

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 Agriculture, Environment and General Government

BILL: CS/SB 1028

INTRODUCER: Banking and Insurance Committee and Senator Gruters

SUBJECT: Citizens Property Insurance Corporation

DATE: February 3, 2026

REVISED: _____

| | ANALYST | STAFF DIRECTOR | REFERENCE | ACTION |
|----|----------------|----------------|------------|--------------------|
| 1. | <u>Knudson</u> | <u>Knudson</u> | <u>BI</u> | <u>Fav/CS</u> |
| 2. | <u>Sanders</u> | <u>Betta</u> | <u>AEG</u> | <u>Pre-Meeting</u> |
| 3. | _____ | _____ | <u>FP</u> | _____ |

Please see Section IX. for Additional Information:

COMMITTEE SUBSTITUTE - Substantial Changes

I. Summary:

CS/SB 1028 requires Citizens Property Insurance Corporation (Citizens) to establish a commercial lines clearinghouse to which every commercial residential and commercial nonresidential risk insured by Citizens or that has applied for Citizens coverage must be submitted so that approved surplus lines clearinghouse insurers may offer coverage to such risk. The commercial clearinghouse for surplus lines must be established by January 1, 2027.

Citizens must establish and maintain the operational systems and procedures necessary to implement the commercial lines clearinghouse. Citizens shall, in creating the commercial lines clearinghouse, establish criteria to determine that capabilities necessary for the commercial lines clearinghouse administrator. For facilitating offers of surplus lines coverage, such criteria must include confirmed expertise in the surplus lines market, at least five years of publicly available audited financial statements, the ability to facilitate all approved surplus lines clearinghouse insurers to participate in the commercial lines clearinghouse on terms established by the corporation, and other criteria that the corporation determines necessary. To establish the commercial clearinghouse by January 1, 2027, for offers of surplus lines insurance, Citizens may engage in single-source procurement without receiving competitive bids as allowed by s. 287.057(3)(c), F.S., for situations when commodities or services are available only from a single source. The result of the procurement will be to establish a commercial lines clearinghouse administrator to provide administrative or professional services to administer the commercial lines clearinghouse. Citizens must select a commercial lines clearinghouse administrator within 90 days of the effective date of this bill (upon becoming law).

Citizens may allow the commercial lines clearinghouse administrator to establish procedures and account clearance requirements the commercial lines clearinghouse administrator deems necessary to ensure an orderly process for offers of coverage to be provided by approved surplus lines clearinghouse insurer. The commercial lines clearinghouse administrator may charge approved surplus lines clearinghouse insurers and surplus lines agents participating in the program reasonable transaction, technology, administration, and other fees.

The bill allows “approved surplus lines clearinghouse insurers” to make offers of surplus lines coverage to current Citizens policyholders and applicants to Citizens for coverage of commercial residential and commercial nonresidential risks. An “approved surplus lines clearinghouse insurer” is defined as an eligible surplus lines insurer that has a financial strength rating of “A-” or higher and a financial size category of at least “A-VII” from A.M. Best Company and that the commercial clearinghouse administrator recommends for participation in the commercial lines clearinghouse. Such recommendation is submitted to the Office of Insurance Regulation (OIR), which has five days to verify that the surplus lines insurer meets the standards for approval.

An offer of coverage by an approved surplus lines clearinghouse insurer has no effect on the eligibility of a commercial residential or commercial nonresidential risk for Citizens coverage.

If an offer of commercial residential or commercial nonresidential coverage from an approved surplus lines clearinghouse insurer is rejected in favor of accepting new or renewed Citizens coverage, Citizens must impose a premium equalization adjustment on such policy equal to the amount by which the total cost of insurance coverage offered by the approved surplus lines clearinghouse insurer exceeds the total cost of insurance coverage from Citizens if:

- The approved surplus lines clearinghouse insurer offers coverage that has material terms and conditions that are substantially equivalent to or better than coverage from Citizens as to all aspects of such coverage, as determined by Citizens; and
- The total cost for the coverage offered by the approved surplus lines clearinghouse insurer is not more than 20 percent greater than total cost of the Citizens premium (or the Citizens renewal premium if a Citizens policyholder receives the offer at renewal). Total cost includes, but is not limited to, premiums, fees, surcharges, and applicable taxes.

If a risk receives multiple clearinghouse offers from approved surplus lines clearinghouse insurers, the offer for the lowest total cost is applied for purposes of applying requirements related to a premium equalization surcharge.

Any premium equalization adjustment is only applied for one policy term.

The bill also requires Citizens to establish by January 1, 2028, a clearinghouse to facilitate offers of coverage on commercial lines residential and commercial lines nonresidential risks by authorized insurers.

Citizens may also establish a commercial lines clearinghouse to facilitate offers of coverage on commercial risks by authorized insurers.

The bill does not have an impact on state revenues or expenditures, but will have an indeterminate impact on Citizens. *See Section V., Fiscal Impact Statement.*

The bill is effective upon becoming law.

II. Present Situation:

Regulation of Insurance in Florida

The Office of Insurance Regulation (OIR) regulates specified insurance products, insurers and other risk bearing entities in Florida.¹ As part of their regulatory oversight, the OIR may suspend or revoke an insurer's certificate of authority under certain conditions.² The OIR is responsible for examining the affairs, transactions, accounts, records, and assets of each insurer that holds a certificate of authority to transact insurance business in Florida.³ As part of the examination process, all persons being examined must make available to the OIR the accounts, records, documents, files, information, assets, and matters in their possession or control that relate to the subject of the examination.⁴ The OIR is also authorized to conduct market conduct examinations to determine compliance with applicable provisions of the Insurance Code.⁵

Insurance companies that transact insurance in Florida or that have offices located in the state are required to obtain a certificate of authority (COA) issued by the OIR pursuant to s. 624.401, F.S. These companies, referred to as authorized or admitted insurers,⁶ are broadly regulated by the OIR under the Insurance Code as to reserves, surplus as to policyholders, solvency, rates and forms, market conduct, permissible investments, and affiliate relationships.⁷ Authorized insurers are also required to participate in a variety of government mandated insurance programs and pay assessments levied by state guaranty funds in the event of insurer insolvencies.⁸

Surplus Lines Insurance

Surplus lines insurance is the market of last resort for difficult to place commercial and personal lines risks in Florida.⁹ Typically, surplus lines insurers write policies for unusual, high-risk situations that include hazardous materials transporters, commercial trucking enterprises, day care centers, older homes located in coastal areas, professional athletes, hospitals, expensive boats and cars, and medical malpractice. Surplus lines insurance is coverage provided by a

¹ Section 20.121(3)(a), F.S. The Financial Services Commission, composed of the Governor, the Attorney General, the Chief Financial Officer, and the Commissioner of Agriculture, serves as agency head of the Office of Insurance Regulation for purposes of rulemaking. Further, the Financial Services Commission appoints the commissioner of the Office of Insurance Regulation.

² Section 624.418, F.S.

³ Section 624.316(1)(a), F.S.

⁴ Section 624.318(2), F.S.

⁵ Section 624.3161, F.S.

⁶ An "authorized" or "admitted" insurer is one duly authorized by a COA to transact insurance in this state.

⁷ The Insurance Code consists of chs. 624-632, 634, 635, 636, 641, 642, 648, and 651, F.S.

⁸ For example, Florida licensed direct writers of property and casualty insurance must be members of the Florida Insurance Guaranty Association, which handles the claims of insolvent insurers under part II of ch. 631, F.S., and insurers offering workers' compensation coverage in Florida must be members of the Florida Workers' Compensation Insurance Guaranty Association, which provides payment of covered claims for insurers that are declared insolvent under part V of ch. 631, F.S.

⁹ Surplus lines insurance is insurance coverage provided by an insurer that is not licensed in Florida but is allowed to do business in the state because the particular coverage offered is not available from Florida-licensed or authorized carriers. Surplus lines insurers are governed under the Surplus Lines Law (ss. 626.913-626.937, F.S.).

company that is not licensed in Florida but is allowed to transact insurance in the state as an “eligible” insurer¹⁰ under the surplus lines law (ss. 626.913-626.937, F.S.). Under this law, insurance may only be purchased from a surplus lines carrier if the necessary amount of coverage cannot be procured from authorized insurers.¹¹

Rates charged by a surplus lines carrier must not be lower than the rate applicable and in use by the majority of the authorized insurers writing similar coverages on similar risks in Florida.¹² Likewise, a surplus lines policy contract form must not be more favorable to the insured as to the coverage or rate offered by the majority of authorized carriers.¹³ Except as specifically stated as applicable, surplus lines insurers are not subject to regulation under ch. 627, F.S., of the Florida Insurance Code, which includes, in part, provisions related to ratings standards and contracts.¹⁴ In the event of a surplus lines insurer’s insolvency, surplus lines policies are not protected under the Florida Insurance Guaranty Act. Each insured obtaining a surplus lines policy must sign or acknowledge the following disclosure:

You are agreeing to place coverage in the surplus lines market. Coverage may be available in the admitted market. Persons insured by surplus lines carriers are not protected under the Florida Insurance Guarantee Act with respect to any right of recovery for the obligation of an insolvent unlicensed insurer. Additionally, surplus lines insurers’ policy rates and forms are not approved by any Florida regulatory agency.

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.¹⁵ Citizens is not a private insurance company.¹⁶ 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).¹⁷

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.¹⁸ The Governor, President of the Senate, Speaker of the House of Representatives, and Chief Financial Officer

¹⁰ An “eligible surplus lines insurer” as defined in s. 626.914(2), F.S., is an “unauthorized insurer” which has been made eligible by the Office of Insurance Regulation to issue insurance coverage under the surplus lines law.

¹¹ Section 626.915, F.S.

¹² Section 626.916(1)(b), F.S.

¹³ Section 626.916(1)(c), F.S.

¹⁴ Section 626.913(4), F.S.

¹⁵ The term “admitted market” means insurance companies licensed to transact insurance in Florida.

¹⁶ Section 627.351(6)(a)1., F.S.

¹⁷ Section 2, ch. 2002-240, Laws of Fla.

¹⁸ Section 627.351(6)(a)2., F.S.

each appoint two members to the board.¹⁹ The Governor appoints an additional member who serves solely to advocate on behalf of the consumer.²⁰ Citizens is subject to regulation by the OIR.

Types of Property Insurance Issued by Citizens

Florida law requires Citizens to offer personal lines residential coverage, commercial lines residential coverage, and commercial lines nonresidential coverage on forms approved by the OIR.²¹ Specifically, Citizens offers the following types of property insurance:

- Standard personal lines policy forms that are comprehensive multiperil policies providing full coverage of a residential property equivalent to the coverage provided in the private insurance market under an HO-3, HO-4, or HO-6 policy.
 - HO-3: Covers a home against all perils except those specifically excluded in the policy. Also covers personal property damaged by a covered peril. Covers the home replacement cost value and personal property at actual cash value. It is the most common type of homeowner's insurance policy.²²
 - HO-4: Renter's insurance that covers the personal property of tenants damaged by a broad list perils specifically listed in the policy.²³
 - HO-6: Insurance that covers the personal property of condominium unit owners or cooperative unit owners. It also covers certain building items in which the unit owner may have an insurable interest.²⁴
- Basic personal lines policy are policies similar to an HO-8 policy or a dwelling fire policy that provide coverage meeting the requirements of the secondary mortgage market, but which is more limited than the coverage under a standard policy.
 - HO-8: Covers a home and personal property but only if damage or loss is due to perils specifically listed in the policy. Covers the home and personal property for their actual cash value. Used for homes at least 40 years old, where the cost to rebuild is greater than the home's market value.²⁵
 - Dwelling Fire: Covers dwellings, other detached structures, and contents for loss caused by perils specially named in the policy. Usually written when residential property does not qualify for homeowners insurance or when the home is not owner-occupied.²⁶
- Personal lines coverage covering manufactured homes and mobile homes.²⁷

¹⁹ Section 627.351(6)(c)4.a., F.S.

²⁰ Section 627.351(6)(c)4., F.S.

²¹ Section 627.736(c)1., F.S.

²² National Association of Insurance Commissioners, *A Shopping Tool for Homeowners Insurance*, pg. 7 (2023) https://content.naic.org/sites/default/files/committees_c_trans_read_wg_related_shopping_tool_singles.pdf (last visited Jan. 23, 2026).

²³ National Association of Insurance Commissioners, *Dwelling Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium Unit Owners Insurance Report: Data for 2022*, pg. 4 (May 2025) <https://content.naic.org/sites/default/files/publication-hmr-zu-homeowners-report.pdf> (Jan. 23, 2026).

²⁴ *See id.*

²⁵ National Association of Insurance Commissioners, *A Shopping Tool for Homeowners Insurance*, pg. 7 (2023) https://content.naic.org/sites/default/files/committees_c_trans_read_wg_related_shopping_tool_singles.pdf (last visited Jan. 23, 2026).

²⁶ Citizens Property Insurance Corporation, *Insurance 101 – Policy Types – Personal Policies*, <https://www.citizensfla.com/es/personal-policies> (last accessed Jan. 23, 2026).

²⁷ *Id.*

- Mobile Homeowners MHO-3: Covers owner-occupied manufactured homes and mobile homes. Covers the dwelling, other structures on the property, and the owner's personal property.
- Mobile Home Dwelling Fire MDP-1: Covers manufactured homes and mobile homes that are tenant occupied or otherwise do not qualify for an MHO-3 policy. Covers the dwelling and the owner's personal property.
- Mobile Home Renter's: Covers the tenant's personal property; does not cover the structure.
- Commercial lines residential and nonresidential policy forms that are generally similar to the basic perils of full coverage obtainable for such structures in the admitted voluntary market.
 - Commercial Residential: Covers commercial properties used for residential purposes. Examples include apartment buildings, the parts of condominium that are the responsibility of a condominium association (generally, the building envelope and common areas), continuing care retirement community residential buildings, and homeowners association owned common property and residential buildings.²⁸
 - Commercial Nonresidential: Covers commercial operated nonresidential property.

Citizens also offers wind-only coverage versions of their HO-3, HO-4, HO-6, and mobile homeowners coverages which are available only in certain coastal areas of the state.²⁹

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.³⁰ 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.³¹

Residential Risks - Eligibility Based on Premium Amount

An applicant for personal lines residential insurance or commercial lines 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.³² The coverage offered by the private insurer must be comparable to Citizens coverage. Similarly, a personal lines residential or commercial lines 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.³³ The insurance coverage offered

²⁸ Citizens Property Insurance Corporation, *Insurance 101 – Policy Types – Commercial Policies*, <https://www.citizensfla.com/es/commercial-policies> (last visited Jan. 23, 2026).

²⁹ See s. 627.351(2)(c) and s. 627.351(6)(c)1., F.S.

³⁰ Section 627.351(6)(c)5., F.S.

³¹ Citizens Property Insurance Corporation, *PIF Standard Summary Report for Period Ending Nov. 30, 2023 (December 6, 2023)* (on file with the Senate Committee on Banking and Insurance).

³² Section 627.351(6)(c)5., F.S.

³³ Section 627.351(6)(c)5.a., F.S.

from the private market insurer must be comparable to the insurance from Citizens in order for the eligibility requirement for renewal premium to apply.³⁴

Residential Risks - 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.³⁵ 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.³⁶ 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.³⁷

Nonresidential Risks – Eligibility Based on an Offer of Coverage

Commercial nonresidential risks cannot buy or renew insurance in Citizens upon receiving any offer of coverage from an authorized insurer.

Citizens Rates

Rates for coverage provided by Citizens must be actuarially sound pursuant to s. 627.062, F.S., and not competitive with approved rates charged in the admitted voluntary market.³⁸

Section 627.062, F.S., provides that rates may not be excessive, inadequate, or unfairly discriminatory. Citizens must file its rates with the OIR at least annually. The OIR then must consider the recommended rate made by Citizens and issue a final order establishing Citizens rates. Citizens may not pursue an administrative challenge or judicial review of the OIR order.

Citizens “Glidepath” Rates

From 2007 until 2010, Citizens rates were frozen by statute at the level that had been established in 2006.³⁹ 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.⁴⁰ In 2021, the Legislature revised this glidepath to increase it one percent per year to up to 15 percent, as follows:⁴¹

- 11 percent for 2022.

³⁴ *Id.*

³⁵ Section 627.351(6)(a)3., F.S.

³⁶ Section 627.351(6)(a)3.d., F.S.

³⁷ The OIR, Final Order Case No: 165625-14, Dec. 22, 2014, https://flair.gov/docs-sf/default-source/property-and-casualty/other-property-casualty-reports/citizens165625-14-o.pdf?sfvrsn=28d33b74_4 (last visited Jan. 23, 2026); *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> (last visited Jan. 10, 2024).

³⁸ Section 627.351(6)(n), F.S.

³⁹ Section 15, ch. 2006-12, Laws of Fla.

⁴⁰ Section 10, ch. 2009-87, Laws of Fla.

⁴¹ Section 627.351(6)(n)5., F.S.

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

The implementation of this increase ceases when Citizens has achieved actuarially sound rates.⁴² 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.⁴³ New or renewal personal lines policies that do not cover a primary residence⁴⁴ are not subject to the rate glidepath, but the rates on such policies may not be charged more than 50 percent above, nor less than, the prior year’s rate.⁴⁵

Citizens Depopulation

The number of policies written by Citizens has significantly decreased in the aftermath the legislature’s statutory changes enacted during the December 2022 Special Session and the 2023 Regular Session.⁴⁶ Citizens had 1,407,805 policies in force as of September 20, 2023.⁴⁷ Citizens’ policies in force dropped below one million (988,901) in November 2024⁴⁸, and dropped below 500,000 in November 2025 to a policy count of 437,095.⁴⁹

Citizens policies in force for commercial lines have also dropped significantly from 2023 to November 2025.

| Date | Commercial Residential Policies | Total Insured Value | Commercial Non-Residential Policies | Total Insured Value |
|------------|---------------------------------|---------------------|-------------------------------------|---------------------|
| 12/31/2023 | 7,654 | \$102.653 Billion | 5,878 | \$6.125 Billion |
| 12/31/2024 | 6,176 | \$73.550 Billion | 5,274 | \$5.683 Billion |
| 11/30/2025 | 2,995 | \$24.548 Billion | 3,417 | \$3.713 Billion |

⁴² Section 627.351(6)(n)7., F.S.

⁴³ Section 627.351(6)(n)6., F.S.

⁴⁴ Section 627.351(6)(n)9., F.S., defines “primary residence” as “the dwelling that is the policyholder’s home or is a rental property that is the primary home of the tenant, and which the policyholder or tenant occupies for more than nine months of each year.”

⁴⁵ Section 627.351(6)(n)8., F.S.

⁴⁶ The Citizens policy count fluctuated and overall, slightly increased from January 2023 (1,167,579 policies in force) through September 2024 (1,263,055 policies in force). However, beginning October 2024, the Citizens policy count began decreasing significantly, dropping from 1,263,055 policies in force as of September 30, 2024, to 437,085 policies in force as of November 30, 2025.

⁴⁷ Citizens Property Insurance Corporation, Detail by Account (September 30, 2023), <https://www.citizensfla.com/documents/20702/29445101/20230930+Detail+by+Account.pdf/5dd8e99a-ac67-d93a-9d40-f18348bf06c4?t=1706637209300> (last visited Jan. 23, 2026).

⁴⁸ Citizens Property Insurance Corporation, Detail by Product Line (November 30, 2024), <https://www.citizensfla.com/documents/20702/30188287/20241130+Detail+by+Product.pdf/4fc5426c-7390-8fab-e0dc-d6cd15857f64?t=1735247306640> (last visited Jan. 23, 2026).

⁴⁹ Citizens Property Insurance Corporation, *Detail by Product Line* (November 30, 2025), <https://www.citizensfla.com/documents/20702/30188300/20251130+Detail+by+Product+Line.pdf/0fe5d878-787a-ac35-83ad-af5fc032ca99?t=1766439961105> (last visited Jan. 23, 2026).

Citizens Depopulation – Takeout Program

The primary mechanism for the recent depopulation of Citizens personal lines risks is the Citizens take-out program. The take-out program allows authorized private market property insurers to select Citizens policies for the purpose of offering coverage. Generally, this entails offering coverage to thousands of Citizens personal lines policyholders.

Section 627.351(6)(ii), F.S., sets forth the following requirements for the Citizens take-out program:

- Citizens must publish a period schedule of cycles during which an insurer may identify, and notify the corporation of, policies that the insurer is requesting to take out.
- An insurer’s request to take out a Citizens policy must include a description of the coverage offered and an estimated premium and must be submitted to Citizens in a form and manner prescribed by the corporation.
- Citizens must maintain and make available to the agent of record a consolidated list of all insurers requesting to take out a policy. The list must include a description of the coverage offered and the estimated premium for each take-out request.
- If a policyholder receives a take-out offer from an authorized insurer on a primary residence, the risk is ineligible for Citizens if comparable coverage is offered and the premium offered is not more than 20 percent greater than the Citizens renewal premium.
- Citizens must provide written notice to the policyholder and the agent of record regarding all insurers requesting to take out the policy. The notice must disclose the estimated premium for the offered coverage, describe the coverage offered, and compare the estimated premium and coverage offered by the private market insurer to the estimated premium and coverage provided by Citizens.

Any insurer seeking to participate in the Citizens take-out program must submit a depopulation plan and additional documentation to the OIR.⁵⁰ If the OIR finds the insurer has the financial resources and business plan in place to properly pay claims, the OIR will issue a consent order indicating the number of policies the insurer may take from Citizens, the assumption date when the insurer will take over coverage, and any additional stipulations.⁵¹ In 2025, the OIR approved 35 take-out programs.⁵²

Effective July 1, 2024, surplus lines insurers meeting certain criteria and approved by the OIR may submit take-out offers on personal lines residential risks insured by Citizens, or for which Citizens has received an application for coverage, if such risks are not primary residences or do not have a valid homestead exemption under ch. 193, F.S.⁵³ A “primary residence” is defined as a dwelling that is the policyholder’s primary home or is a rental property that is the primary

⁵⁰ Office of Insurance Regulation, *Requirements for Requesting Approval to Participate in the Depopulation Program* (November 5, 2024) https://floir.gov/docs-sf/property-casualty-libraries/take-out-companies/take-out-companies-page-docs/requirements-to-participate-in-the-citizens-depopulation-program-updated.pdf?sfvrsn=7e82e876_4 (last visited Jan. 23, 2026).

⁵¹ Office of Insurance Regulation, *Take-Out Companies*, <https://floir.gov/property-casualty/take-out-companies> (last visited Jan. 23, 2026).

⁵² Office of Insurance Regulation, *Take-Out Companies, 2025 Company Approvals*, <https://floir.gov/property-casualty/take-out-companies> (last visited Jan. 23, 2026).

⁵³ See Section 1 of chapter 2004-179, Laws of Florida.

home of the tenant, and which the policyholder or tenant occupies for more than nine months of each year.⁵⁴ A take-out offer from an approved surplus lines insurer will only render a Citizens policyholder ineligible for Citizens if 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 participate in the take-out program. To obtain approval, the surplus lines insurer must 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.

Citizens Depopulation – Clearinghouse Program

The Citizens policyholder eligibility clearinghouse program was established in s. 627.3518, F.S., by the Legislature in 2013.⁵⁵ The program is designed to ensure a risk is eligible for Citizens coverage before being insured or renewed with Citizens. Under the program, new and renewal personal lines residential 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.⁵⁶ 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.⁵⁷

Section 627.3518, F.S., directs Citizens to also develop appropriate procedures for facilitating the diversion of ineligible applicants and existing policyholders for commercial residential coverage in the private insurance market.⁵⁸ Accordingly, Citizens requires the insurance agent for the commercial residential risk to demonstrate the agent presented the risk to at least one authorized insurer which either declined the risk or made an offer of coverage that does not render the risk ineligible for Citizens.⁵⁹ The reasons a private market offer would not make a risk ineligible for Citizens coverage are that because the coverage offered by the private market insurer is not comparable to the Citizens coverage as to forms and coverages that are reasonably comparable or the premium on comparable coverage is more than 20 percent higher than the Citizens premium or renewal premium for the risk.⁶⁰

⁵⁴ Section 627.351(6)(c)2.a.(III), F.S.

⁵⁵ Section 10, ch. 2013-60, Laws of Fla.

⁵⁶ Section 627.3518(2)-(3), F.S.

⁵⁷ Section 627.3518(5), F.S.

⁵⁸ Section 627.3518(2), F.S.

⁵⁹ Citizens Property Insurance Corporation, *Commercial Lines Current State and Clearinghouse*, pg. 6. (Received by the Banking and Insurance Committee on January 8, 2026) (on file with the Senate Committee on Banking and Insurance). See also, Citizens, *Clearinghouse*, <https://www.citizensfla.com/es/clearinghouse> (last visited Jan. 27, 2026).

⁶⁰ See Subparagraphs c. and d. of Section 627.351(6)(c)5., F.S.

III. Effect of Proposed Changes:

Establishment of Citizens Commercial Lines Clearinghouse

The bill requires Citizens Property Insurance Corporation (Citizens) to establish a commercial lines clearinghouse to which every commercial residential and commercial nonresidential risk insured by Citizens or that has applied for Citizens' coverage must be submitted so that approved surplus lines insurers may offer coverage for such risk. The commercial clearinghouse must be established by January 1, 2027, to facilitate offers from approved surplus lines insurers. The bill provides detailed requirements for the new commercial lines clearinghouse for surplus lines insurance offers. Citizens may also establish a commercial lines clearinghouse to facilitate offers of coverage on such risks by authorized insurers, but other than this authorization and language providing that current Citizens eligibility standards would apply to offers from authorized insurers, the bill generally does not address standards for establishing a commercial lines clearinghouse for authorized insurers.

Citizens' Rights and Responsibilities in Establishing the Clearinghouse Program.

The bill provides that in establishing a commercial lines clearinghouse, Citizens has all of the following rights and responsibilities:

Submission of Policies to the Clearinghouse - Citizens must require to be submitted to the commercial clearinghouse all new applications for commercial residential and commercial nonresidential coverage and all such policies that are due for renewal.

Adoption of Systems and Procedures - Citizens must establish and maintain the operational systems and procedures necessary to implement the commercial lines clearinghouse. Citizens may allow the commercial lines clearinghouse administrator to establish procedures and account clearance requirements the commercial lines clearinghouse administrator deems necessary to ensure an orderly process for offers of coverage to be provided by approved surplus lines clearinghouse insurers participating in the commercial lines clearinghouse and to avoid multiple offers of coverage from the same insurer for the same risk.

Procure and Contract for Services - Citizens may employ or contract for appropriate administrative or professional services in accordance with purchasing requirements in s. 627.351, F.S.

Engage in Single-Source Procurement - To establish the commercial clearinghouse by January 1, 2027, for offers of surplus lines insurance, Citizens may engage in single-source procurement without receiving competitive bids as allowed by s. 287.057(3)(c), F.S., for situations when commodities or services are available only from a single source. The result of the procurement will be to establish a commercial lines clearinghouse administrator to provide administrative or professional services to administer the commercial lines clearinghouse. Citizens must select a commercial lines clearinghouse administrator within 90 days of the effective date of this bill (upon becoming law).

Contract with Insurers - Citizens may enter into contracts with approved surplus lines clearinghouse insurers.

Funding the Clearinghouse; Fees Charged by Commercial Lines Clearinghouse Administrator – Citizens may provide funds to operate the program. Current law prohibits requiring participating agents and insurers to pay fees to offset program costs, but the bill creates an exception stating that the commercial lines clearinghouse administrator may charge approved surplus lines clearinghouse insurers and surplus lines agents participating in the program reasonable transaction, technology, administration, and other fees.

Enhanced Citizens Application - Citizens may develop an enhanced application that includes information to assist private insurers in determining whether to offer coverage through the clearinghouse.

Waiting Period Allowing Insurers to Make Clearinghouse Offers - Citizens may require that all new applications for commercial lines coverage with Citizens be subject to a period of five business days when an insurer participating in the program may select the application for coverage.

Criteria for Commercial Lines Clearinghouse Administrator - Citizens shall, in creating the commercial lines clearinghouse, establish criteria to determine that capabilities necessary for the commercial lines clearinghouse administrator. For facilitating offers of surplus lines coverage, such criteria must include confirmed expertise in the surplus lines market, at least five years of publicly available audited financial statements, the ability to facilitate all approved surplus lines clearinghouse insurers to participate in the commercial lines clearinghouse on terms established by the corporation, and other criteria that the corporation determines necessary to effectively establish, administer, and manage offers of surplus lines coverage through the commercial lines clearinghouse.

Submission of Policy Information to the Commercial Lines Clearinghouse Administrator – Citizens must submit to the commercial lines clearinghouse administrator its coverage terms and conditions, deductible structures, and its unalterable indicated total cost of insurance coverage for the subject risk before any approved surplus lines clearinghouse insurer is provided a submission for coverage pursuant to the clearinghouse program by any applicant for new coverage from the corporation or any policyholder of Citizens.

- The commercial lines clearinghouse administrator shall provide the corporation's unalterable indicated coverage terms and conditions and deductible structures but may not provide the indicated total cost of corporation insurance coverage, to the approved surplus lines clearinghouse insurers participating in the program.
- The commercial lines clearinghouse administrator shall then use the corporation's unalterable indication to determine whether any offers of coverage from approved surplus lines clearinghouse insurers satisfy specified statutory requirements.
- Citizens may not bind or otherwise communicate, indicate, or make an offer of coverage to an applicant or policyholder, or its agent, or otherwise accept coverage until five business days have elapsed from the date that it provided its unalterable indication to the commercial lines clearinghouse administrator unless the time limit is waived in writing. This validation period applies regardless of any proposed effective date, renewal date, or expiration date of the policy and may not be shortened or bypassed based on timing considerations relating to binding or renewal.

Surplus Lines Insurers that May Make Coverage Offers Through the Citizens Commercial Lines Clearinghouse

Approved Surplus Lines Clearinghouse Insurers

The bill allows “approved surplus lines clearinghouse insurers” to make offers of surplus lines coverage to current Citizens policyholders and applicants to Citizens for coverage of commercial residential and commercial nonresidential risks. An “approved surplus lines clearinghouse insurer” is defined as an eligible surplus lines insurer that has a financial strength rating of “A-“ or higher and a financial size category of at least “A-VII” from A.M. Best Company and that the commercial clearinghouse administrator recommends for participation in the commercial lines clearinghouse. Such recommendation is submitted to the Office of Insurance Regulation (OIR), which has five days to verify that the surplus lines insurer meets the standards for approval.

Duties and Powers of Insurers Participating in the Citizens Commercial Lines Clearinghouse

Approved surplus lines clearinghouse insurers have the following duties and powers regarding the Citizens commercial lines clearinghouse:

Participation Limited to the Commercial Clearinghouse - May participate in the commercial lines clearinghouse but may not participate in the personal lines clearinghouse.

Appointment of Agents –

- May appoint a surplus lines agent whose direct or indirect customer is initially underwritten and bound through the clearinghouse program.
- Must enter into a limited agency agreement with each surplus lines agent that is not appointed and whose customer is underwritten and bound through the clearinghouse program.
 - Such surplus lines agent must also enter into a limited agency or broker agreement with each producing agent whose customer is underwritten and bound through the program.
- Must enter into its standard agency agreement with each surplus lines agent whose customer is underwritten and bound through the clearinghouse program if such agent is appointed by the surplus lines insurer pursuant to s. 626.112, F.S.
 - Such surplus lines agent must also enter into a limited agency or broker agreement with each producing agent whose customer is underwritten and bound through the program.

Notice of Nonrenewal or Cancellation - Must comply with s. 626.9201, F.S., which provides requirements to surplus insurers to provide notice of nonrenewal or notice of cancellation.

Generally, surplus lines insurers must provide 45 days’ written notice of nonrenewal, 10 days’ written notice of cancellation for nonpayment of premium, 20 days’ written notice of cancellation during the first 90 days the insurance is in force if cancellation is not for nonpayment of premium.

- Section 626.9201, F.S., also prohibits surplus lines insurers from cancelling or nonrenewing a commercial residential policy damaged by a hurricane or wind loss until 90 days after repairs are complete if the hurricane or wind loss is the subject of a declaration of emergency under s. 252.56, F.S., and the subject of an OIR order. A shorter 45 day notice requirement applies if the insurer has paid policy limits, if the insured fails within 30 days to respond to

the insurer's inquiry regarding repairs, or for a material misstatement or fraud related to the claim. A 10 day notice period applies for nonpayment of premium.

Participation - May participate through their single-designated managing general agent or broker or surplus lines agent.

Agent Commissions - Must pay a total commission or equivalent compensation on gross written premium, exclusive of fees, surcharges, and taxes, to the surplus lines agent, managing general agent, or managing general underwriter placing the risk. The surplus lines agent, managing general agent, or managing general underwriter must pay the producing agent a commission that results in an effective commission percentage at least equal to the commission percentage published by Citizens and in effect on January 1, 2026, calculated in the same manner and on the same basis used by Citizens, and shall retain the remainder of the total commission or equivalent compensation. An agent may voluntarily accept a lower commission at the agent's sole discretion. An "effective commission percentage" means the commission expressed as a percentage of premium, exclusive of all fees, assessments, surcharges, and taxes

Effect of an Insurer's Offer of Coverage Through the Commercial Clearinghouse on Eligibility for and the Cost of Citizens Coverage

Offers from Approved Surplus Lines Clearinghouse Insurers

An offer of coverage by an approved surplus lines clearinghouse insurer has no effect on the eligibility of a commercial residential or commercial nonresidential risk for Citizens coverage.

If an offer of commercial residential or commercial nonresidential coverage from an approved surplus lines clearinghouse insurer that is rejected in favor of accepting new or renewed Citizens coverage, Citizens must impose a premium equalization adjustment on such policy equal to the amount by which the total cost of insurance coverage offered by the approved surplus lines clearinghouse insurer exceeds the total cost of insurance coverage from Citizens if:

- The approved surplus lines clearinghouse insurer offers coverage that has material terms and conditions that are substantially equivalent to or better than coverage from Citizens as to all aspects of such coverage, as determined by Citizens; and
- The total cost for the coverage offered by the approved surplus lines clearinghouse insurer is not more than 20 percent greater than total cost of the Citizens premium (or the Citizens renewal premium if a Citizens policyholder receives the offer at renewal). Total cost includes, but is not limited to, premiums, fees, surcharges, and applicable taxes.

If a risk receives multiple clearinghouse offers from approved surplus lines clearinghouse insurers, the offer for the lowest total cost is applied for purposes of applying requirements related to a premium equalization surcharge.

Any premium equalization adjustment is only applied for one policy term.

The bill does not address or change current law under which any offer of coverage by an authorized insurer renders a commercial nonresidential risk ineligible for Citizens.

Offers from Authorized Insurers

An offer of coverage by an authorized insurer to provide commercial residential coverage renders the risk ineligible for Citizens if:

- The authorized insurer offers coverage that is comparable to coverage provided by Citizens; and
- The premium for the coverage offered by the authorized insurer is not more than 20 greater than the Citizens premium (or the Citizens renewal premium if a Citizens policyholder receives the offer at renewal).

Citizens premiums on a risk are not affected by clearinghouse offers from authorized insurers.

Independent Agents

The bill provides that contracts between an independent agent and Citizens, any insurer, or any surplus lines agent do not amend, modify, interfere with, or limit the independent agent's rights of ownership of specified records and information directly related to applications or renewals written through the program or an insurer participating in the program.

The bill specifies that an independent agent may enter into agreements with a surplus lines agent.

Effective Date

The bill 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:

The bill will facilitate the diversion of commercial residential and commercial nonresidential risks from Citizens Property Insurance Corporation (Citizens) and into the surplus lines insurance market. Those offers may result in lower premium offers or more expansive coverage from approved surplus lines clearinghouse insurers. The cost of such insurance from Citizens will increase if an offer of coverage results in the application or a premium equalization adjustment.

C. Government Sector Impact:

The bill has no impact on state revenues or expenditures. Citizens will incur costs related to contracting with an administrator to implement and maintain the clearinghouse for commercial residential and commercial nonresidential risks. The bill implies, but does not directly require, that the commercial lines clearinghouse for surplus lines will be funded through fees charged by the commercial lines clearinghouse administrator to surplus lines agents and surplus lines insurers.

To the extent that commercial lines policies are diverted from Citizens by the clearinghouse established by the bill, Citizens will insure less risk and correspondingly will also collect less premium.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends the following sections of the Florida Statutes: 627.351 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 Banking and Insurance on January 13, 2026:**

The committee substitute:

- Requires that approved surplus lines clearinghouse insurers must both have an A.M. Best financial strength rating of at least A- (excellent) and be in the A.M. Best financial size category of VII (capital and surplus of at least \$50 million) and eligible under the Florida Surplus Lines law.
- Provides that approved surplus lines clearinghouse insurers must be recommended by the commercial clearinghouse administrator and approved by the Office of Insurance Regulation (OIR).
- Specifies that Citizens Property Insurance Corporation (Citizens) will contract with a clearinghouse administrator to establish and maintain the commercial clearinghouse for surplus lines. Citizens must select the clearinghouse administrator within 90 days after the bill becomes law.
- Clarifies the timeframes and procedures for submission of commercial risks to the commercial lines clearinghouse for surplus lines.
- Provides that the commercial lines clearinghouse administrator may charge approved surplus lines clearinghouse insurers and surplus lines agents participating in the program reasonable transaction, technology, administration, and other similar fees.
- Requires the surplus lines agent, managing general agent, or managing general underwriter must pay the producing agent a commission that results in an effective commission percentage at least equal to the Citizens commission percentage in effect on January 1, 2026.
- Provides that if a policyholder or applicant turns down an offer of coverage from the surplus lines insurer with material terms and conditions that are equivalent to or better than the Citizens policy for a rate that is not more than 20 percent more than the Citizens rate, the policyholder will have to pay a policy equalization surcharge on the Citizens policy.
- Provides that Citizens may, rather than must, establish a commercial lines clearinghouse for authorized insurers.

B. Amendments:

None.