

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Fiscal Policy

BILL: CS/SB 842

INTRODUCER: Banking and Insurance Committee and Senator Benacquisto

SUBJECT: Citizens Property Insurance Corporation Eligibility for Coverage

DATE: April 1, 2015 **REVISED:** _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Matiyow</u>	<u>Knudson</u>	<u>BI</u>	Fav/CS
2.	<u>Stearns</u>	<u>Yeatman</u>	<u>CA</u>	Favorable
3.	<u>Jones</u>	<u>Hrdlicka</u>	<u>FP</u>	Pre-meeting

Please see Section IX. for Additional Information:

COMMITTEE SUBSTITUTE - Substantial Changes

I. Summary:

CS/SB 842 revises current law to allow Citizens Property Insurance Corporation to provide coverage on major structures located seaward of the Coastal Construction Control Line or within a Coastal Barrier Resources System that are rebuilt, repaired, restored, or remodeled, pursuant to permits applied for after July 1, 2015, as long as the construction does not increase the total square footage of the finished area by more than 25 percent.

II. Present Situation:

Citizens Property Insurance Corporation

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. Citizens is not a private insurance company.¹

Citizens was statutorily created in 2002 when the Florida Legislature combined the state's two insurers of last resort, the Florida Residential Property and Casualty Joint Underwriting Association and the Florida Windstorm Underwriting Association.² Citizens offers property insurance in three separate accounts.

¹ Section 627.351(6)(a), F.S. Admitted market means insurance companies licensed to transact insurance in Florida.

² Chapter 2002-240, L.O.F.

The Personal Lines Account (PLA) offers personal lines residential comprehensive, multiperil policies:

- With wind coverage on properties located outside the Coastal Account area; and
- Without wind coverage, on properties located within the Coastal Account area.³

The Commercial Lines Account (CLA) offers commercial lines residential and nonresidential basic perils policies:

- With wind coverage on properties located outside the Coastal Account area; and
- Without wind coverage, on properties located within the Coastal Account area.⁴

The Coastal Account offers personal residential, commercial residential, and commercial non-residential policies in the coastal areas⁵ of the state. The Coastal Account must offer exclusively wind coverage policies, and may offer multiperil policies.⁶

Eligibility for Insurance in Citizens

Citizens provides specific eligibility requirements based on premium amounts, value of the property insured, and the location of the property.⁷ Risks not meeting the statutory eligibility requirements cannot be insured by Citizens.

For example, any major structure⁸ that is newly constructed or substantially improved,⁹ pursuant to a building permit applied for on or after July 1, 2015, is not eligible for Citizens coverage if the structure is located:

- Seaward of the Coastal Construction Control Line (CCCL) or
- Within the Coastal Barrier Resources System (CBRS).¹⁰

Coastal Construction Control Line

The purpose of the CCCLs is to preserve and protect beaches from imprudent construction that can jeopardize the stability of the beach-dune system, accelerate erosion, provide inadequate protection to upland structures, endanger adjacent properties, or interfere with public beach access. Specifically, the CCCLs are drawn to protect portions of the beach-dune system subject

³ Section 627.351(6)(b)2.a., F.S.

⁴ *Id.*

⁵ *Id.* The areas included in the Coastal Account are those areas that were eligible for coverage by the Florida Windstorm Underwriting Association on January 1, 2002. Florida Windstorm Underwriting was assumed by Citizens in 2002.

⁶ *Id.* In August of 2007, Citizens began offering personal and commercial residential multiperil policies in this limited eligibility area. Additionally, near the end of 2008, Citizens began offering commercial non-residential multiperil policies in this account. Effective July 1, 2014, Citizens may only offer commercial residential wind-only policies, and may offer commercial residential policies excluding wind.

⁷ Section 627.351(6)(a) and (c), F.S.

⁸ A “major structure” is defined as “houses, mobile homes, apartment buildings, condominiums, motels, hotels, restaurants, towers, other types of residential, commercial, or public buildings, and other construction having the potential for substantial impact on coastal zones.” s. 161.54(6)(a), F.S.

⁹ A “substantial improvement” is defined in part as “any repair, reconstruction, rehabilitation, or improvement of a structure when the actual cost of the improvement or repair of the structure to its pre-damage condition equals or exceeds 50 percent of the market value of the structure either before the improvement or repair is started or if the structure has been damaged and is being restored, before the damage occurred.” s. 161.54(12), F.S.

¹⁰ Section 627.351(6)(a)5.b., F.S.

to severe fluctuations based on a 100-year storm surge, storm waves, or other predictable weather conditions.¹¹ A permit is required to build seaward of the CCCL and the rules and procedures for obtaining such a permit are contained in Ch. 62B-33, F.A.C.¹²

Coastal Barrier Resources System

CBRS is part of the Coastal Barrier Resources Act (act).¹³ The CBRS consists of undeveloped coastal barriers located on the coasts of the United States. The act limited federal spending and financial assistance in an effort to discourage development within the CBRS. While the act does not prohibit privately financed development, it does prohibit new federal financial assistance, including the purchasing of federal flood insurance. There are 128 designated coastal barriers within Florida, including the entirety of the Florida Keys.¹⁴

III. Effect of Proposed Changes:

The bill allows Citizens to provide coverage on a major structure located seaward of the CCCL or within a CBRS that is rebuilt, repaired, restored, or remodeled, pursuant to a permit applied for after July 1, 2015, as long as the construction does not increase the total square footage of the finished area by more than 25 percent.

The bill retains the prohibition that newly constructed major structures, pursuant to permits applied for after July 1, 2015, are not eligible for coverage by Citizens.

The bill is effective July 1, 2015.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

The mandate restrictions do not apply because the bill does not affect counties and municipalities.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

¹¹ Section 161.053(1)(a), F.S.

¹² Florida Department of Environmental Protection, *The Coastal Construction Control Line Permitting*, available at <http://www.dep.state.fl.us/beaches/programs/ccclprog.htm> (last visited Mar. 30, 2015).

¹³ 16 U.S.C. 3501-3510.

¹⁴ U.S. Fish and Wildlife Service, *Coastal Barrier Resources Act*, (Mar, 10, 2015), available at <http://www.fws.gov/CBRA/Act/index.html> (last visited Mar. 27, 2015).

V. Fiscal Impact Statement:**A. Tax/Fee Issues:**

None.

B. Private Sector Impact:

Property owners in the Florida Keys and other areas along the coast, who rebuild, repair, restore, or remodel major structures seaward of the CCCL or within a CBRS can remain eligible for coverage by Citizens as long as the structure does not increase the size to greater than 125 percent of the original building's square footage of finished area. This will prevent certain circumstances where an insured is unable to obtain coverage for the property, particularly in coastal areas for which Citizens may be the only option for obtaining insurance. Under current law, a Citizens policyholder in these areas could incur a major loss, rebuild their home to the same or similar size, and be ineligible for coverage by Citizens.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends section 627.351 of the Florida Statutes.

The bill reenacts section 627.712 of the Florida Statutes.

IX. Additional Information:**A. Committee Substitute – Statement of Substantial Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS by Banking and Insurance on March 10, 2015:

Clarified the square footage limitations of the bill apply to total square footage of finished space as defined by the American National Standard Institute.¹⁵

B. Amendments:

None.

¹⁵ American National Standards Institute, *Z765-Square Footage-Method for Calculating*, 2003.

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
