommended by the corporation and established by the
196 office, subject to this paragraph.

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

201 6. Beginning on or after January 1, 2010, and
202 notwithstanding the board's recommended rates and the office's
203 final order regarding the corporation's filed rates under

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204 subparagraph 1., the corporation shall annually implement a rate
205 increase which, except for sinkhole coverage, does not exceed 10
206 percent for any single policy issued by the corporation,
207 excluding coverage changes and surcharges.

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

211 8. The corporation's implementation of rates as prescribed
212 in subparagraph 6. shall cease for any line of business written
213 by the corporation upon the corporation's implementation of
214 actuarially sound rates. Thereafter, the corporation shall
215 annually make a recommended actuarially sound rate filing for
216 each commercial and personal line of business the corporation
217 writes.

218 9. The corporation must submit any alternate study relating
219 to windstorm mitigation discounts to the office. Upon the
220 office's approval of the alternate study, the corporation must
221 include the discounts provided by the study in the next filing
222 of its recommended rates.

223 Section 2. Subsection (2) of section 627.711, Florida
224 Statutes, is amended, present subsections (6), (7), and (8) of
225 that section are renumbered as subsections (7), (8), and (9),
226 respectively, and a new subsection (6) is added to that section,
227 to read:

228 627.711 Notice of premium discounts for hurricane loss
229 mitigation; uniform mitigation verification inspection form.—

230 (2) (a) The Financial Services Commission shall, by rule,
231 develop ~~by rule~~ a uniform mitigation verification inspection
232 form that shall be used by all insurers when submitted by

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233 policyholders for the purpose of factoring discounts for wind
234 insurance. The commission may develop an addendum to the form
235 for use in a county that has adopted a building code that is
236 stricter than the building code recognized by the uniform
237 mitigation form. In developing the form, the commission shall
238 seek input from insurance, construction, and building code
239 representatives. ~~Further,~~ The commission shall also provide
240 guidance as to the length of time the inspection results are
241 valid. An insurer shall accept as valid a uniform mitigation
242 verification form signed by the following authorized mitigation
243 inspectors:

244 1. A home inspector licensed under s. 468.8314 who has
245 completed at least 3 hours of hurricane mitigation training
246 approved by the Construction Industry Licensing Board, which
247 includes hurricane mitigation techniques and compliance with the
248 uniform mitigation verification form and completion of a
249 proficiency exam;

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

251 3. A general, building, or residential contractor licensed
252 under s. 489.111;

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

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

255 6. Any other individual or entity recognized by the insurer
256 as possessing the necessary qualifications to properly complete
257 a uniform mitigation verification form.

258 (b) An insurer may, but is not required to, accept a form
259 from any other person possessing qualifications and experience
260 acceptable to the insurer.

261 (6) (a) An authorized mitigation inspector may not directly

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262 or indirectly offer or deliver any compensation, inducement, or
263 reward to an insurance broker, an insurance agent, or an
264 employee of an insurance agency for the referral of the owner of
265 the inspected property to the inspector or the inspection
266 company. Section 455.227(1)(k) applies to licensees in violation
267 of this paragraph.

268 (b) An insurance broker, insurance agent, or employee of an
269 insurance agency may not directly or indirectly receive or
270 accept any compensation, inducement, or reward from an
271 authorized mitigation inspector for the referral of the owner of
272 the inspected property to the inspector or the inspection
273 company. Section 626.6215(5)(d) applies to a violation of this
274 paragraph

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