

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/CS/SB 1716

INTRODUCER: Fiscal Policy Committee; Banking and Insurance Committee; and Senator Boyd

SUBJECT: Citizens Property Insurance Corporation

DATE: February 29, 2024

REVISED: _____

| | ANALYST | STAFF DIRECTOR | REFERENCE | ACTION |
|----|----------------|----------------|-----------|---------------|
| 1. | <u>Knudson</u> | <u>Knudson</u> | <u>BI</u> | Fav/CS |
| 2. | <u>Knudson</u> | <u>Yeatman</u> | <u>FP</u> | Fav/CS |

Please see Section IX. for Additional Information:

COMMITTEE SUBSTITUTE - Substantial Changes

I. Summary:

CS/CS/SB 1716 revises Citizens Property Insurance Corporation’s (Citizens) eligibility criteria, and authorizes surplus lines insurers meeting certain criteria to make take-out offers to certain risks, specifies that the requirement that Citizens personal lines policyholders must maintain flood insurance only requires coverage on the structure, facilitates the transition of Citizens into an organizational structure where all policies are held in a single account, revises the criteria for appointment as a licensed agent for Citizens, and makes additional changes.

The bill makes eligible for Citizens coverage personal lines residential risks with a replacement value¹ of at least \$700,000 but less than \$1 million that are located within certain zip codes where the Office of Insurance Regulation (OIR) determines there is not a reasonable degree of competition within the property insurance market. Risks made eligible pursuant to this provision will be subject to a rate standard that does not allow for decreases and limits an annual increase to 50 percent.

The bill allows surplus lines insurers meeting certain criteria and approved by the OIR to submit take-out offers on personal lines residential risks insured by Citizens, or for which Citizens has received an application for coverage, if the risks are not primary residences. A “primary residence” is defined as a dwelling that is the policyholder’s primary home or is a rental property that is the primary home of the tenant, and which the policyholder or tenant occupies for more

¹ For an insured structure the replacement cost refers to the dwelling. For an insured single condominium unit, the replacement cost is for the combined dwelling and contents.

than 9 months of each year. A take-out offer from an approved surplus lines insurer will only render a Citizens policyholder ineligible for Citizens the premium offered does not exceed the Citizens premium on comparable coverage by more than 20 percent; this is the standard that applies to take-out offers from authorized insurers. Only surplus lines insurers that are approved to participate by the OIR may make participate in the take-out program. To obtain approval, the surplus lines insurer apply to the OIR to participate in the take-out process, provide data to the OIR related to coverage and rates, and file rates for review with the OIR for the take-out offer. The surplus lines insurer must also meet certain criteria such as having an “A-” financial strength rating from A.M. Best and having a personal lines residential risk program that is managed by a Florida resident surplus lines broker.

The bill revises the Citizens eligibility requirement that certain personal lines residential risks must maintain flood insurance, by requiring flood insurance only on the dwelling. This provision is effective upon the bill becoming law.

The bill makes statutory changes to facilitate the transition of Citizens Property Insurance Corporation from an organizational structure where Citizens policies are held in three different accounts (a personal lines account, commercial account, and a coastal account) to a structure where all Citizens policies are held in a single account (the Citizens account). A primary benefit of a single-account structure is that it eliminates the possibility of a Citizens account experiencing a deficit necessitating policyholder surcharges and emergency assessments while one of Citizens’ other accounts has surplus funds.

The bill provides that only licensed agents holding appointments by at least three authorized insurers that are actually writing or renewing property insurance in this state may be appointed by Citizens as its licensed agents. Current law requires the agent to hold an appointment by only one such insurer.

The bill also:

- Revises the signed acknowledgment of potential policyholder surcharge and assessment liability that agents must obtain from an applicant for Citizens coverage for the purpose of conforming the revised surcharge and assessment liabilities associated with the reorganization of Citizens into a single account;
- Provides that the executive director of Citizens is the Agency head of Citizens for purposes of procurement bid protests under s. 287.057, F.S., and authorizes the executive director to appoint a designee to act on his or her behalf for all purposes under the that statute;
- Deletes language prohibiting the application of the Division of Administrative Hearing’s bond requirements related to Citizens bid protest hearings;
- Allows licensed surplus lines agents access to confidential and exempt claims files for the purpose of considering whether to write a risk currently insured by Citizens;
- Authorizes Citizens to share its claims data with the National Insurance Crime Bureau (NICB), so long as the NICB maintains the confidentiality of certain documents;
- Authorizes Citizens to acquire patents, trademarks, and copyrights on work products and take action to enforce its rights therein; and
- Makes technical and clarifying changes.

Except as otherwise provided, the bill is effective July 1, 2024.

II. Present Situation:

Citizens Property Insurance Corporation—Overview

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.² Citizens is not a private insurance company.³ 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 (RPCJUA) and the Florida Windstorm Underwriting Association (FWUA).⁴

Citizens operates in accordance with the provisions in s. 627.351(6), F.S., and is governed by a nine member Board of Governors (board) that administers its Plan of Operations. The Plan of Operations is reviewed and approved by the Financial Services Commission.⁵ The Governor, President of the Senate, Speaker of the House of Representatives, and Chief Financial Officer each appoint two members to the board.⁶ The Governor appoints an additional member who serves solely to advocate on behalf of the consumer.⁷ Citizens is subject to regulation by the Office of Insurance Regulation (OIR).

Current Policies

As of November 30, 2023, Citizens reports 1,260,430 policies in-force with a total exposure of \$562.5 billion.⁸ That is a reduction of over 74,000 policies and \$23.3 billion in exposure from October 31, 2023.

Eligibility for Insurance in Citizens

Citizens is required to provide a procedure for determining the eligibility of a potential risk for insurance in Citizens and provide specific eligibility requirements based on premium amounts, value of the property insured, and the location of the property.⁹ Risks not meeting the statutory eligibility requirements cannot be insured by Citizens. Citizens has additional eligibility requirements set out in their underwriting rules. These rules are approved by the OIR and are set out in Citizens’ underwriting manuals.¹⁰

² The term “admitted market” means insurance companies licensed to transact insurance in Florida.

³ Section 627.351(6)(a)1., F.S.

⁴ Section 2, ch. 2002-240, Laws of Fla.

⁵ Section 627.351(6)(a)2., F.S.

⁶ Section 627.351(6)(c)4.a., F.S.

⁷ Section 627.351(6)(c)4., F.S.

⁸ Corporate Analytics Business Overview, September 20, 2023 Report, p.1 <https://www.citizensfla.com/documents> (last visited January 10, 2024).

⁹ Section 627.351(6)(c)5., F.S.

¹⁰ See Citizens Property Insurance Corporation, *PIF Standard Summary Report for Period Ending Nov. 30, 2023 (December 6, 2023)* (On file with the Florida Senate Banking and Insurance Committee).

Eligibility Based on Premium Amount

An applicant for residential insurance cannot buy insurance in Citizens if an authorized insurer in the private market offers the applicant insurance for a premium that does not exceed the Citizens premium by 20 percent or more.¹¹ The coverage offered by the private insurer must be comparable to Citizens coverage.

A residential policyholder may not renew insurance in Citizens if an authorized insurer offers to insure the property at a premium no more than 20 percent greater than the Citizens renewal premium.¹² The insurance coverage offered from the private market insurer must be comparable to the insurance from Citizens in order for the eligibility requirement for renewal premium to apply.¹³

Eligibility Based on Value of Property Insured

In addition to the eligibility restrictions based on premium amount, current law provides eligibility restrictions for homes and condominium units based on the value of the property insured.¹⁴ Structures with a dwelling replacement cost of \$700,000 or more, or a single condominium unit that has a combined dwelling and contents replacement cost of \$700,000 or more, are not eligible for coverage with Citizens.¹⁵ However, Citizens is allowed to insure structures with a dwelling replacement cost, or a condominium unit with a dwelling and contents replacement cost, of one million dollars or less in Miami-Dade and Monroe counties, after the OIR determined these counties to be non-competitive.¹⁶

Citizens “Glidepath” Rates

From 2007 until 2010, Citizens rates were frozen by statute at the level that had been established in 2006.¹⁷ In 2010, the Legislature established a “glidepath” to impose annual rate increases up to a level that is actuarially sound. Under the original established glidepath, Citizens had to implement an annual rate increase which, except for sinkhole coverage, does not exceed 10 percent above the previous year for any individual policyholder, adjusted for coverage changes and surcharges.¹⁸ In 2021, the Legislature revised this glidepath to increase it one percent per year to up to 15 percent, as follows:¹⁹

- 11 percent for 2022.
- 12 percent for 2023.
- 13 percent for 2024.
- 14 percent for 2025.
- 15 percent for 2026 and all subsequent years.

¹¹ Section 627.351(6)(c)5., F.S.

¹² Section 627.351(6)(c)5.a., F.S.

¹³ *Id.*

¹⁴ Section 627.351(6)(a)3., F.S.

¹⁵ Section 627.351(6)(a)3.d., F.S.

¹⁶ The OIR, Final Order Case No: 165625-14, Dec. 22, 2014, <https://www.flair.com/siteDocuments/Citizens165625-14-O.pdf>; See also Section 627.351(6)(a)3.d., F.S., and Citizens, *Update to Maximum Coverage Limits*, Nov. 12, 2019, <https://www.citizensfla.com/-/2019-roof-permits-acceptable-for-fbc-credits> (all sites last visited January 10, 2024).

¹⁷ Section 15, ch. 2006-12, Laws of Fla.

¹⁸ Section 10, ch. 2009-87, Laws of Fla.

¹⁹ Section 627.351(6)(n)5., F.S.

The implementation of this increase ceases when Citizens has achieved actuarially sound rates.²⁰ In addition to the overall glidepath rate increase, Citizens can increase its rates to recover the additional reimbursement premium it incurs as a result of the annual cash build-up factor added to the price of the mandatory layer of the Florida Hurricane Catastrophe Fund coverage, pursuant to s. 215.555(5)(b), F.S.²¹ The glidepath does not apply to policies written on or after November 1, 2023, that:

- Do not cover a primary residence;
- Are new policies under which the coverage for the insured risk, before the date of application with the corporation, was last provided by an insurer determined by the office to be unsound or an insurer placed in receivership under chapter 631; or
- Are subsequent renewals of those policies.²²

Citizens Financial Resources

Citizens' financial resources include insurance premiums, investment income, and operating surplus from prior years, Florida Hurricane Catastrophe Fund (FHCF) reimbursements, private reinsurance, policyholder surcharges, and regular and emergency assessments. Non-weather water losses, reinsurance costs and litigation are currently the major determinants of insurance rates.²³ In the event of a catastrophic storm or series of smaller storms, reserves could be exhausted, leaving Citizens unable to pay all claims.²⁴ Under Florida law, if the Citizens Board of Directors determines a Citizens account has a projected deficit, Citizens is authorized to levy assessments²⁵ on its policyholders and on each line of property and casualty line of business other than workers' compensation insurance and medical malpractice insurance.²⁶

Citizens Accounts

Citizens has three different accounts through which it offers property insurance: a personal lines account, a commercial lines account, and a coastal account.

The Personal Lines Account (PLA) offers personal lines residential policies that provide comprehensive, multi-peril coverage statewide, except for those areas contained in the Coastal Account. The PLA also writes policies that exclude coverage for wind in areas contained within the Coastal Account. Personal lines residential coverage consists of the types of coverage provided to homeowners, mobile home owners, dwellings, tenants, and condominium unit owner's policies.²⁷

²⁰ Section 627.351(6)(n)7., F.S.

²¹ Section 627.351(6)(n)6., F.S.

²² Section 627.351(6)(n)8., F.S.

²³ Citizens, *2023 Rate Kit*, <https://www.citizensfla.com/documents/> (last visited January 10, 2024).

²⁴ Citizens, *Insurance/Insurance 101/Assessments*, <https://www.citizensfla.com/assessments> (last visited January 10, 2024).

²⁵ Assessments are charges that Citizens and non-Citizens policyholders can be required to pay, in addition to their regular policy premiums.

²⁶ Accident and health insurance policies written under the National Flood Insurance Program or the Federal Crop Insurance Program are not assessable types of property and casualty insurance. Surplus lines insurers are not assessable, but their policyholders are. Section 627.351.(6)(b)3.f.-h., F.S.

²⁷ See s. 627.351(6)(b)2.a., F.S.; Citizens, *Account History and Characteristics*, <https://www.citizensfla.com/documents/20702/1183352/20160315+05A+Citizens+Account+History.pdf/31f51358-7105-40e9-aa75-597f51a99563> (Mar. 2016) (last visited Dec. 4, 2022).

The Commercial Lines Account (CLA) offers commercial lines residential and non-residential policies that provide basic perils coverage statewide, except for those areas contained in the Coastal Account. The CLA also writes policies that exclude coverage for wind in areas contained within the Coastal Account. Commercial lines coverage includes commercial residential policies covering condominium associations, homeowners' associations, and apartment buildings. The coverage also includes commercial non-residential policies covering business properties.²⁸

The Coastal Account offers personal residential, commercial residential, and commercial non-residential policies in coastal areas of the state. Citizens must offer policies that solely cover the peril of wind (wind only policies) and may offer multi-peril policies.²⁹

The Legislature has authorized Citizens to combine its three accounts into a single account, which will ensure that Citizens has access to all of its assets to pay loss claims. The new account is referred to as the Citizens account and will offer the various coverages and policies provided pursuant to the three account structure. The combination of the Citizens accounts into a single account will enable Citizens to have access to all of its surplus when paying claims. Under the three account structure, a deficit could occur in one of the accounts that necessitates surcharges and assessments on Citizens policyholders and policyholders in the private market even though one of the other Citizens accounts still has a surplus that could have resolved the deficit in the other account.

Citizens Assessment Authority

Under the three account structure, in the event Citizens has insufficient funds to pay claims in any account, the corporation must impose up to a policyholder surcharge of up to 15 percent of premium. Each assessment is charged to all Citizens policyholders regardless of which account their policies are written in, thus a Citizens policyholder has a possible assessment liability of 45 percent of premium on policyholders of the corporation. If a deficit in the coastal account remains after imposition of the 15 percent policyholder surcharge for that account, Citizens must impose a 2 percent regular assessment on assessable statewide premium on private market insureds. Citizens policyholders are not subject to the 2 percent regular assessment. If the maximum policyholder surcharge is imposed (and for a Coastal Account deficit, the 2 percent regular assessment is also imposed) and Citizens is still in a deficit, then it must impose an emergency assessment of up to 10% per year, per account, on assessable statewide premium on both private market insureds and Citizens insureds. The emergency assessments of up to 10 percent per account may be imposed for as many years as is necessary to resolve the Citizens deficit.³⁰

Under the single account structure, in the event Citizens has insufficient funds to pay claims, the corporation must impose a policyholder surcharge of up to 15 percent of premium on policyholders of the corporation. If the maximum policyholder surcharge is imposed and Citizens is still in a deficit, then it must impose an emergency assessment of up to 10 percent per year on assessable statewide premium on both private market insureds and Citizens insureds. The

²⁸ *Id.*

²⁹ *Id.*

³⁰ Section 627.351(6)(b)3., F.S.

emergency assessments may be imposed for as many years as is necessary to resolve the Citizens deficit.³¹

Citizens Depopulation

Florida law requires Citizens to create programs to help return Citizens policies to the private market and reduce the risk of additional assessments for all Floridians.³² In 2016, the Legislature passed requirements that Citizens, by January 1, 2017, amend its operations relating to take-out agreements.³³ As part of these updated requirements, codified under s. 627.351(6)(ii), F.S., a policy may not be taken out of Citizens unless Citizens:

- Publishes a periodic schedule of cycles during which an insurer may identify, and notify Citizens of, policies the insurer is requesting to take out;³⁴
- Maintains and makes available to the agent of record a consolidated list of all insurers requesting a take-out policy; such list must include a description of the coverage offered and the estimated premium for each take-out request; and
- Provides written notice to the policyholder and agent regarding all insurers requesting to take out the policy and the policyholder's option to accept a take-out offer or to reject all take out offers and to remain with the corporation. The notice must be in a format prescribed by the corporation and include, for each take-out offer:
 - The amount of the estimated premium;
 - A description of the coverage; and
 - A comparison of the estimated premium and coverage offered by the insurer to the estimated premium and coverage provided by the corporation.

The Citizens policyholder eligibility clearinghouse program was established by the Legislature in 2013.³⁵ Under the program, new and renewal policies for Citizens are placed into the clearinghouse where participating private insurers can review and decide to make offers of coverage before policies are placed or renewed with Citizens.³⁶ An applicant for new coverage, or an insured for renewed coverage, is not eligible for coverage from Citizens if the premium offered from an authorized insurer is at or below the eligibility threshold for new personal lines residential risks of more than 20 percent.³⁷ An applicant for coverage who was declared ineligible for coverage at renewal by Citizens in the previous 36 months must be considered a renewal under the Citizens clearinghouse statute if the authorized insurer making the offer continues to insure the applicant and increased the rate higher than allowed under s. 627.351(6)(n)5., F.S.³⁸

³¹ Section 627.351(6)(b)5., F.S.

³² Section 627.351(6)(q)3.a., F.S.

³³ Chapter 2016-229, Laws of Fla.

³⁴ Such requests from insurers must include a description of the coverage offered and an estimated premium and must be submitted to the corporation in a form and manner prescribed by the corporation.

³⁵ Section 10, ch. 2013-60, Laws of Fla.

³⁶ Section 627.3518(2)-(3), F.S.

³⁷ Section 627.3518(5), F.S.

³⁸ *Id.*

Citizens Flood Insurance Requirement

Citizens personal lines residential policyholders must secure and maintain flood insurance that meets certain requirements as a condition of eligibility for Citizens coverage.³⁹ The implementation of this requirement is based on as schedule.⁴⁰ For Citizens personal lines residential policyholders whose property is located within special hazard flood zones defined by the FEMA, flood coverage must be obtained by:

- April 1, 2023, for Citizens new policies.
- July 1, 2023, for Citizens renewal policies.

For all other risks, the requirement to obtain flood insurance must be implemented for specified Citizens policyholders as follows:

- March 1, 2024, for policies insuring a structure that has a dwelling replacement cost of \$600,000 or more.
- March 1, 2025, for policies insuring a structure that has a dwelling replacement cost of \$500,000 or more.
- March 1, 2026, for policies insuring a structure that has a dwelling replacement cost of \$400,000 or more.
- March 1, 2027, for all other policyholders.

The requirement to obtain flood insurance does not apply to policies that do not provide coverage for the peril of wind or to policies that provide coverage under a condominium unit owners form.⁴¹

III. Effect of Proposed Changes:

Expanded Citizens Eligibility for Risks Located in Certain Zip Codes

The bill revises Citizens eligibility criteria, allowing personal lines residential risks with a replacement value⁴² of at least \$700,000 but less than \$1 million to be eligible for Citizens coverage if such risks are located within zip codes for which the OIR determines there is not a reasonable degree of competition within the property insurance market. Risks made eligible pursuant to this provision will be subject to a rate standard that does not allow for decreases and limits an annual increase to 50 percent.

The bill does not affect the eligibility criteria for personal lines residential risks located in counties that the OIR has found lack a reasonable degree of competition within the property insurance market. Currently, the OIR has found that Dade County and Monroe County lack such competition. In such counties, personal lines residential risks with a replacement value of less than \$1 million may be eligible for Citizens coverage. The rates on risks located in counties that the OIR has determined lack a reasonable degree of competition are subject to the Citizens rate

³⁹ Section 627.351(6)(aa), F.S.

⁴⁰ *Id.*

⁴¹ Section 627.351(6)(aa)3., F.S.

⁴² For an insured structure the replacement cost refers to the dwelling. For an insured single condominium unit, the replacement cost is for the combined dwelling and contents.

glidepath, which limits rate increases to 13 percent on any single policy, excluding sinkhole coverage, coverage changes, and surcharges.

Take-Out Offers by Approved Surplus Lines Insurers

The bill allows surplus lines insurers meeting certain criteria and approved by the OIR to submit take-out offers on personal lines residential risks insured by Citizens, or for which Citizens has received an application for coverage, if the risk is not a primary residence. A “primary residence” is defined as a dwelling that is the policyholder’s primary home or is a rental property that is the primary home of the tenant, and which the policyholder or tenant occupies for more than 9 months of each year.

A take-out offer from an approved surplus lines insurer will only render a Citizens policyholder ineligible for Citizens the premium offered does not exceed the Citizens premium on comparable coverage by more than 20 percent; this is the standard that applies to take-out offers from authorized insurers. Only surplus lines insurers that are approved to participate by the OIR may make participate in the take-out program. To obtain approval, the surplus lines insurer apply to the OIR to participate in the take-out process, provide data to the OIR related to coverage and rates, and file rates for review with the OIR for the take-out offer. The surplus lines insurer must also meet certain criteria such as having an “A-” financial strength rating from A.M. Best and having a personal lines residential risk program that is managed by a Florida resident surplus lines broker.

The bill allows licensed surplus lines agents access to confidential and exempt claims files for the purpose of considering whether to write a risk currently insured by Citizens;

Citizens Eligibility – Flood Insurance Requirement

The bill revises the requirement that personal lines residential risks (not including condominium units) must maintain flood insurance to be eligible for Citizens coverage. The bill specifies that flood insurance must be purchased on the structure. This change has the effect of allowing such policyholders to not purchase flood coverage on contents as a condition of Citizens eligibility.

Single Account Structure

The bill makes statutory changes to facilitate the transition of Citizens Property Insurance Corporation from an organizational structure where Citizens policies are held in three different accounts (a personal lines account, commercial account, and a coastal account) to a structure where all Citizens policies are held in a single account (the Citizens account). A primary benefit of a single-account structure is that it eliminates the possibility of a Citizens account experiencing a deficit necessitating policyholder surcharges and emergency assessments while one of Citizens’ other accounts has surplus funds.

Criteria for Appointment as an Agent for Citizens

The bill provides that only licensed agents holding appointments by at least three authorized insurers that are actually writing or renewing property insurance in this state may be appointed

by Citizens as its licensed agents. Current law requires the agent to hold an appointment by only one such insurer.

Trademarks, Copyrights, and Patents

The bill authorizes Citizens, in its own name, to take the following actions:

- Secure letters of patent, copyrights, or trademarks on any work products and enforce its rights therein;
- License, lease, assign, or otherwise give written consent to any person, firm, or corporation for the manufacture or use, on a royalty basis or for other consideration;
- Take actions necessary, including legal actions, to protect patents, copyrights, and trademarks;
- Enforce the collection of sums due to Citizens for the manufacture or use by any other party;
- Sell its patents, copyrights, or trademarks; and
- Do any actions necessary and proper to execute the foregoing powers.

Bid Protest Hearings

The bill provides that the executive director of Citizens is the Agency head of Citizens for purposes of procurement bid protests under s. 287.057, F.S., and authorizes the executive director to appoint a designee to act on his or her behalf for all purposes under the that statute. The bill also deletes language prohibiting the application of the Division of Administrative Hearing's bond requirements related to Citizens bid protest hearings.

Other Provisions

The bill also:

- Revises the signed acknowledgment of potential policyholder surcharge and assessment liability that agents must obtain from an applicant for Citizens coverage for the purpose of conforming the revised surcharge and assessment liabilities associated with the reorganization of Citizens into a single account;
- Authorizes Citizens to share its claims data with the National Insurance Crime Bureau (NICB), so long as the NICB maintains the confidentiality of certain documents; and
- Makes technical and clarifying changes.

Effective Dates

The bill is effective July 1, 2024, except for Section 1 of the bill revising the flood insurance requirement for Citizens policyholders, which is effective upon becoming law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

E. Other Constitutional Issues:

None.

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

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends the following sections of the Florida Statutes: 627.351, 627.3511, and 627.3518.

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 Fiscal Policy Committee on February 27, 2024

The committee substitute:

- Provides, effective upon the bill becoming law, that the requirement that personal lines residential risks other than condominium units must maintain flood insurance to be eligible for Citizens coverage only requires flood insurance on the dwelling itself.
- Provides that personal lines residential structures and condominium units with a replacement cost of at least \$700,000 but less than \$1 million, if located in a zip code that the OIR has determined lacks a reasonable degree of competition in the property insurance market, may be eligible for Citizens coverage. The rates on these policies will not be subject to the regular Citizens rate glidepath, which this year limits rate increases to 13 percent. Instead, rates on these risks may not increase of more than 50 percent over the previous year's Citizens rate.
- Removes provisions that created a different eligibility standard for personal lines residential risks that are not primary residences upon receiving an offer of coverage from an authorized insurer or surplus lines insurer.
- Makes the following revisions to the provisions of the bill authorizing approved surplus lines insurers to develop Citizens take-out plan for personal lines risks that are not primary residences:
 - Provides that such take-out offers only make a risk ineligible for Citizens if the offer of coverage is at a rate that is not more than 20 percent greater than the rate for comparable Citizens coverage;
 - Requires that surplus lines insurers making takeout offers must have an "A-" financial strength rating from A.M. Best, must provide data to the Office of Insurance Regulation related to coverage and rates in the take-out plan; and must obtain OIR approval for the take-out plan.
 - Deletes language from the bill that would have authorized Citizens to exempt from Citizens assessments policyholders of surplus lines insurers that make take-out offers.

CS by Banking and Insurance Committee on January 29, 2024

The committee substitute:

- Limits surplus lines take-out offers on Citizens policies to personal lines residential risks that are non-primary residences;
- Eliminates language that would have allowed surplus lines take-out offers to commercial lines residential risks (such as a condominium associations);
- Removes from the bill proposed revisions to the policyholder choice provisions of s. 627.3517, F.S., related to surplus lines take-out offers; and
- Makes conforming changes to the Citizens clearinghouse statute in s. 627.3518, F.S., necessitated by the creation of new eligibility standards for personal lines risks that are not primary residences.

B. Amendments:

None.