

1                   A bill to be entitled  
2           An act relating to property insurance; creating s.  
3           489.1285, F.S.; specifying certain consumer protection  
4           measures relating to roofing construction to be in effect  
5           following certain executive orders; specifying certain  
6           requirements to be complied with relating to roof repair  
7           or reroofing; amending s. 627.062, F.S.; limiting an  
8           insurer's recoupment of reimbursement premium; providing  
9           limitations; amending s. 627.0628, F.S.; limiting use of  
10          certain methodologies in determining hurricane loss  
11          factors for reimbursement premium rates in certain rate  
12          filings; creating s. 627.06281, F.S.; requiring certain  
13          insurers and organizations to develop, maintain, and  
14          update a public hurricane loss projection model; providing  
15          reporting requirements for insurers; protecting trade  
16          secret information; amending s. 627.0629, F.S.; tightening  
17          a limitation on rate filings based on computer models  
18          under certain circumstances; amending s. 627.351, F.S.;  
19          providing additional legislative intent relating to the  
20          Citizens Property Insurance Corporation; specifying a  
21          limitation on dwelling limits for personal lines policies;  
22          requiring the corporation to offer wind-only policies in  
23          certain areas for new personal residential risks;  
24          providing requirements and limitations; authorizes the  
25          corporation to issue bonds and incur indebtedness for  
26          certain purposes; requiring creation of a Market  
27          Accountability Advisory Committee to assist the  
28          corporation for certain purposes; providing for

29 | appointment of committee members; providing for terms;  
30 | requiring reports to the corporation; revising  
31 | requirements for the plan of operation of the corporation;  
32 | requiring a plan for removing personal lines policies from  
33 | coverage by the corporation which includes the development  
34 | and implementation of a take-out bonus strategy; deleting  
35 | limitations on certain personal lines residential wind-  
36 | only policies; deleting an obsolete reporting requirement;  
37 | specifying nonapplication of certain policy requirements  
38 | in counties lacking reasonable degrees of competition for  
39 | certain policies under certain circumstances; requiring  
40 | the commission to adopt rules; deleting an obsolete rate  
41 | methodology panel reporting requirement provision;  
42 | requiring the corporation to require the securing of flood  
43 | insurance as a condition of coverage under certain  
44 | circumstances; providing requirements and limitations;  
45 | amending s. 627.411, F.S.; revising grounds for office  
46 | disapproval of certain forms; amending s. 627.7011, F.S.;  
47 | specifying payment requirements for insurers for covered  
48 | losses to a dwelling; limiting payment to actual cost to  
49 | repair or replace the dwelling; amending s. 627.7011,  
50 | F.S.; requiring insurers to offer coverage for additional  
51 | costs of repair due to laws and ordinances; requiring  
52 | certain homeowner's insurance policies to contain a  
53 | specified statement; providing intent; amending s.  
54 | 627.7015, F.S.; revising purpose and scope provisions  
55 | relating to an alternative procedure for resolution of  
56 | disputed property insurance claims; providing an

57 additional criterion for excusing an insured from being  
58 required to submit to certain loss appraisal processes;  
59 amending s. 627.702, F.S.; specifying intent; providing  
60 nonapplication of certain insurer liability requirements  
61 under certain circumstances; limiting an insurer's  
62 liability to certain loss covered by a covered peril;  
63 providing legislative intent relating to application;  
64 amending s. 627.706, F.S.; revising definitions relating  
65 to sinkholes; providing additional definitions; creating  
66 s. 627.7065, F.S.; providing legislative findings;  
67 requiring the Department of Financial Services and the  
68 Office of the Insurance Consumer Advocate to consult with  
69 the Florida Geological Survey and the Department of  
70 Environmental Protection to implement a statewide  
71 automated database of sinkholes and related activity;  
72 providing requirements for the form and content of the  
73 database; authorizing the Department of Financial Services  
74 to require insurers to provide certain information;  
75 providing for management of the database; requiring the  
76 department to investigate sinkhole activity reports and  
77 include findings and investigations in the database;  
78 requiring the Department of Environmental Protection to  
79 report on the database to the Governor, Legislature, and  
80 Chief Financial Officer; authorizing the Department of  
81 Financial Services to adopt implementing rules; amending  
82 s. 627.707, F.S.; revising standards for investigations of  
83 sinkhole claims by insurers; requiring an insurer to  
84 engage an engineer and professional geologist for certain

85 | purposes; requiring a report under certain circumstances;  
86 | requiring an insurer to provide written notice to a  
87 | policyholder disclosing certain information; authorizing  
88 | an insurer to deny a claim under certain circumstances;  
89 | authorizing a policyholder to demand certain testing;  
90 | providing requirements; specifying required activities for  
91 | insurers if a sinkhole loss is verified; specifying  
92 | payment requirements for insurers; providing limitations;  
93 | requiring the insurer to pay fees of the engineer and  
94 | geologist; authorizing an insurer to engage a structural  
95 | engineer for certain purposes; creating s. 627.7072, F.S.;  
96 | specifying requirements for sinkhole testing by engineers  
97 | and geologists; creating s. 627.7073, F.S.; providing  
98 | reporting requirements for engineers and geologists after  
99 | testing for sinkholes; specifying a presumption of  
100 | correctness of certain findings; requiring an insurer  
101 | paying a sinkhole loss claim to file a report and  
102 | certification with the county property appraiser;  
103 | requiring the property appraiser to record the report and  
104 | certification; requiring the insurer to bear the cost of  
105 | filing and recording; requiring a seller of certain  
106 | property to make certain disclosures to property buyers  
107 | under certain circumstances; requiring the Auditor General  
108 | to perform an operational audit of the Citizens Property  
109 | Insurance Corporation; specifying audit requirements;  
110 | requiring a report; requiring the board of governors of  
111 | the Citizens Property Insurance Corporation to submit a  
112 | report to the Legislature relating to property and

113 | casualty insurance; specifying report requirements;  
 114 | requiring insurers to review and acknowledge receipt of  
 115 | certain communications relating to claims; providing an  
 116 | exception; providing a definition; providing for  
 117 | nonapplication to certain claimants; providing procedures  
 118 | and requirements relating to such acknowledgements;  
 119 | requiring an insurer to conduct certain investigations  
 120 | under certain circumstances; providing for contingent  
 121 | effect; requiring the Office of Insurance Regulation to  
 122 | submit a report to the Legislature relating to residential  
 123 | property insurance; providing report requirements;  
 124 | providing effective dates.

125 |

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

127 |

128 | Section 1. Section 489.1285, Florida Statutes, is created  
 129 | to read:

130 | 489.1285 Consumer protections; contract limitations.--  
 131 | Subsequent to the issuance of an executive order by the Office  
 132 | of the Governor declaring the existence of a state of emergency  
 133 | as a result and consequence of a serious threat posed to the  
 134 | public health, safety, and property in this state, in which  
 135 | damage to property has occurred and for which property insurance  
 136 | claims have been filed, the following consumer protection  
 137 | measures shall be in effect:

138 | (1) A contract for the repair or reroofing of a  
 139 | residential structure that has been agreed to in writing by the  
 140 | parties to the contract shall be a valid and binding agreement.

141 A roofing contractor licensed pursuant to this chapter who is a  
142 party to a contract for the repair or reroofing of a residential  
143 structure shall be bound by the qualifications for licensure and  
144 the job scope specified in this chapter for a roofing contractor  
145 to provide timely and professional services.

146 (2) If a contract is agreed to for the repair of a roof or  
147 reroofing of a residential structure, which repair is necessary  
148 as a result of damage caused by an emergency situation  
149 designated by executive order, the damages must be confirmed by  
150 a third party who is independent from the parties to the  
151 contract that the damages are a direct result of a designated  
152 emergency situation. Third-party confirmation must be attested  
153 to by an insurance adjuster, emergency management personnel,  
154 local building official, or other similar authority.

155 (3) (a) A contract for services shall not be valid after 60  
156 calendar days after the date the contract agreement was signed  
157 by the parties to the contract. The contract may not provide for  
158 an automatic extension of time for the provisions of the  
159 contract. After the 60 days have expired, the contract shall be  
160 null and void by operation of law.

161 (b) Within 10 calendar days after the period of time for  
162 expiration of the contract, the parties to the contract may  
163 agree in writing, as a separate contract to the original  
164 contract, to an additional period of 60 calendar days beyond the  
165 time period specified in the original contract to complete the  
166 roofing services. If the performance of services under the  
167 contract by the roofing contractor have not been completed, the  
168 contract shall be null and void with no further responsibilities

169 or duties on the part of the parties to the contract except as  
170 provided in this paragraph and subsection (4).

171 (c) The subsequent contract may be extended beyond the  
172 additional 60 days pursuant to a written agreement between the  
173 parties and signed as an addendum or supplement to the contract.  
174 The delay or extension of services may only be agreed to if the  
175 delay in providing the contractual services is due to the  
176 unavailability, beyond the control of the roofing contractor, of  
177 roofing materials necessary for the completion of the repair or  
178 reroofing of the residence. The contracted price of the services  
179 may not be changed from the agreed to cost specified in the  
180 subsequent contract.

181 (4) Subsequent to the expiration of the contract or  
182 contracts specified in subsection (3), the contractor shall  
183 refund and pay in full, upon demand, any and all remuneration  
184 received in the form of a prepayment, up-front fee, deposit, or  
185 other consideration already paid to the contractor.

186 (5) The provisions of this section apply to registered, as  
187 well as certified, roofing contractors.

188 Section 2. Subsection (5) of section 627.062, Florida  
189 Statutes, is amended to read:

190 627.062 Rate standards.--

191 (5) With respect to a rate filing involving coverage of  
192 the type for which the insurer is required to pay a  
193 reimbursement premium to the Florida Hurricane Catastrophe Fund,  
194 the insurer may fully recoup in its property insurance premiums  
195 any reimbursement premiums paid to the Florida Hurricane  
196 Catastrophe Fund, together with reasonable costs of other

197 | reinsurance, but may not recoup reinsurance costs that duplicate  
 198 | coverage provided by the Florida Hurricane Catastrophe Fund. An  
 199 | insurer may not recoup more than one year of reimbursement  
 200 | premium at a time. Any under-recoupment from the prior year may  
 201 | be added to the following year's reimbursement premium and any  
 202 | over-recoupment shall be subtracted from the following year's  
 203 | reimbursement premium.

204 |       Section 3. Paragraph (c) of subsection (1) and paragraph  
 205 | (c) of subsection (3) of section 627.0628, Florida Statutes, are  
 206 | amended to read:

207 |       627.0628 Florida Commission on Hurricane Loss Projection  
 208 | Methodology.--

209 |       (1) LEGISLATIVE FINDINGS AND INTENT.--

210 |       (c) It is the intent of the Legislature to create the  
 211 | Florida Commission on Hurricane Loss Projection Methodology as a  
 212 | panel of experts to provide the most actuarially sophisticated  
 213 | guidelines and standards for projection of hurricane losses  
 214 | possible, given the current state of actuarial science. It is  
 215 | the further intent of the Legislature that such standards and  
 216 | guidelines must be used by the State Board of Administration in  
 217 | developing reimbursement premium rates for the Florida Hurricane  
 218 | Catastrophe Fund, and, subject to paragraph (3)(c), may be used  
 219 | by insurers in rate filings under s. 627.062 unless the way in  
 220 | which such standards and guidelines were applied by the insurer  
 221 | was erroneous, as shown by a preponderance of the evidence.

222 |       (3) ADOPTION AND EFFECT OF STANDARDS AND GUIDELINES.--

223 |       (c) With respect to a rate filing under s. 627.062, an  
 224 | insurer may employ actuarial methods, principles, standards,



225 models, or output ranges found by the commission to be accurate  
 226 or reliable to determine hurricane loss factors for use in a  
 227 rate filing under s. 627.062. ~~Such, which~~ findings and factors  
 228 are admissible and relevant in consideration of a rate filing by  
 229 the office or in any arbitration or administrative or judicial  
 230 review only if the office and the consumer advocate appointed  
 231 pursuant to s. 627.0613 have access to all of the assumptions  
 232 and factors that were used in developing the actuarial methods,  
 233 principles, standards, models, or output ranges and are not  
 234 precluded from disclosing such information in a rate proceeding.

235 Section 4. Section 627.06281, Florida Statutes, is created  
 236 to read:

237 627.06281 Public hurricane loss projection model;  
 238 reporting of data by insurers.--Within 30 days after a written  
 239 request for loss data and associated exposure data by the office  
 240 or a type I center within the State University System  
 241 established to study mitigation, residential property insurers  
 242 and licensed rating and advisory organizations that compile  
 243 residential property insurance loss data shall provide loss data  
 244 and associated exposure data for residential property insurance  
 245 policies to the office or to a type I center within the State  
 246 University System established to study mitigation, as directed  
 247 by the office, for the purposes of developing, maintaining, and  
 248 updating a public model for hurricane loss projections. The loss  
 249 data and associated exposure data provided shall be in writing.  
 250 Any loss data and associated exposure data provided pursuant to  
 251 this section that constitutes a trade secret as defined in s.

252 812.081, and as provided in s. 815.04(3), shall be subject to  
 253 the provisions of s. 815.045.

254 Section 5. Subsection (7) of section 627.0629, Florida  
 255 Statutes, is amended to read:

256 627.0629 Residential property insurance; rate filings.--

257 (7) Any rate filing that is based in whole or part on data  
 258 from a computer model may not exceed 15 ~~25~~ percent unless there  
 259 is a public hearing.

260 Section 6. Paragraphs (a), (c), (d), and (q) of subsection  
 261 (6) of section 627.351, Florida Statutes, are amended to read:

262 627.351 Insurance risk apportionment plans.--

263 (6) CITIZENS PROPERTY INSURANCE CORPORATION.--

264 (a)1. The Legislature finds that actual and threatened  
 265 catastrophic losses to property in this state from hurricanes  
 266 have caused insurers to be unwilling or unable to provide  
 267 property insurance coverage to the extent sought and needed. It  
 268 is in the public interest and a public purpose to assist in  
 269 assuring that property in the state is insured so as to  
 270 facilitate the remediation, reconstruction, and replacement of  
 271 damaged or destroyed property in order to reduce or avoid the  
 272 negative effects otherwise resulting to the public health,  
 273 safety, and welfare; to the economy of the state; and to the  
 274 revenues of the state and local governments needed to provide  
 275 for the public welfare. It is necessary, therefore, to provide  
 276 property insurance to applicants who are in good faith entitled  
 277 to procure insurance through the voluntary market but are unable  
 278 to do so. The Legislature intends by this subsection that  
 279 property insurance be provided and that it continues, as long as

280 necessary, through an entity organized to achieve efficiencies  
281 and economies, while providing service to policyholders,  
282 applicants, and agents that is no less than the quality  
283 generally provided in the voluntary market, all toward the  
284 achievement of the foregoing public purposes. Because it is  
285 essential for the corporation to have the maximum financial  
286 resources to pay claims following a catastrophic hurricane, it  
287 is the intent of the Legislature that the income of the  
288 corporation be exempt from federal income taxation and that  
289 interest on the debt obligations issued by the corporation be  
290 exempt from federal income taxation.

291 2. The Residential Property and Casualty Joint  
292 Underwriting Association originally created by this statute  
293 shall be known, as of July 1, 2002, as the Citizens Property  
294 Insurance Corporation. The corporation shall provide insurance  
295 for residential and commercial property, for applicants who are  
296 in good faith entitled, but are unable, to procure insurance  
297 through the voluntary market. The corporation shall operate  
298 pursuant to a plan of operation approved by order of the office.  
299 The plan is subject to continuous review by the office. The  
300 office may, by order, withdraw approval of all or part of a plan  
301 if the office determines that conditions have changed since  
302 approval was granted and that the purposes of the plan require  
303 changes in the plan. For the purposes of this subsection,  
304 residential coverage includes both personal lines residential  
305 coverage, which consists of the type of coverage provided by  
306 homeowner's, mobile home owner's, dwelling, tenant's,  
307 condominium unit owner's, and similar policies, and commercial

308 | lines residential coverage, which consists of the type of  
 309 | coverage provided by condominium association, apartment  
 310 | building, and similar policies.

311 | 3. It is the intent of the Legislature that policyholders,  
 312 | applicants, and agents of the corporation receive service and  
 313 | treatment of the highest possible level but never less than that  
 314 | generally provided in the voluntary market. It also is intended  
 315 | that the corporation be held to service standards no less than  
 316 | those applied to insurers in the voluntary market by the office  
 317 | with respect to responsiveness, timeliness, customer courtesy,  
 318 | and overall dealings with policyholders, applicants, or agents  
 319 | of the corporation.

320 | (c) The plan of operation of the corporation:

321 | 1. Must provide for adoption of residential property and  
 322 | casualty insurance policy forms and commercial residential and  
 323 | nonresidential property insurance forms, which forms must be  
 324 | approved by the office prior to use. The corporation shall adopt  
 325 | the following policy forms:

326 | a. Standard personal lines policy forms that are  
 327 | comprehensive multiperil policies providing full coverage of a  
 328 | residential property equivalent to the coverage provided in the  
 329 | private insurance market under an HO-3, HO-4, or HO-6 policy.

330 | b. Basic personal lines policy forms that are policies  
 331 | similar to an HO-8 policy or a dwelling fire policy that provide  
 332 | coverage meeting the requirements of the secondary mortgage  
 333 | market, but which coverage is more limited than the coverage  
 334 | under a standard policy.

335 c. Commercial lines residential policy forms that are  
336 generally similar to the basic perils of full coverage  
337 obtainable for commercial residential structures in the admitted  
338 voluntary market.

339 d. Personal lines and commercial lines residential  
340 property insurance forms that cover the peril of wind only. The  
341 forms are applicable only to residential properties located in  
342 areas eligible for coverage under the high-risk account referred  
343 to in sub-subparagraph (b)2.a.

344 e. Commercial lines nonresidential property insurance  
345 forms that cover the peril of wind only. The forms are  
346 applicable only to nonresidential properties located in areas  
347 eligible for coverage under the high-risk account referred to in  
348 sub-subparagraph (b)2.a.

349  
350 For new personal residential risks written by the corporation on  
351 or after May 7, 2005, in areas eligible for coverage in the  
352 high-risk account, the corporation shall offer, subject to  
353 reasonable underwriting guidelines, a wind only policy with  
354 building coverage valued at up to \$1 million. For such new  
355 personal residential risks covering properties valued at more  
356 than \$1 million, the corporation shall offer a wind-only policy  
357 of up to \$1 million of building coverage without any penalty or  
358 reduction in coverage for underinsurance or the purchase of  
359 other insurance, provided the insured property owner maintains  
360 insurance coverage for the value of the building in excess of \$1  
361 million. Coverage for property other than the building and any  
362 attached structures shall be offered by the corporation in

363 addition to the \$1 million limit of building coverage. For all  
364 existing high-risk account policies in effect on May 7, 2005,  
365 the corporation shall continue to offer coverage for the full  
366 value of the building and property without limitation.

367 2.a. Must provide that the corporation adopt a program in  
368 which the corporation and authorized insurers enter into quota  
369 share primary insurance agreements for hurricane coverage, as  
370 defined in s. 627.4025(2)(a), for eligible risks, and adopt  
371 property insurance forms for eligible risks which cover the  
372 peril of wind only. As used in this subsection, the term:

373 (I) "Quota share primary insurance" means an arrangement  
374 in which the primary hurricane coverage of an eligible risk is  
375 provided in specified percentages by the corporation and an  
376 authorized insurer. The corporation and authorized insurer are  
377 each solely responsible for a specified percentage of hurricane  
378 coverage of an eligible risk as set forth in a quota share  
379 primary insurance agreement between the corporation and an  
380 authorized insurer and the insurance contract. The  
381 responsibility of the corporation or authorized insurer to pay  
382 its specified percentage of hurricane losses of an eligible  
383 risk, as set forth in the quota share primary insurance  
384 agreement, may not be altered by the inability of the other  
385 party to the agreement to pay its specified percentage of  
386 hurricane losses. Eligible risks that are provided hurricane  
387 coverage through a quota share primary insurance arrangement  
388 must be provided policy forms that set forth the obligations of  
389 the corporation and authorized insurer under the arrangement,  
390 clearly specify the percentages of quota share primary insurance

391 provided by the corporation and authorized insurer, and  
392 conspicuously and clearly state that neither the authorized  
393 insurer nor the corporation may be held responsible beyond its  
394 specified percentage of coverage of hurricane losses.

395 (II) "Eligible risks" means personal lines residential and  
396 commercial lines residential risks that meet the underwriting  
397 criteria of the corporation and are located in areas that were  
398 eligible for coverage by the Florida Windstorm Underwriting  
399 Association on January 1, 2002.

400 b. The corporation may enter into quota share primary  
401 insurance agreements with authorized insurers at corporation  
402 coverage levels of 90 percent and 50 percent.

403 c. If the corporation determines that additional coverage  
404 levels are necessary to maximize participation in quota share  
405 primary insurance agreements by authorized insurers, the  
406 corporation may establish additional coverage levels. However,  
407 the corporation's quota share primary insurance coverage level  
408 may not exceed 90 percent.

409 d. Any quota share primary insurance agreement entered  
410 into between an authorized insurer and the corporation must  
411 provide for a uniform specified percentage of coverage of  
412 hurricane losses, by county or territory as set forth by the  
413 corporation board, for all eligible risks of the authorized  
414 insurer covered under the quota share primary insurance  
415 agreement.

416 e. Any quota share primary insurance agreement entered  
417 into between an authorized insurer and the corporation is  
418 subject to review and approval by the office. However, such

419 agreement shall be authorized only as to insurance contracts  
420 entered into between an authorized insurer and an insured who is  
421 already insured by the corporation for wind coverage.

422 f. For all eligible risks covered under quota share  
423 primary insurance agreements, the exposure and coverage levels  
424 for both the corporation and authorized insurers shall be  
425 reported by the corporation to the Florida Hurricane Catastrophe  
426 Fund. For all policies of eligible risks covered under quota  
427 share primary insurance agreements, the corporation and the  
428 authorized insurer shall maintain complete and accurate records  
429 for the purpose of exposure and loss reimbursement audits as  
430 required by Florida Hurricane Catastrophe Fund rules. The  
431 corporation and the authorized insurer shall each maintain  
432 duplicate copies of policy declaration pages and supporting  
433 claims documents.

434 g. The corporation board shall establish in its plan of  
435 operation standards for quota share agreements which ensure that  
436 there is no discriminatory application among insurers as to the  
437 terms of quota share agreements, pricing of quota share  
438 agreements, incentive provisions if any, and consideration paid  
439 for servicing policies or adjusting claims.

440 h. The quota share primary insurance agreement between the  
441 corporation and an authorized insurer must set forth the  
442 specific terms under which coverage is provided, including, but  
443 not limited to, the sale and servicing of policies issued under  
444 the agreement by the insurance agent of the authorized insurer  
445 producing the business, the reporting of information concerning  
446 eligible risks, the payment of premium to the corporation, and



447 | arrangements for the adjustment and payment of hurricane claims  
448 | incurred on eligible risks by the claims adjuster and personnel  
449 | of the authorized insurer. Entering into a quota sharing  
450 | insurance agreement between the corporation and an authorized  
451 | insurer shall be voluntary and at the discretion of the  
452 | authorized insurer.

453 |         3. May provide that the corporation may employ or  
454 | otherwise contract with individuals or other entities to provide  
455 | administrative or professional services that may be appropriate  
456 | to effectuate the plan. The corporation shall have the power to  
457 | borrow funds, by issuing bonds or by incurring other  
458 | indebtedness, and shall have other powers reasonably necessary  
459 | to effectuate the requirements of this subsection, including  
460 | without limitation, the power to issue bonds and incur other  
461 | indebtedness in order to refinance outstanding bonds or other  
462 | indebtedness. The corporation may, but is not required to, seek  
463 | judicial validation of its bonds or other indebtedness under  
464 | chapter 75. The corporation may issue bonds or incur other  
465 | indebtedness, or have bonds issued on its behalf by a unit of  
466 | local government pursuant to subparagraph (g)2., in the absence  
467 | of a hurricane or other weather-related event, upon a  
468 | determination by the corporation, subject to approval by the  
469 | office, that such action would enable it to efficiently meet the  
470 | financial obligations of the corporation and that such  
471 | financings are reasonably necessary to effectuate the  
472 | requirements of this subsection. The corporation is authorized  
473 | to take all actions needed to facilitate tax-free status for any  
474 | such bonds or indebtedness, including formation of trusts or

475 other affiliated entities. The corporation shall have the  
476 authority to pledge assessments, projected recoveries from the  
477 Florida Hurricane Catastrophe Fund, other reinsurance  
478 recoverables, market equalization and other surcharges, and  
479 other funds available to the corporation as security for bonds  
480 or other indebtedness. In recognition of s. 10, Art. I of the  
481 State Constitution, prohibiting the impairment of obligations of  
482 contracts, it is the intent of the Legislature that no action be  
483 taken whose purpose is to impair any bond indenture or financing  
484 agreement or any revenue source committed by contract to such  
485 bond or other indebtedness.

486       4.a. Must require that the corporation operate subject to  
487 the supervision and approval of a board of governors consisting  
488 of 7 individuals who are residents of this state, from different  
489 geographical areas of this state, appointed by the Chief  
490 Financial Officer. The Chief Financial Officer shall designate  
491 one of the appointees as chair. All board members serve at the  
492 pleasure of the Chief Financial Officer. All board members,  
493 including the chair, must be appointed to serve for 3-year terms  
494 beginning annually on a date designated by the plan. Any board  
495 vacancy shall be filled for the unexpired term by the Chief  
496 Financial Officer. The Chief Financial Officer shall appoint a  
497 technical advisory group to provide information and advice to  
498 the board of governors in connection with the board's duties  
499 under this subsection. The executive director and senior  
500 managers of the corporation shall be engaged by the Chief  
501 Financial Officer and serve at the pleasure of the Chief  
502 Financial Officer. The executive director is responsible for

503 | employing other staff as the corporation may require, subject to  
504 | review and concurrence by the office of the Chief Financial  
505 | Officer.

506 |       b. The board shall create a Market Accountability Advisory  
507 | Committee to assist the corporation in developing awareness of  
508 | its rates and its customer and agent service levels in  
509 | relationship to the voluntary market insurers writing similar  
510 | coverage. The members of the advisory committee shall consist of  
511 | the following 11 persons, one of whom must be elected chair by  
512 | the members of the committee: four representatives, one  
513 | appointed by the Florida Association of Insurance Agents, one by  
514 | the Florida Association of Insurance and Financial Advisors, one  
515 | by the Professional Insurance Agents of Florida, and one by the  
516 | Latin American Association of Insurance Agencies; three  
517 | representatives appointed by the insurers with the three highest  
518 | voluntary market share of residential property insurance  
519 | business in the state; one representative from the Office of  
520 | Insurance Regulation; one consumer appointed by the board who is  
521 | insured by the corporation at the time of appointment to the  
522 | committee; one representative appointed by the Florida  
523 | Association of Realtors; and one representative appointed by the  
524 | Florida Bankers Association. All members must serve for 3-year  
525 | terms and may serve for consecutive terms. The committee shall  
526 | report to the corporation at each board meeting on insurance  
527 | market issues which may include rates and rate competition with  
528 | the voluntary market; service, including policy issuance, claims  
529 | processing, and general responsiveness to policyholders,  
530 | applicants, and agents; and matters relating to depopulation.

531           5. Must provide a procedure for determining the  
532 eligibility of a risk for coverage, as follows:

533           a. Subject to the provisions of s. 627.3517, with respect  
534 to personal lines residential risks, if the risk is offered  
535 coverage from an authorized insurer at the insurer's approved  
536 rate under either a standard policy including wind coverage or,  
537 if consistent with the insurer's underwriting rules as filed  
538 with the office, a basic policy including wind coverage, the  
539 risk is not eligible for any policy issued by the corporation.  
540 If the risk is not able to obtain any such offer, the risk is  
541 eligible for either a standard policy including wind coverage or  
542 a basic policy including wind coverage issued by the  
543 corporation; however, if the risk could not be insured under a  
544 standard policy including wind coverage regardless of market  
545 conditions, the risk shall be eligible for a basic policy  
546 including wind coverage unless rejected under subparagraph 8.  
547 The corporation shall determine the type of policy to be  
548 provided on the basis of objective standards specified in the  
549 underwriting manual and based on generally accepted underwriting  
550 practices.

551           (I) If the risk accepts an offer of coverage through the  
552 market assistance plan or an offer of coverage through a  
553 mechanism established by the corporation before a policy is  
554 issued to the risk by the corporation or during the first 30  
555 days of coverage by the corporation, and the producing agent who  
556 submitted the application to the plan or to the corporation is  
557 not currently appointed by the insurer, the insurer shall:

558 (A) Pay to the producing agent of record of the policy,  
 559 for the first year, an amount that is the greater of the  
 560 insurer's usual and customary commission for the type of policy  
 561 written or a fee equal to the usual and customary commission of  
 562 the corporation; or

563 (B) Offer to allow the producing agent of record of the  
 564 policy to continue servicing the policy for a period of not less  
 565 than 1 year and offer to pay the agent the greater of the  
 566 insurer's or the corporation's usual and customary commission  
 567 for the type of policy written.

568

569 If the producing agent is unwilling or unable to accept  
 570 appointment, the new insurer shall pay the agent in accordance  
 571 with sub-sub-sub-subparagraph (A).

572 (II) When the corporation enters into a contractual  
 573 agreement for a take-out plan, the producing agent of record of  
 574 the corporation policy is entitled to retain any unearned  
 575 commission on the policy, and the insurer shall:

576 (A) Pay to the producing agent of record of the  
 577 corporation policy, for the first year, an amount that is the  
 578 greater of the insurer's usual and customary commission for the  
 579 type of policy written or a fee equal to the usual and customary  
 580 commission of the corporation; or

581 (B) Offer to allow the producing agent of record of the  
 582 corporation policy to continue servicing the policy for a period  
 583 of not less than 1 year and offer to pay the agent the greater  
 584 of the insurer's or the corporation's usual and customary  
 585 commission for the type of policy written.

586  
587 If the producing agent is unwilling or unable to accept  
588 appointment, the new insurer shall pay the agent in accordance  
589 with sub-sub-sub-subparagraph (A).

590       b. With respect to commercial lines residential risks, if  
591 the risk is offered coverage under a policy including wind  
592 coverage from an authorized insurer at its approved rate, the  
593 risk is not eligible for any policy issued by the corporation.  
594 If the risk is not able to obtain any such offer, the risk is  
595 eligible for a policy including wind coverage issued by the  
596 corporation.

597       (I) If the risk accepts an offer of coverage through the  
598 market assistance plan or an offer of coverage through a  
599 mechanism established by the corporation before a policy is  
600 issued to the risk by the corporation or during the first 30  
601 days of coverage by the corporation, and the producing agent who  
602 submitted the application to the plan or the corporation is not  
603 currently appointed by the insurer, the insurer shall:

604       (A) Pay to the producing agent of record of the policy,  
605 for the first year, an amount that is the greater of the  
606 insurer's usual and customary commission for the type of policy  
607 written or a fee equal to the usual and customary commission of  
608 the corporation; or

609       (B) Offer to allow the producing agent of record of the  
610 policy to continue servicing the policy for a period of not less  
611 than 1 year and offer to pay the agent the greater of the  
612 insurer's or the corporation's usual and customary commission  
613 for the type of policy written.

614  
615 If the producing agent is unwilling or unable to accept  
616 appointment, the new insurer shall pay the agent in accordance  
617 with sub-sub-sub-subparagraph (A).

618 (II) When the corporation enters into a contractual  
619 agreement for a take-out plan, the producing agent of record of  
620 the corporation policy is entitled to retain any unearned  
621 commission on the policy, and the insurer shall:

622 (A) Pay to the producing agent of record of the  
623 corporation policy, for the first year, an amount that is the  
624 greater of the insurer's usual and customary commission for the  
625 type of policy written or a fee equal to the usual and customary  
626 commission of the corporation; or

627 (B) Offer to allow the producing agent of record of the  
628 corporation policy to continue servicing the policy for a period  
629 of not less than 1 year and offer to pay the agent the greater  
630 of the insurer's or the corporation's usual and customary  
631 commission for the type of policy written.

632  
633 If the producing agent is unwilling or unable to accept  
634 appointment, the new insurer shall pay the agent in accordance  
635 with sub-sub-sub-subparagraph (A).

636 6. Must include rules for classifications of risks and  
637 rates therefor.

638 7. Must provide that if premium and investment income for  
639 an account attributable to a particular calendar year are in  
640 excess of projected losses and expenses for the account  
641 attributable to that year, such excess shall be held in surplus

642 in the account. Such surplus shall be available to defray  
643 deficits in that account as to future years and shall be used  
644 for that purpose prior to assessing assessable insurers and  
645 assessable insureds as to any calendar year.

646 8. Must provide objective criteria and procedures to be  
647 uniformly applied for all applicants in determining whether an  
648 individual risk is so hazardous as to be uninsurable. In making  
649 this determination and in establishing the criteria and  
650 procedures, the following shall be considered:

651 a. Whether the likelihood of a loss for the individual  
652 risk is substantially higher than for other risks of the same  
653 class; and

654 b. Whether the uncertainty associated with the individual  
655 risk is such that an appropriate premium cannot be determined.

656  
657 The acceptance or rejection of a risk by the corporation shall  
658 be construed as the private placement of insurance, and the  
659 provisions of chapter 120 shall not apply.

660 9. Must provide that the corporation shall make its best  
661 efforts to procure catastrophe reinsurance at reasonable rates,  
662 to cover its projected 100-year probable maximum loss as  
663 determined by the board of governors.

664 10. Must provide that in the event of regular deficit  
665 assessments under sub-subparagraph (b)3.a. or sub-subparagraph  
666 (b)3.b., in the personal lines account, the commercial lines  
667 residential account, or the high-risk account, the corporation  
668 shall levy upon corporation policyholders in its next rate  
669 filing, or by a separate rate filing solely for this purpose, a



670 market equalization surcharge arising from a regular assessment  
671 in such account in a percentage equal to the total amount of  
672 such regular assessments divided by the aggregate statewide  
673 direct written premium for subject lines of business for the  
674 prior calendar year. Market equalization surcharges under this  
675 subparagraph are not considered premium and are not subject to  
676 commissions, fees, or premium taxes; however, failure to pay a  
677 market equalization surcharge shall be treated as failure to pay  
678 premium.

679 11. The policies issued by the corporation must provide  
680 that, if the corporation or the market assistance plan obtains  
681 an offer from an authorized insurer to cover the risk at its  
682 approved rates, the risk is no longer eligible for renewal  
683 through the corporation.

684 12. Corporation policies and applications must include a  
685 notice that the corporation policy could, under this section, be  
686 replaced with a policy issued by an authorized insurer that does  
687 not provide coverage identical to the coverage provided by the  
688 corporation. The notice shall also specify that acceptance of  
689 corporation coverage creates a conclusive presumption that the  
690 applicant or policyholder is aware of this potential.

691 13. May establish, subject to approval by the office,  
692 different eligibility requirements and operational procedures  
693 for any line or type of coverage for any specified county or  
694 area if the board determines that such changes to the  
695 eligibility requirements and operational procedures are  
696 justified due to the voluntary market being sufficiently stable  
697 and competitive in such area or for such line or type of

698 coverage and that consumers who, in good faith, are unable to  
699 obtain insurance through the voluntary market through ordinary  
700 methods would continue to have access to coverage from the  
701 corporation. When coverage is sought in connection with a real  
702 property transfer, such requirements and procedures shall not  
703 provide for an effective date of coverage later than the date of  
704 the closing of the transfer as established by the transferor,  
705 the transferee, and, if applicable, the lender.

706 14. Must provide that, with respect to the high-risk  
707 account, any assessable insurer with a surplus as to  
708 policyholders of \$25 million or less writing 25 percent or more  
709 of its total countrywide property insurance premiums in this  
710 state may petition the office, within the first 90 days of each  
711 calendar year, to qualify as a limited apportionment company. In  
712 no event shall a limited apportionment company be required to  
713 participate in the portion of any assessment, within the high-  
714 risk account, pursuant to sub-subparagraph (b)3.a. or sub-  
715 subparagraph (b)3.b. in the aggregate which exceeds \$50 million  
716 after payment of available high-risk account funds in any  
717 calendar year. However, a limited apportionment company shall  
718 collect from its policyholders any emergency assessment imposed  
719 under sub-subparagraph (b)3.d. The plan shall provide that, if  
720 the office determines that any regular assessment will result in  
721 an impairment of the surplus of a limited apportionment company,  
722 the office may direct that all or part of such assessment be  
723 deferred as provided in subparagraph (g)4. However, there shall  
724 be no limitation or deferment of an emergency assessment to be  
725 collected from policyholders under sub-subparagraph (b)3.d.

726           15. Must provide that the corporation appoint as its  
727 licensed agents only those agents who also hold an appointment  
728 as defined in s. 626.015(3) with an insurer who at the time of  
729 the agent's initial appointment by the corporation is authorized  
730 to write and is actually writing personal lines residential  
731 property coverage, commercial residential property coverage, or  
732 commercial nonresidential property coverage within the state.

733           16. Must provide a plan for removing personal lines  
734 policies from coverage by the corporation which includes the  
735 development and implementation of a take-out bonus strategy  
736 determining, at a minimum, the necessity and application of  
737 financial and regulatory incentives.

738           (d)1. It is the intent of the Legislature that the rates  
739 for coverage provided by the corporation be actuarially sound  
740 and not competitive with approved rates charged in the admitted  
741 voluntary market, so that the corporation functions as a  
742 residual market mechanism to provide insurance only when the  
743 insurance cannot be procured in the voluntary market. Rates  
744 shall include an appropriate catastrophe loading factor that  
745 reflects the actual catastrophic exposure of the corporation.

746           2. For each county, the average rates of the corporation  
747 for each line of business for personal lines residential  
748 policies excluding rates for wind-only policies shall be no  
749 lower than the average rates charged by the insurer that had the  
750 highest average rate in that county among the 20 insurers with  
751 the greatest total direct written premium in the state for that  
752 line of business in the preceding year, except that with respect  
753 to mobile home coverages, the average rates of the corporation

754 shall be no lower than the average rates charged by the insurer  
755 that had the highest average rate in that county among the 5  
756 insurers with the greatest total written premium for mobile home  
757 owner's policies in the state in the preceding year.

758 3. Rates for personal lines residential wind-only policies  
759 must be actuarially sound and not competitive with approved  
760 rates charged by authorized insurers. ~~However, for personal~~  
761 ~~lines residential wind-only policies issued or renewed between~~  
762 ~~July 1, 2002, and June 30, 2003, the maximum premium increase~~  
763 ~~must be no greater than 10 percent of the Florida Windstorm~~  
764 ~~Underwriting Association premium for that policy in effect on~~  
765 ~~June 30, 2002, as adjusted for coverage changes and seasonal~~  
766 ~~occupancy surcharges. For personal lines residential wind only~~  
767 ~~policies issued or renewed between July 1, 2003, and June 30,~~  
768 ~~2004, the corporation shall use its existing filed and approved~~  
769 ~~wind-only rating and classification plans, provided, however,~~  
770 ~~that the maximum premium increase must be no greater than 20~~  
771 ~~percent of the premium for that policy in effect on June 30,~~  
772 ~~2003, as adjusted for coverage changes and seasonal occupancy~~  
773 ~~surcharges.~~ Corporation rate manuals shall include a rate  
774 surcharge for seasonal occupancy. To ensure that personal lines  
775 residential wind-only rates effective ~~on or after July 1, 2004,~~  
776 are not competitive with approved rates charged by authorized  
777 insurers, the corporation, in conjunction with the office, shall  
778 develop a wind-only ratemaking methodology, which methodology  
779 shall be contained in each a rate filing made by the corporation  
780 with the office ~~by January 1, 2004.~~ If the office ~~thereafter~~  
781 determines that the wind-only rates or rating factors filed by

782 the corporation fail to comply with the wind-only ratemaking  
783 methodology provided for in this subsection, it shall so notify  
784 the corporation and require the corporation to amend its rates  
785 or rating factors to come into compliance within 90 days of  
786 notice from the office. ~~The office shall report to the Speaker~~  
787 ~~of the House of Representatives and the President of the Senate~~  
788 ~~on the provisions of the wind only ratemaking methodology by~~  
789 ~~January 31, 2004.~~

790 4. The provisions of subparagraph 2. do not apply to  
791 coverage provided by the corporation in any county for which the  
792 office determines that a reasonable degree of competition does  
793 not exist for personal lines residential policies. The  
794 provisions of subparagraph 3. do not apply to coverage provided  
795 by the corporation in any county for which the office determines  
796 that a reasonable degree of competition does not exist for  
797 personal lines residential policies in the area of that county  
798 which is eligible for wind-only coverage. In such counties, the  
799 rates for personal lines residential coverage shall be  
800 actuarially sound and not excessive, inadequate, or unfairly  
801 discriminatory and are subject to the other provisions of the  
802 paragraph and s. 627.062. The commission shall adopt rules  
803 establishing the criteria for determining whether a reasonable  
804 degree of competition exists for personal lines residential  
805 policies. Beginning October 1, 2005, and each 6 months  
806 thereafter, the office shall determine and identify those  
807 counties for which a reasonable degree of competition does not  
808 exist for purposes of subparagraphs 2. and 3., respectively.

809        ~~5.4.~~ Rates for commercial lines coverage shall not be  
810 subject to the requirements of subparagraph 2., but shall be  
811 subject to all other requirements of this paragraph and s.  
812 627.062.

813        ~~6.5.~~ Nothing in this paragraph shall require or allow the  
814 corporation to adopt a rate that is inadequate under s. 627.062.

815        ~~7.6.~~ The corporation shall certify to the office at least  
816 twice annually that its personal lines rates comply with the  
817 requirements of this paragraph ~~subparagraphs 1. and 2.~~ If any  
818 adjustment in the rates or rating factors of the corporation is  
819 necessary to ensure such compliance, the corporation shall make  
820 and implement such adjustments and file its revised rates and  
821 rating factors with the office. If the office thereafter  
822 determines that the revised rates and rating factors fail to  
823 comply with the provisions of this paragraph ~~subparagraphs 1.~~  
824 ~~and 2.~~, it shall notify the corporation and require the  
825 corporation to amend its rates or rating factors in conjunction  
826 with its next rate filing. The office must notify the  
827 corporation by electronic means of any rate filing it approves  
828 for any insurer among the insurers referred to in subparagraph  
829 2.

830        ~~8.7.~~ In addition to the rates otherwise determined  
831 pursuant to this paragraph, the corporation shall impose and  
832 collect an amount equal to the premium tax provided for in s.  
833 624.509 to augment the financial resources of the corporation.

834        ~~9.8.a.~~ To assist the corporation in developing additional  
835 ratemaking methods to assure compliance with this paragraph  
836 ~~subparagraphs 1. and 4.~~, the corporation shall appoint a rate

837 methodology panel consisting of one person recommended by the  
838 Florida Association of Insurance Agents, one person recommended  
839 by the Professional Insurance Agents of Florida, one person  
840 recommended by the Florida Association of Insurance and  
841 Financial Advisors, one person recommended by the insurer with  
842 the highest voluntary market share of residential property  
843 insurance business in the state, one person recommended by the  
844 insurer with the second-highest voluntary market share of  
845 residential property insurance business in the state, one person  
846 recommended by an insurer writing commercial residential  
847 property insurance in this state, one person recommended by the  
848 Office of Insurance Regulation, and one board member designated  
849 by the board chairman, who shall serve as chairman of the panel.

850 ~~b. By January 1, 2004, the rate methodology panel shall~~  
851 ~~provide a report to the corporation of its findings and~~  
852 ~~recommendations for the use of additional ratemaking methods and~~  
853 ~~procedures, including the use of a rate equalization surcharge~~  
854 ~~in an amount sufficient to assure that the total cost of~~  
855 ~~coverage for policyholders or applicants to the corporation is~~  
856 ~~sufficient to comply with subparagraph 1.~~

857 ~~e. Within 30 days after such report, the corporation shall~~  
858 ~~present to the President of the Senate, the Speaker of the House~~  
859 ~~of Representatives, the minority party leaders of each house of~~  
860 ~~the Legislature, and the chairs of the standing committees of~~  
861 ~~each house of the Legislature having jurisdiction of insurance~~  
862 ~~issues, a plan for implementing the additional ratemaking~~  
863 ~~methods and an outline of any legislation needed to facilitate~~  
864 ~~use of the new methods.~~

865           ~~d. The plan must include a provision that producer~~  
866 ~~commissions paid by the corporation shall not be calculated in~~  
867 ~~such a manner as to include any rate equalization surcharge.~~  
868 ~~However, without regard to the plan to be developed or its~~  
869 ~~implementation, producer commissions paid by the corporation for~~  
870 ~~each account, other than the quota share primary program, shall~~  
871 ~~remain fixed as to percentage, effective rate, calculation, and~~  
872 ~~payment method until January 1, 2004.~~

873           10.9. ~~By January 1, 2004,~~ The corporation shall develop a  
874 notice to policyholders or applicants that the rates of Citizens  
875 Property Insurance Corporation are intended to be higher than  
876 the rates of any admitted carrier except when the provisions of  
877 subparagraph 4. apply and providing other information the  
878 corporation deems necessary to assist consumers in finding other  
879 voluntary admitted insurers willing to insure their property.

880           (q) The corporation shall ~~not~~ require the securing of  
881 flood insurance as a condition of coverage if the property risk  
882 of the insured or applicant is located in a Special Flood Hazard  
883 Area as defined by the Federal Emergency Management Agency for  
884 the National Flood Insurance Program. ~~executes a form approved~~  
885 ~~by the office affirming that~~ Flood insurance is not provided by  
886 the corporation and ~~that if flood insurance is not secured by~~  
887 ~~the applicant or insured in addition to coverage by the~~  
888 ~~corporation,~~ the risk will not be covered for flood damage. A  
889 corporation policyholder that does ~~electing~~ not to secure flood  
890 insurance and makes a claim ~~executing a form as provided herein~~  
891 ~~making a claim~~ for water damage against the corporation shall  
892 have the burden of proving the damage was not caused by



893 flooding. Notwithstanding other provisions of this subsection,  
 894 the corporation may deny coverage or refuse to issue or renew a  
 895 policy to an applicant or insured who refuses to purchase flood  
 896 insurance as required by this subsection ~~to execute the form~~  
 897 ~~described herein.~~

898 Section 7. Subsection (1) of section 627.411, Florida  
 899 Statutes, is amended to read:

900 627.411 Grounds for disapproval.--

901 (1) The office shall disapprove any form filed under s.  
 902 627.410, or withdraw any previous approval thereof, only if the  
 903 form:

904 (a) Is in any respect in violation of, or does not comply  
 905 with, this code.

906 (b) Contains or incorporates by reference, where such  
 907 incorporation is otherwise permissible, any inconsistent,  
 908 ambiguous, or misleading clauses, or exceptions and conditions  
 909 which deceptively affect the risk purported to be assumed in the  
 910 general coverage of the contract.

911 (c) Has any title, heading, or other indication of its  
 912 provisions which is misleading.

913 (d) Is printed or otherwise reproduced in such manner as  
 914 to render any material provision of the form substantially  
 915 illegible.

916 (e) Is for residential property insurance and contains  
 917 provisions that are unfair or inequitable or encourage  
 918 misrepresentation.

919 (f) ~~(e)~~ Is for health insurance, and:

920 1. Provides benefits that are unreasonable in relation to  
 921 the premium charged.†

922 2. Contains provisions that are unfair or inequitable or  
 923 contrary to the public policy of this state or that encourage  
 924 misrepresentation.†

925 3. Contains provisions that apply rating practices that  
 926 result in unfair discrimination pursuant to s. 626.9541(1)(g)2.

927 (g)~~(f)~~ Excludes coverage for human immunodeficiency virus  
 928 infection or acquired immune deficiency syndrome or contains  
 929 limitations in the benefits payable, or in the terms or  
 930 conditions of such contract, for human immunodeficiency virus  
 931 infection or acquired immune deficiency syndrome which are  
 932 different than those which apply to any other sickness or  
 933 medical condition.

934 Section 8. Subsection (3) of section 627.7011, Florida  
 935 Statutes, is renumbered as subsection (4), and a new subsection  
 936 (3) is added to said section, to read:

937 627.7011 Homeowners' policies; offer of replacement cost  
 938 coverage and law and ordinance coverage.--

939 (3) In the event of a covered loss to the dwelling, the  
 940 insurer shall pay no less than the actual cash value of the  
 941 damaged part of the dwelling at the time of the loss, subject to  
 942 the limits of coverage and terms contained in the policy. Once  
 943 the dwelling is repaired or replaced, the insurer shall pay the  
 944 remainder of the repair or replacement costs, subject to limits  
 945 of coverage and terms contained in the policy. The insurer is  
 946 not required to pay more than the actual cost to repair or  
 947 replace the dwelling.

948        ~~(4)(3)~~ Nothing in this section shall be construed to apply  
 949 to policies not considered to be "homeowners' policies," as that  
 950 term is commonly understood in the insurance industry. This  
 951 section specifically does not apply to mobile home policies.  
 952 Nothing in this section shall be construed as limiting the  
 953 ability of any insurer to reject or nonrenew any insured or  
 954 applicant on the grounds that the structure does not meet  
 955 underwriting criteria applicable to replacement cost or law and  
 956 ordinance policies or for other lawful reasons.

957        Section 9. Effective October 1, 2005, subsection (1) of  
 958 section 627.7011, Florida Statutes, is amended, and subsection  
 959 (4) is added to said section, to read:

960        627.7011 Homeowners' policies; offer of replacement cost  
 961 coverage and law and ordinance coverage.--

962        (1) Prior to issuing a homeowner's insurance policy on or  
 963 after October 1, 2005 ~~June 1, 1994~~, or prior to the first  
 964 renewal of a homeowner's insurance policy on or after October 1,  
 965 2005 ~~June 1, 1994~~, the insurer must offer each of the following:

966        (a) A policy or endorsement providing that any loss which  
 967 is repaired or replaced will be adjusted on the basis of  
 968 replacement costs not exceeding policy limits as to the  
 969 dwelling, rather than actual cash value, but not including costs  
 970 necessary to meet applicable laws and ordinances regulating the  
 971 construction, use, or repair of any property or requiring the  
 972 tearing down of any property, including the costs of removing  
 973 debris.

974        (b) A policy or endorsement providing that, subject to  
 975 other policy provisions, any loss which is repaired or replaced

976 at any location will be adjusted on the basis of replacement  
 977 costs not exceeding policy limits as to the dwelling, rather  
 978 than actual cash value, and also including costs necessary to  
 979 meet applicable laws and ordinances regulating the construction,  
 980 use, or repair of any property or requiring the tearing down of  
 981 any property, including the costs of removing debris; however,  
 982 such additional costs necessary to meet applicable laws and  
 983 ordinances may be limited to either 25 percent or 50 percent of  
 984 the dwelling limit, as selected by the policyholder, and such  
 985 coverage shall apply only to repairs of the damaged portion of  
 986 the structure unless the total damage to the structure exceeds  
 987 50 percent of the replacement cost of the structure.

988  
 989 An insurer is not required to make the offers required by this  
 990 subsection with respect to the issuance or renewal of a  
 991 homeowner's policy that contains the provisions specified in  
 992 paragraph (b) for law and ordinance coverage limited to 25  
 993 percent of the dwelling limit, except that the insurer must  
 994 offer the law and ordinance coverage limited to 50 percent of  
 995 the dwelling limit. This subsection does not prohibit the offer  
 996 of a guaranteed replacement cost policy.

997 (4) Any homeowner's insurance policy issued or renewed on  
 998 or after October 1, 2005, must include in bold type no smaller  
 999 than 18 points the following statement:

1000 "LAW AND ORDINANCE COVERAGE IS AN IMPORTANT COVERAGE THAT  
 1001 YOU MAY WISH TO PURCHASE. YOU MAY ALSO NEED TO CONSIDER  
 1002 THE PURCHASE OF FLOOD INSURANCE FROM THE NATIONAL FLOOD  
 1003 INSURANCE PROGRAM. WITHOUT THIS COVERAGE, YOU MAY HAVE

1004           UNCOVERED LOSSES. PLEASE DISCUSS THESE COVERAGES WITH  
 1005           YOUR INSURANCE AGENT."

1006   The intent of this subsection is to encourage policyholders to  
 1007   purchase sufficient coverage to protect them in case events  
 1008   excluded from the standard homeowners policy, such as law and  
 1009   ordinance enforcement and flood, combine with covered events to  
 1010   produce damage or loss to the insured property. The intent is  
 1011   also to encourage policyholders to discuss these issues with  
 1012   their insurance agent.

1013           Section 10. Subsections (1) and (7) of section 627.7015,  
 1014   Florida Statutes, are amended to read:

1015           627.7015 Alternative procedure for resolution of disputed  
 1016   property insurance claims.--

1017           (1) PURPOSE AND SCOPE.--This section sets forth a  
 1018   nonadversarial alternative dispute resolution procedure for a  
 1019   mediated claim resolution conference prompted by the need for  
 1020   effective, fair, and timely handling of property insurance  
 1021   claims. There is a particular need for an informal,  
 1022   nonthreatening forum for helping parties who elect this  
 1023   procedure to resolve their claims disputes because most  
 1024   homeowner's and commercial residential insurance policies  
 1025   obligate insureds to participate in a potentially expensive and  
 1026   time-consuming adversarial appraisal process prior to  
 1027   litigation. The procedure set forth in this section is designed  
 1028   to bring the parties together for a mediated claims settlement  
 1029   conference without any of the trappings or drawbacks of an  
 1030   adversarial process. Before resorting to these procedures,  
 1031   insureds and insurers are encouraged to resolve claims as

1032 quickly and fairly as possible. This section is available with  
 1033 respect to claims under personal lines and commercial  
 1034 residential policies for all claimants and insurers prior to  
 1035 commencing the appraisal process, or commencing litigation. If  
 1036 requested by the insured, participation by legal counsel shall  
 1037 be permitted. Mediation under this section is also available to  
 1038 litigants referred to the department by a county court or  
 1039 circuit court. This section does not apply to commercial  
 1040 coverages, to private passenger motor vehicle insurance  
 1041 coverages, or to disputes relating to liability coverages in  
 1042 policies of property insurance.

1043 (7) If the insurer fails to comply with subsection (2) by  
 1044 failing to notify a first-party claimant of its right to  
 1045 participate in the mediation program under this section or if  
 1046 the insurer requests the mediation, and the mediation results  
 1047 are rejected by either party, the insured shall not be required  
 1048 to submit to or participate in any contractual loss appraisal  
 1049 process of the property loss damage as a precondition to legal  
 1050 action for breach of contract against the insurer for its  
 1051 failure to pay the policyholder's claims covered by the policy.

1052 Section 11. Effective upon this act becoming a law,  
 1053 subsection (1) of section 627.702, Florida Statutes, is amended  
 1054 to read:

1055 627.702 Valued policy law.--

1056 (1) (a) In the event of the total loss of any building,  
 1057 structure, mobile home as defined in s. 320.01(2), or  
 1058 manufactured building as defined in s. 553.36(12), located in  
 1059 this state and insured by any insurer as to a covered peril, in

1060 the absence of any change increasing the risk without the  
1061 insurer's consent and in the absence of fraudulent or criminal  
1062 fault on the part of the insured or one acting in her or his  
1063 behalf, the insurer's liability, ~~if any,~~ under the policy for  
1064 such total loss, if caused by a covered peril, shall be in the  
1065 amount of money for which such property was so insured as  
1066 specified in the policy and for which a premium has been charged  
1067 and paid.

1068 (b) The intent of this subsection is not to deprive an  
1069 insurer of any proper defense under the policy, to create new or  
1070 additional coverage under the policy, or to require an insurer  
1071 to pay for a loss caused by a peril other than the covered  
1072 peril. In furtherance of such legislative intent, when a loss  
1073 was caused in part by a covered peril and in part by a  
1074 noncovered peril, paragraph (a) does not apply. In such  
1075 circumstances, the insurer's liability under this section shall  
1076 be limited to the amount of the loss caused by the covered  
1077 peril.

1078 (c) It is the intent of the Legislature that the amendment  
1079 to this section shall not be applied retroactively and shall  
1080 apply only to claims filed after effective date of such  
1081 amendment.

1082 Section 12. Section 627.706, Florida Statutes, is amended  
1083 to read:

1084 627.706 Sinkhole insurance; definitions.--

1085 (1) Every insurer authorized to transact property  
1086 insurance in this state shall make available coverage for  
1087 insurable sinkhole losses on any structure, including contents

1088 of personal property contained therein, to the extent provided  
 1089 in the form to which the sinkhole coverage attaches.

1090 (2) As used in ss. 627.706-627.7074, and as used in  
 1091 connection with any policy providing coverage for sinkhole  
 1092 losses:

1093 (a) "Sinkhole" means a landform created by subsidence of  
 1094 soil, sediment, or rock as underlying strata are dissolved by  
 1095 ground water. A sinkhole may form by collapse into subterranean  
 1096 voids created by dissolution of limestone or dolostone or by  
 1097 subsidence as these strata are dissolved.

1098 (b) "Sinkhole loss" means structural damage to a the  
 1099 building caused by sinkhole activity. Contents coverage shall  
 1100 apply only if there is structural damage to the building caused  
 1101 by sinkhole activity.

1102 (c) ~~(3)~~ "Sinkhole activity loss" means actual physical  
 1103 damage to the property covered arising out of or caused by  
 1104 sudden settlement or systematic weakening collapse of the earth  
 1105 supporting such property only when such settlement or systematic  
 1106 weakening collapse results from movement or raveling of soils,  
 1107 sediments, or rock materials into subterranean voids created by  
 1108 the effect action of water on a limestone or similar rock  
 1109 formation.

1110 (d) "Engineer" means a person, as defined in s. 471.005,  
 1111 who has a bachelor's degree or higher in engineering with a  
 1112 specialty in the geotechnical engineering field. An engineer  
 1113 must have geotechnical experience and expertise in the  
 1114 identification of sinkhole activity as well as other potential  
 1115 causes of damage to the structure.



1116        (e) "Professional geologist" means a person, as defined by  
1117 s. 492.102, who has a bachelor's degree or higher in geology or  
1118 a related earth science with expertise in the geology of this  
1119 state. A professional geologist must have geological experience  
1120 and expertise in the identification of sinkhole activity as well  
1121 as other potential causes of damage to the structure.

1122        (3)~~(4)~~ Every insurer authorized to transact property  
1123 insurance in this state shall make a proper filing with the  
1124 office for the purpose of extending the appropriate forms of  
1125 property insurance to include coverage for ~~insurable~~ sinkhole  
1126 losses.

1127        Section 13. Section 627.7065, Florida Statutes, is created  
1128 to read:

1129        627.7065 Database of information relating to sinkholes;  
1130 the Department of Financial Services and the Department of  
1131 Environmental Protection.--

1132        (1) The Legislature finds that there has been a dramatic  
1133 increase in the number of sinkholes and insurance claims for  
1134 sinkhole damage in the state during the past 10 years.  
1135 Accordingly, the Legislature recognizes the need to track  
1136 current and past sinkhole activity and to make the information  
1137 available for prevention and remediation activities. The  
1138 Legislature further finds that the Florida Geological Survey of  
1139 the Department of Environmental Protection has created a partial  
1140 database of some sinkholes identified in Florida, although the  
1141 database is not reflective of all sinkholes or insurance claims  
1142 for sinkhole damage. The Legislature determines that creating a  
1143 complete electronic database of sinkhole activity serves an

1144 important purpose in protecting the public and in studying  
1145 property claims activities in the insurance industry.

1146 (2) The Department of Financial Services, including the  
1147 employee of the Division of Consumer Services designated as the  
1148 primary contact for consumers on issues relating to sinkholes,  
1149 and the Office of the Insurance Consumer Advocate shall consult  
1150 with the Florida Geological Survey and the Department of  
1151 Environmental Protection to implement a statewide automated  
1152 database of sinkholes and related activity identified in the  
1153 state.

1154 (3) Representatives of the Department of Financial  
1155 Services, with the agreement of the Department of Environmental  
1156 Protection, shall determine the form and content of the  
1157 database. The content may include standards for reporting and  
1158 investigating sinkholes for inclusion in the database and  
1159 requirements for insurers to report to the departments the  
1160 receipt of claims involving sinkhole loss and other similar  
1161 activities. The Department of Financial Services may require  
1162 insurers to report present and past data of sinkhole claims. The  
1163 database also may include information of damage due to ground  
1164 settling and other subsidence activity.

1165 (4) The Department of Financial Services may manage the  
1166 database or may contract for its management and maintenance. The  
1167 Department of Environmental Protection shall investigate reports  
1168 of sinkhole activity and include its findings and investigations  
1169 in the database.

1170 (5) The Department of Environmental Protection, in  
1171 consultation with the Department of Financial Services, shall

1172 present a report of activities relating to the sinkhole  
1173 database, including recommendations regarding the database and  
1174 similar matters, to the Governor, the Speaker of the House of  
1175 Representatives, the President of the Senate, and the Chief  
1176 Financial Officer by December 31, 2005. The report may consider  
1177 the need for the Legislature to create an entity to study the  
1178 increase in sinkhole activity in the state and other similar  
1179 issues relating to sinkhole damage, including recommendations  
1180 and costs for staffing the entity. The report may include other  
1181 information, as appropriate.

1182 (6) The Department of Financial Services, in consultation  
1183 with the Department of Environmental Protection, may adopt rules  
1184 to implement the provisions of this section.

1185 Section 14. Section 627.707, Florida Statutes, is amended  
1186 to read:

1187 627.707 ~~Minimum~~ Standards for investigation of sinkhole  
1188 claims by insurers; nonrenewals.--

1189 ~~(1)~~ Upon receipt of a claim for a sinkhole loss, an  
1190 insurer must meet the following ~~minimum~~ standards in  
1191 investigating a claim:

1192 (1)(a) ~~Upon receipt of a claim for a sinkhole loss,~~ The  
1193 insurer must make an inspection of the insured's premises to  
1194 determine if there has been physical damage to the structure  
1195 which may ~~might~~ be the result of sinkhole activity.

1196 ~~(b) If, upon the investigation pursuant to paragraph (a),~~  
1197 ~~the insurer discovers damage to a structure which is consistent~~  
1198 ~~with sinkhole activity or if the structure is located in close~~  
1199 ~~proximity to a structure in which sinkhole damage has been~~

1200 ~~verified, then prior to denying a claim, the insurer must obtain~~  
1201 ~~a written certification from an individual qualified to~~  
1202 ~~determine the existence of sinkhole activity, stating that the~~  
1203 ~~cause of the claim is not sinkhole activity, and that the~~  
1204 ~~analysis conducted was of sufficient scope to eliminate sinkhole~~  
1205 ~~activity as the cause of damage within a reasonable professional~~  
1206 ~~probability. The written certification must also specify the~~  
1207 ~~professional discipline and professional licensure or~~  
1208 ~~registration under which the analysis was conducted.~~

1209 (2) Following the insurer's initial inspection, the  
1210 insurer shall engage an engineer and a professional geologist to  
1211 conduct testing as provided in s. 627.7072 to determine the  
1212 cause of the loss within a reasonable professional probability  
1213 and issue a report as provided in s. 627.7073, if:

1214 (a) The insurer is unable to identify a valid cause of the  
1215 damage or discovers damage to the structure which is consistent  
1216 with sinkhole loss; or

1217 (b) The policyholder demands testing in accordance with  
1218 this section or s. 627.7072.

1219 (3) Following the initial inspection of the insured  
1220 premises, the insurer shall provide written notice to the  
1221 policyholder disclosing the following information:

1222 (a) What the insurer has determined to be the cause of  
1223 damage, if the insurer has made such a determination.

1224 (b) A statement of the circumstances under which the  
1225 insurer is required to engage an engineer and a professional  
1226 geologist to verify or eliminate sinkhole loss and to make

1227 recommendations regarding land and building stabilization and  
1228 foundation repair.

1229 (c) A statement regarding the right of the policyholder to  
1230 request testing by an engineer and a professional geologist and  
1231 the circumstances under which the policyholder may demand  
1232 certain testing.

1233 (4) If the insurer determines that there is no sinkhole  
1234 loss, the insurer may deny the claim. If the insurer denies the  
1235 claim, without performing testing under s. 627.7072, the  
1236 policyholder may demand testing by the insured under s.  
1237 627.7072. The policyholder's demand for testing must be  
1238 communicated to the insurer in writing after the policyholder's  
1239 receipt of the insurer's denial of the claim.

1240 (5) (a) Subject to paragraph (b), if a sinkhole loss is  
1241 verified, the insurer shall pay to stabilize the land and  
1242 building and repair the foundation in accordance with the  
1243 recommendations of the engineer and the professional geologist  
1244 as provided under s. 627.7073, and in consultation with the  
1245 policyholder, subject to the coverage and terms of the policy.  
1246 The insurer shall pay for other repairs to the structure and  
1247 contents in accordance with the terms of the policy.

1248 (b) The insurer may limit its payment to the actual cash  
1249 value of the sinkhole loss until such time as expenses related  
1250 to land and building stabilization and foundation repairs are  
1251 incurred.

1252 (6) Except as provided in subsection (7), the fees and  
1253 costs of the engineer or the professional geologist shall be  
1254 paid by the insurer.

1255        (7)(e) If the insurer obtains, pursuant to s. 627.7073  
 1256 ~~paragraph (b)~~, written certification that there is no sinkhole  
 1257 loss or that the cause of the damage claim was not sinkhole  
 1258 activity, and if the policyholder has submitted the sinkhole  
 1259 claim without good faith grounds for submitting such claim, the  
 1260 policyholder shall reimburse the insurer for 50 percent of the  
 1261 actual costs cost of the analyses and services provided analysis  
 1262 under ss. 627.7072 and 627.7073 ~~paragraph (b)~~; however, a  
 1263 policyholder is not required to reimburse an insurer more than  
 1264 \$2,500 with respect to any claim. A policyholder is required to  
 1265 pay reimbursement under this subsection ~~paragraph~~ only if the  
 1266 insurer, prior to ordering the analysis under s. 627.7072  
 1267 ~~paragraph (b)~~, informs the policyholder in writing of the  
 1268 policyholder's potential liability for reimbursement and gives  
 1269 the policyholder the opportunity to withdraw the claim.

1270        (8)(2) No insurer shall nonrenew any policy of property  
 1271 insurance on the basis of filing of claims for partial loss  
 1272 caused by sinkhole damage or clay shrinkage as long as the total  
 1273 of such payments does not exceed the current policy limits of  
 1274 coverage for property damage, and provided the insured has  
 1275 repaired the structure in accordance with the engineering  
 1276 recommendations upon which any payment or policy proceeds were  
 1277 based.

1278        (9) The insurer may engage a structural engineer to make  
 1279 recommendations as to the repair of the structure.

1280        Section 15. Section 627.7072, Florida Statutes, is created  
 1281 to read:

1282        627.7072 Testing standards for sinkholes.--

1283       (1) The engineer and professional geologist shall perform  
 1284 such tests as sufficient, in their professional opinion, to  
 1285 determine the presence or absence of sinkhole loss or other  
 1286 cause of damage within reasonable professional probability and  
 1287 to make recommendations regarding necessary building  
 1288 stabilization and foundation repair.

1289       (2) Testing shall be conducted in compliance with the  
 1290 Florida Geological Survey Special Publication No. 57 (2005).

1291       Section 16. Section 627.7073, Florida Statutes, is created  
 1292 to read:

1293       627.7073 Sinkhole reports.--

1294       (1) Upon completion of testing as provided in s. 627.7072,  
 1295 the engineer and professional geologist shall issue a report and  
 1296 certification to the insurer and the policyholder as provided in  
 1297 this section.

1298       (a) Sinkhole loss is verified if, based upon tests  
 1299 performed in accordance with s. 627.7072, an engineer and a  
 1300 professional geologist issue a written report and certification  
 1301 stating:

1302       1. That the cause of the actual physical and structural  
 1303 damage is sinkhole activity within a reasonable professional  
 1304 probability.

1305       2. That the analyses conducted were of sufficient scope to  
 1306 identify sinkhole activity as the cause of damage within a  
 1307 reasonable professional probability.

1308       3. A description of the tests performed.

1309       4. A recommendation of methods for stabilizing the land  
 1310 and building and for making repairs to the foundation.

1311 (b) If sinkhole activity is eliminated as the cause of  
1312 damage to the structure, the engineer and professional geologist  
1313 shall issue a written report and certification to the  
1314 policyholder and the insurer stating:

1315 1. That the cause of the damage is not sinkhole activity  
1316 within a reasonable professional probability.

1317 2. That the analyses and tests conducted were of  
1318 sufficient scope to eliminate sinkhole activity as the cause of  
1319 damage within a reasonable professional probability.

1320 3. A statement of the cause of the damage within a  
1321 reasonable professional probability.

1322 4. A description of the tests performed.

1323 (c) The respective findings, opinions, and recommendations  
1324 of the engineer and professional geologist as to the  
1325 verification of a sinkhole loss, land and building  
1326 stabilization, foundation repair, and elimination of sinkhole  
1327 loss shall be presumed correct.

1328 (2) Any insurer that has paid a claim for a sinkhole loss  
1329 shall file a copy of the report and certification, prepared  
1330 pursuant to subsection (1), with the county property appraiser  
1331 who shall record the report and certification with the parcel  
1332 number. The insurer shall bear the cost of filing and recording  
1333 the report and certification. There shall be no cause of action  
1334 or liability against an insurer for compliance with this  
1335 section. The seller of real property upon which a sinkhole claim  
1336 has been made shall disclose to the buyer of such property that  
1337 a claim has been paid and whether or not the full amount of the  
1338 proceeds were used to repair the sinkhole damage.



1339           Section 17. Notwithstanding that revenues of Citizens  
 1340 Property Insurance Corporation are not state revenues, the  
 1341 Auditor General shall perform an operational audit, as defined  
 1342 in s. 11.45(1), Florida Statutes, of the Citizens Property  
 1343 Insurance Corporation created under s. 627.351(6), Florida  
 1344 Statutes. The scope of the audit shall also include:

1345           (1) An analysis of the corporation's infrastructure,  
 1346 customer service, claims handling, accessibility of policyholder  
 1347 information to the agent of record, take-out programs, take-out  
 1348 bonuses, and financing arrangements.

1349           (2) An evaluation of costs associated with the  
 1350 administration and servicing of the policies issued by the  
 1351 corporation to determine alternatives by which costs can be  
 1352 reduced, customer service improved, and claims handling  
 1353 improved.

1354  
 1355 The audit shall contain policy alternatives for the Legislature  
 1356 to consider. The Auditor General shall submit a report to the  
 1357 Governor, the President of the Senate, and the Speaker of the  
 1358 House of Representatives no later than February 1, 2006.

1359           Section 18. The board of governors of the Citizens  
 1360 Property Insurance Corporation created under section 627.351(6),  
 1361 Florida Statutes, shall, by February 1, 2006, submit a report to  
 1362 the President of the Senate, the Speaker of the House of  
 1363 Representatives, the minority party leaders of the Senate and  
 1364 the House of Representatives, and the chairs of the standing  
 1365 committees of the Senate and the House of Representatives having  
 1366 jurisdiction over matters relating to property and casualty

1367 insurance. The report shall include the board's findings and  
1368 recommendations on the following issues:

1369 (1) The number of policies and the aggregate premium of  
1370 the Citizens Property Insurance Corporation, before and after  
1371 enactment of this act, and projections for future policy and  
1372 premium growth.

1373 (2) Increases or decreases in availability of residential  
1374 property coverage in the voluntary market and the effectiveness  
1375 of this act in improving the availability of residential  
1376 property coverage in the voluntary market in the state.

1377 (3) The board's efforts to depopulate the corporation and  
1378 the willingness of insurers in the voluntary market to avail  
1379 themselves of depopulation incentives.

1380 (4) Further actions that could be taken by the Legislature  
1381 to improve availability of residential property coverage in the  
1382 voluntary and residual markets.

1383 (5) Actions that the board has taken to restructure the  
1384 corporation and recommendations for legislative action to  
1385 restructure the corporation, including, but not limited to,  
1386 actions relating to claims handling and customer service.

1387 (6) Projected surpluses or deficits and possible means of  
1388 providing funding to ensure the continued solvency of the  
1389 corporation.

1390 (7) The corporation's efforts to procure catastrophe  
1391 reinsurance to cover its projected 100-year probable maximum  
1392 loss with specification as to what best efforts were made by the  
1393 corporation to procure such reinsurance.

1394       (8) Such other issues as the board determines are worthy  
 1395 of the Legislature's consideration.

1396       Section 19. (1) Upon an insurer's receiving a  
 1397 communication with respect to a claim, the insurer shall, within  
 1398 14 calendar days, review and acknowledge receipt of such  
 1399 communication unless payment is made within that period of time  
 1400 or unless the failure to acknowledge is caused by factors beyond  
 1401 the control of the insurer which reasonably prevent such  
 1402 acknowledgement. If the acknowledgement is not in writing, a  
 1403 notification indicating acknowledgement shall be made in the  
 1404 insurer's claim file and dated. A communication made to or by an  
 1405 agent of an insurer with respect to a claim shall constitute  
 1406 communication to or by the insurer. As used in this subsection,  
 1407 the term "agent" means any person to whom an insurer has granted  
 1408 authority or responsibility to receive or make such  
 1409 communications with respect to claims on behalf of the insurer.  
 1410 This subsection shall not apply to claimants represented by  
 1411 counsel beyond those communications necessary to provide forms  
 1412 and instructions.

1413       (2) Such acknowledgement shall be responsive to the  
 1414 communication. If the communication constitutes a notification  
 1415 of a claim, unless the acknowledgement reasonably advises the  
 1416 claimant that the claim appears not to be covered by the  
 1417 insurer, the acknowledgement shall provide necessary claim  
 1418 forms, and instructions, including an appropriate telephone  
 1419 number.

1420       (3) Unless otherwise provided by the policy of insurance  
 1421 or by law, within 10 working days after an insurer receives

1422 proof of loss statements the insurer shall begin such  
1423 investigation as is reasonably necessary unless the failure to  
1424 begin such investigation is caused by factors beyond the control  
1425 of the insurer which reasonably prevent the commencement of such  
1426 investigation.

1427 Section 20. Sections 3 and 4 of this act shall take effect  
1428 on the same date that House Bill 1939 or similar legislation  
1429 takes effect, if such legislation is adopted in the same  
1430 legislative session or an extension thereof and becomes a law.

1431 Section 21. The Office of Insurance Regulation shall, by  
1432 January 1, 2006, submit a report to the President of the Senate,  
1433 the Speaker of the House of Representatives, the minority party  
1434 leaders of the Senate and the House of Representatives, and the  
1435 chairs of the standing committees of the Senate and the House of  
1436 Representatives having jurisdiction over matters relating to  
1437 property and casualty insurance. The report shall include  
1438 findings and recommendations on requiring residential property  
1439 insurers to provide law and ordinance coverage for residential  
1440 property insurance policies, the increase or decrease in  
1441 insurance costs associated with requiring such coverage, and  
1442 such other related information as the Office of Insurance  
1443 Regulation determines is appropriate for the Legislature to  
1444 consider.

1445 Section 22. Except as otherwise provided herein, this act  
1446 shall take effect July 1, 2005.