

Draft Bill on Hurricane Preparedness and Property Insurance (24-557B-07)
Senate Banking and Insurance Committee Workshop (1/9/07)

Summary

Florida Hurricane Catastrophe Fund (FHCF)

1. Offers insurers additional FHCF coverage of up to \$3 billion below the industry retention of \$6 billion (est.) for 2007 and 2008. Requires a rate filing to reflect any savings. (pp.17-22, 27)
2. Offers insurers additional FHCF coverage of up to \$3 billion above the maximum FHCF coverage of \$16 billion (est.) for 2007 and 2008. Requires a rate filing to reflect any savings. (pp. 23-27)
3. Authorizes the State Board of Administration to purchase capital market instruments to cover FHCF obligations (similar to current authority to purchase reinsurance). (p. 17)
4. Revises the FHCF contract date from June 1 to April 1, beginning in 2008. (p. 16)

Citizens Property Insurance Corporation (“Citizens”)

5. Deletes the requirement that Citizens charge rates sufficient to purchase reinsurance to cover specified levels of probable maximum loss for each of its three accounts. (pp. 114-115)
6. Deletes the requirement that rates for Citizens be non-competitive and no lower than the top 20 insurers. (Retains the requirement that a property is ineligible for coverage if an offer of coverage is received from an authorized insurer at approved rates.) (pp.114-118)
7. Requires that rates be actuarially sound and subject to the rate standards of s. 627.062, F.S., that apply to property insurers, generally. (p. 113)
8. Rescinds the approved rate filing that took effect January 1, 2007. Requires Citizens to provide refunds to persons who have paid this rate. Freezes rates at Dec. 31, 2006 level for remainder of 2007. Requires new (actuarially sound) rate filing, effective January 1, 2008. (p. 119)
9. Requires the Office of Insurance Regulation (OIR) to annually establish Citizens’ rates within 45 days after Citizens files recommended rates. (pp.113-114)
10. Deletes the provision that makes nonhomestead policyholders ineligible for coverage in Citizens effective March 1, 2007, unless coverage is rejected by at least three surplus lines insurers (unregulated rates and forms) and one authorized insurer. (P. 83)
11. Delays until 2008, the requirement that Citizens impose up to a 10% of premium assessment on all nonhomestead policyholders if a deficit occurs. (p. 93)

12. Delays until 2008, the requirement that Citizens impose a 10% renewal surcharge on all Citizens policyholders (including nonhomestead) after a deficit, if the first 10% surcharge on nonhomestead policyholders is not sufficient. (p. 93)
13. Authorizes Citizens to write multi-peril policies (as well as wind-only policies) in the areas eligible for coverage in the High Risk Account. (p. 85-86)
14. Authorizes Citizens to provide commercial (business) coverage statewide and requires OIR to order the transition of commercial coverage from the Property and Casualty Joint Underwriting Association to Citizens. (pp. 85, 94, 141)
15. Expands the assessment base of Citizens (currently, property insurance) to be the same as the Florida Hurricane Catastrophe Fund (property and casualty insurance, including auto insurance, medical malpractice, etc., but not workers' compensation or accident and health). (p. 92)

Florida Building Code

16. Eliminates the "Panhandle exemption" by requiring the Florida Building Commission to adopt the wind resistance requirements of the International Building Code, without exception. Allows amendments or modifications that enhance, but do not diminish, these requirements. Requires local jurisdictions to immediately enforce these requirements pending adoption by the Commission. (pp. 32-51)
17. Deletes the internal pressurization option (which allows for stronger roof to wall strength, etc., as an option to shutters/opening protections) for buildings in the 120 mph+ wind zone. (Sec. 12, p. 50)
18. Applies internal pressurization requirements for homes in areas where the applicable design wind speed is less than 120 mph. (Sec. 13, p. 50)
19. Requires the Florida Building Commission to develop voluntary "Code-Plus" guidelines for increasing the hurricane resistance of buildings, modeled on the Miami-Dade building code. (Sec. 13, p. 51)

Coverage Exclusions; Deductibles

20. Requires insurers to offer policyholders the option to exclude windstorm coverage, subject to signed rejection by all named policyholders on a form approved by OIR with specified disclosures. Eliminates maximum allowable deductibles (but retains requirement for insurers to offer 2%, 5%, and 10% deductibles). (pp. 141-142, 148-149)
21. Requires insurers to offer policyholders the option to exclude coverage for contents, subject to signed rejection by all named policyholders on a form approved by OIR with specified disclosures. (p. 148-149)

22. Requires insurers to offer a deductible equal to 50% of the policyholder's equity. (p. 143-144)

Insurance Rating Law; Consumer Advocate

23. Repeals allowance for insurers to submit a rate filing disapproved by OIR to an arbitration panel for final resolution.

24. Requires a senior officer of an insurer and the chief actuary to sign a sworn statement, under oath, that the information in the rate filing is accurate and consistent with sound actuarial principles.

25. Deletes provision that places burden on OIR to establish that a rate filing is excessive for a home valued at \$1 million or more.

26. Transfers the Insurance Consumer Advocate from the Department of Financial Services to the (legislative) Office of the Public Counsel. (pp. 10, 27-32, 51-52,

Self-Insurance Funds; Bonding Authority

27. Authorizes specified types of hospitals to form self-insurance funds for property insurance including authority to borrow and for issuance and sale of bonds. (pp. 14-16, 54-56)

28. Clarifies authority of local governments to form self-insurance funds for property insurance. (Sec. 16, p. 53) Authorize governmental entities or their self-insurance fund to issue bonds to cover property losses. (pp. 10-12)

29. Broadens current authority of condominium associations to form a self-insurance fund by including other homeowner associations and eliminating requirement that group be formed for purposes other than insurance. (Sec. 15, pp. 52-53)

Reinsurance

30. Authorizes OIR to waive or lower the deposit requirement for reinsurers licensed in other countries, based on criteria related to the financial strength of the insurer and the quality of the regulatory jurisdiction. (pp. 56-64)

Windstorm Mitigation Study Commission

31. Establishes a study commission to report by March 31, 2007 regarding recommendations for windstorm mitigation funding and mitigation premium credits. (pp. 150-152)

Sinkhole Coverage

32. Limits required sinkhole coverage to damage that renders at least five percent of the square footage uninhabitable. (p. 147)

Hurricane Claims Data

33. Authorizes OIR to require property insurers to report additional data on hurricane claims and underwriting. (pp. 149-150)