

A bill to be entitled

An act relating to property insurance; amending s. 627.351, F.S.; providing an exemption from the restriction on obtaining coverage from Citizens Property Insurance Corporation for major structures under certain conditions; requiring the corporation to submit to the Office of Insurance Regulation any alternate study relating to windstorm mitigation discounts; requiring the corporation to include discounts in a rate filing under certain conditions; amending s. 627.711, F.S.; authorizing the Financial Services Commission to adopt an addendum to the mitigation verification form under certain conditions; providing an effective date.

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

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

627.351 Insurance risk apportionment plans.—

(6) CITIZENS PROPERTY INSURANCE CORPORATION.—

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

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

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

53 | Because it is essential for this government entity to have the
54 | maximum financial resources to pay claims following a
55 | catastrophic hurricane, it is the intent of the Legislature that
56 | the corporation continue to be an integral part of the state and
57 | that the income of the corporation be exempt from federal income
58 | taxation and that interest on the debt obligations issued by the
59 | corporation be exempt from federal income taxation.

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

79 association, apartment building, and similar policies.

80 3. With respect to coverage for personal lines residential
81 structures:

82 a. Effective January 1, 2014, a structure that has a
83 dwelling replacement cost of \$1 million or more, or a single
84 condominium unit that has a combined dwelling and contents
85 replacement cost of \$1 million or more is not eligible for
86 coverage by the corporation. Such dwellings insured by the
87 corporation on December 31, 2013, may continue to be covered by
88 the corporation until the end of the policy term. The office
89 shall approve the method used by the corporation for valuing the
90 dwelling replacement cost for the purposes of this subparagraph.
91 If a policyholder is insured by the corporation before being
92 determined to be ineligible pursuant to this subparagraph and
93 such policyholder files a lawsuit challenging the determination,
94 the policyholder may remain insured by the corporation until the
95 conclusion of the litigation.

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

103 c. Effective January 1, 2016, a structure that has a
104 dwelling replacement cost of \$800,000 or more, or a single

105 condominium unit that has a combined dwelling and contents
106 replacement cost of \$800,000 or more, is not eligible for
107 coverage by the corporation. Such dwellings insured by the
108 corporation on December 31, 2015, may continue to be covered by
109 the corporation until the end of the policy term.

110 d. Effective January 1, 2017, a structure that has a
111 dwelling replacement cost of \$700,000 or more, or a single
112 condominium unit that has a combined dwelling and contents
113 replacement cost of \$700,000 or more, is not eligible for
114 coverage by the corporation. Such dwellings insured by the
115 corporation on December 31, 2016, may continue to be covered by
116 the corporation until the end of the policy term.

117

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

125 4. It is the intent of the Legislature that policyholders,
126 applicants, and agents of the corporation receive service and
127 treatment of the highest possible level but never less than that
128 generally provided in the voluntary market. It is also intended
129 that the corporation be held to service standards no less than
130 those applied to insurers in the voluntary market by the office

131 with respect to responsiveness, timeliness, customer courtesy,
132 and overall dealings with policyholders, applicants, or agents
133 of the corporation.

134 5.a. Effective January 1, 2009, a personal lines
135 residential structure that is located in the "wind-borne debris
136 region," as defined in s. 1609.2, International Building Code
137 (2006), and that has an insured value on the structure of
138 \$750,000 or more is not eligible for coverage by the corporation
139 unless the structure has opening protections as required under
140 the Florida Building Code for a newly constructed residential
141 structure in that area. A residential structure is deemed to
142 comply with this sub-subparagraph ~~subparagraph~~ if it has
143 shutters or opening protections on all openings and if such
144 opening protections complied with the Florida Building Code at
145 the time they were installed.

146 b. Any major structure as defined in s. 161.54(6) (a) for
147 which a permit is applied on or after July 1, 2014, for new
148 construction or substantial improvement as defined in s.
149 161.54(12) is not eligible for coverage by the corporation if
150 the structure is seaward of the coastal construction control
151 line established pursuant to s. 161.053 or is within the Coastal
152 Barrier Resources System as designated by 16 U.S.C. ss. 3501-
153 3510. This sub-subparagraph does not apply to a substantial
154 improvement of a major structure located in a county where the
155 office determines that the corporation issues 75 percent or more
156 of the total number of policies insured for each line of

157 | personal residential, commercial residential, and commercial
158 | nonresidential property insurance.

159 | (n)1. Rates for coverage provided by the corporation must
160 | be actuarially sound and subject to s. 627.062, except as
161 | otherwise provided in this paragraph. The corporation shall file
162 | its recommended rates with the office at least annually. The
163 | corporation shall provide any additional information regarding
164 | the rates which the office requires. The office shall consider
165 | the recommendations of the board and issue a final order
166 | establishing the rates for the corporation within 45 days after
167 | the recommended rates are filed. The corporation may not pursue
168 | an administrative challenge or judicial review of the final
169 | order of the office.

170 | 2. In addition to the rates otherwise determined pursuant
171 | to this paragraph, the corporation shall impose and collect an
172 | amount equal to the premium tax provided in s. 624.509 to
173 | augment the financial resources of the corporation.

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

181 | 4. The rate filings for the corporation which were
182 | approved by the office and took effect January 1, 2007, are

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

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

197 6. Beginning on or after January 1, 2010, and
198 notwithstanding the board's recommended rates and the office's
199 final order regarding the corporation's filed rates under
200 subparagraph 1., the corporation shall annually implement a rate
201 increase which, except for sinkhole coverage, does not exceed 10
202 percent for any single policy issued by the corporation,
203 excluding coverage changes and surcharges.

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

207 8. The corporation's implementation of rates as prescribed
208 in subparagraph 6. shall cease for any line of business written

209 by the corporation upon the corporation's implementation of
210 actuarially sound rates. Thereafter, the corporation shall
211 annually make a recommended actuarially sound rate filing for
212 each commercial and personal line of business the corporation
213 writes.

214 9. The corporation must submit any alternate study
215 relating to windstorm mitigation discounts to the office. Upon
216 the office's approval of the alternate study, the corporation
217 must include any discounts identified in the study in the next
218 filing of its recommended rates.

219 Section 2. Paragraph (a) of subsection (2) of section
220 627.711, Florida Statutes, is amended to read:

221 627.711 Notice of premium discounts for hurricane loss
222 mitigation; uniform mitigation verification inspection form.—

223 (2) (a) The Financial Services Commission shall develop by
224 rule a uniform mitigation verification inspection form that
225 shall be used by all insurers when submitted by policyholders
226 for the purpose of factoring discounts for wind insurance. The
227 commission may develop an addendum to the form for use in a
228 county that has adopted a building code that is more stringent
229 than the building code or codes recognized by the form. In
230 developing the form, the commission shall seek input from
231 insurance, construction, and building code representatives.
232 Further, the commission shall provide guidance as to the length
233 of time the inspection results are valid. An insurer shall
234 accept as valid a uniform mitigation verification form signed by

235 the following authorized mitigation inspectors:

- 236 1. A home inspector licensed under s. 468.8314 who has
237 completed at least 3 hours of hurricane mitigation training
238 approved by the Construction Industry Licensing Board which
239 includes hurricane mitigation techniques and compliance with the
240 uniform mitigation verification form and completion of a
241 proficiency exam;
- 242 2. A building code inspector certified under s. 468.607;
- 243 3. A general, building, or residential contractor licensed
244 under s. 489.111;
- 245 4. A professional engineer licensed under s. 471.015;
- 246 5. A professional architect licensed under s. 481.213; or
- 247 6. Any other individual or entity recognized by the
248 insurer as possessing the necessary qualifications to properly
249 complete a uniform mitigation verification form.

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