

Bill No. SB 1866

Barcode 880356 Comm: RCS 04/09/2007 05:26 PM

597-2309B-07

Proposed Committee Substitute by the Committee on Banking and Insurance

1 A bill to be entitled

2 An act relating to hurricane preparedness and

3 insurance; amending s. 163.01, F.S.; correcting

4 a cross-reference; amending s. 215.555, F.S.,

5 relating to the Florida Hurricane Catastrophe

6 Fund; revising certain requirements for

7 reimbursement contracts; authorizing limited

8 apportionment companies to purchase additional

9 coverage from the fund; continuing procedures

10 for Citizens Property Insurance Corporation to

11 obtain coverage for policies of an insurer

12 placed in liquidation; revising criteria,

13 requirements, and limitations on temporary

14 emergency options for additional coverage under

15 the Florida Hurricane Catastrophe Fund;

16 amending s. 215.5595, F.S.; providing

17 eligibility of certain insurers for a surplus

18 note from the Insurance Capital Build-Up

19 Incentive Program; providing an aggregate

20 requirement; amending s. 624.407, F.S.;

21 revising an insurer criterion for capital funds

22 requirements for new insurers; amending s.

23 627.0613, F.S.; limiting application of certain

24 annual report card preparation powers of the

25 consumer advocate to personal residential

26 property insurers; amending s. 627.062, F.S.;

27 specifying an effective date of application of

28 certain "file and use" requirements for rate

29 filing for certain insurers; amending s.

30 627.0655, F.S.; revising criteria for the

31 inclusion of discounts in certain premiums;

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1 amending s. 627.351, F.S.; specifying the
2 purpose of Citizens Property Insurance
3 Corporation; making legislative findings that
4 the lack of affordable property insurance
5 coverage threatens the public health, safety,
6 and welfare of the state and that there is a
7 compelling public interest in ensuring that
8 property is insured at affordable rates;
9 specifying legislative intent that the
10 corporation is an integral part of the state;
11 specifying the conditions under which a
12 policyholder removed from the corporation
13 through an assumption agreement is eligible for
14 coverage from the corporation; specifying
15 criteria for determining comparable coverage
16 offered by an authorized insurer for purposes
17 of determining eligibility for coverage from
18 the corporation; deleting the 10-day waiting
19 period for coverage to be effective for a new
20 policy; expanding the authority of the board of
21 the corporation to approve exemptions from the
22 requirement for non-wind insurers to contract
23 to provide claims-adjusting services for the
24 wind coverage from the corporation; specifying
25 the sections of ch. 112, F.S., relating to the
26 code of ethics for political subdivisions of
27 the state, which apply to employees, senior
28 managers, and members of the board of the
29 corporation; specifying that a member of the
30 board may be an employee, officer, or director
31 of an insurance agency or insurance company if

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1 certain requirements are met; revising the
2 requirements for an employee of the corporation
3 to provide notice of suspected fraud by an
4 employee; revising the time period for the
5 current rates of the corporation coverage to
6 remain in effect; providing that notice
7 requirements for cancellation or nonrenewal of
8 a policy do not apply under certain situations;
9 revising provisions of a premium payment plan
10 option of the operating plan requirements of
11 Citizens Property Insurance Corporation;
12 amending s. 627.3511, F.S.; correcting a
13 cross-reference; amending s. 627.3515, F.S.;

14 revising criteria for an electronic database
15 for a business plan for determining eligibility
16 for coverage in Citizens Property Insurance
17 Corporation; amending s. 627.3517, F.S.;

18 deleting a provision specifying that the
19 "consumer choice" statute does not apply during
20 the first 10 days after a new application for
21 coverage has been submitted to the corporation;
22 amending s. 627.4035, F.S.; revising provisions
23 of a premium payment plan option for certain
24 insurers; amending s. 627.4133, F.S.;

25 specifying requirements for notices of
26 nonrenewal and renewal of property insurance
27 policies; authorizing the Financial Services
28 Commission to adopt rules; amending s. 627.701,
29 F.S.; revising requirements for deductibles for
30 certain personal lines residential property
31 insurance policies; amending s. 627.70131,

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1 F.S.; specifying that certain requirements for
2 the payment or denial of a claim apply to
3 residential property insurance claims only;
4 amending s. 627.712, F.S.; requiring
5 residential property insurers to provide
6 windstorm coverage, with certain exceptions;
7 specifying personal lines residential property
8 insurers must make available an exclusion of
9 windstorm coverage; specifying a period of
10 application of such exclusion; providing for
11 implementation of changes to such exclusion;
12 amending s. 627.713, F.S.; limiting the period
13 when the Office of Insurance Regulation may
14 require insurers to report certain hurricane
15 loss data; amending s. 627.7277, F.S.; deleting
16 certain notice of renewal premium requirements;
17 deleting authority of the commission to adopt
18 rules; amending s. 631.52, F.S., specifying
19 that self-insurance funds are not covered by
20 the association; amending s. 631.57, F.S.;
21 specifying that the emergency assessments for
22 funding obligations of the Florida Insurance
23 Guaranty Association are for claims of insurers
24 rendered insolvent by the effects of a
25 hurricane; amending s. 631.695, F.S.;
26 authorizing any municipality or county to issue
27 bonds to assist the association in paying for
28 covered claims of insurers rendered insolvent
29 as a result of a hurricane; providing an
30 effective date.

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

2

3 Section 1. Paragraph (h) of subsection (7) of section
4 163.01, Florida Statutes, as amended by chapter 2007-1, Laws
5 of Florida, is amended to read:

6 163.01 Florida Interlocal Cooperation Act of 1969.--

7 (7)

8 (h)1. Notwithstanding the provisions of paragraph (c),
9 any separate legal entity consisting of an alliance, as
10 defined in s. 395.106(2)(a), created pursuant to this
11 paragraph and controlled by and whose members consist of
12 eligible entities comprised of special districts created
13 pursuant to a special act and having the authority to own or
14 operate one or more hospitals licensed in this state or
15 hospitals licensed in this state that are owned, operated, or
16 funded by a county or municipality, for the purpose of
17 providing property insurance coverage as defined in s.
18 395.106(2)(b) ~~s. 395.106(2)(c)~~, for such eligible entities,
19 may exercise all powers under this subsection in connection
20 with borrowing funds for such purposes, including, without
21 limitation, the authorization, issuance, and sale of bonds,
22 notes, or other obligations of indebtedness. Borrowed funds,
23 including, but not limited to, bonds issued by such alliance
24 shall be deemed issued on behalf of such eligible entities
25 that enter into loan agreements with such separate legal
26 entity as provided in this paragraph.

27 2. Any such separate legal entity shall have all the
28 powers that are provided by the interlocal agreement under
29 which the entity is created or that are necessary to finance,
30 operate, or manage the alliance's property insurance coverage
31 program. Proceeds of bonds, notes, or other obligations issued

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1 by such an entity may be loaned to any one or more eligible
 2 entities. Such eligible entities are authorized to enter into
 3 loan agreements with any separate legal entity created
 4 pursuant to this paragraph for the purpose of obtaining moneys
 5 with which to finance property insurance coverage or claims.
 6 Obligations of any eligible entity pursuant to a loan
 7 agreement as described in this paragraph may be validated as
 8 provided in chapter 75.

9 3. Any bonds, notes, or other obligations to be issued
 10 or incurred by a separate legal entity created pursuant to
 11 this paragraph shall be authorized by resolution of the
 12 governing body of such entity and bear the date or dates;
 13 mature at the time or times, not exceeding 30 years from their
 14 respective dates; bear interest at the rate or rates, which
 15 may be fixed or vary at such time or times and in accordance
 16 with a specified formula or method of determination; be
 17 payable at the time or times; be in the denomination; be in
 18 the form; carry the registration privileges; be executed in
 19 the manner; be payable from the sources and in the medium of
 20 payment and at the place; and be subject to redemption,
 21 including redemption prior to maturity, as the resolution may
 22 provide. The bonds, notes, or other obligations may be sold at
 23 public or private sale for such price as the governing body of
 24 the separate legal entity shall determine. The bonds may be
 25 secured by such credit enhancement, if any, as the governing
 26 body of the separate legal entity deems appropriate. The bonds
 27 may be secured by an indenture of trust or trust agreement. In
 28 addition, the governing body of the separate legal entity may
 29 delegate, to such officer or official of such entity as the
 30 governing body may select, the power to determine the time;
 31 manner of sale, public or private; maturities; rate or rates

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1 of interest, which may be fixed or may vary at such time or
 2 times and in accordance with a specified formula or method of
 3 determination; and other terms and conditions as may be deemed
 4 appropriate by the officer or official so designated by the
 5 governing body of such separate legal entity. However, the
 6 amounts and maturities of such bonds, the interest rate or
 7 rates, and the purchase price of such bonds shall be within
 8 the limits prescribed by the governing body of such separate
 9 legal entity in its resolution delegating to such officer or
 10 official the power to authorize the issuance and sale of such
 11 bonds.

12 4. Bonds issued pursuant to this paragraph may be
 13 validated as provided in chapter 75. The complaint in any
 14 action to validate such bonds shall be filed only in the
 15 Circuit Court for Leon County. The notice required to be
 16 published by s. 75.06 shall be published in Leon County and in
 17 each county in which an eligible entity that is a member of an
 18 alliance is located. The complaint and order of the circuit
 19 court shall be served only on the State Attorney of the Second
 20 Judicial Circuit and on the state attorney of each circuit in
 21 each county in which an eligible entity receiving bond
 22 proceeds is located.

23 5. The accomplishment of the authorized purposes of a
 24 separate legal entity created under this paragraph is deemed
 25 in all respects for the benefit, increase of the commerce and
 26 prosperity, and improvement of the health and living
 27 conditions of the people of this state. Inasmuch as the
 28 separate legal entity performs essential public functions in
 29 accomplishing its purposes, the separate legal entity is not
 30 required to pay any taxes or assessments of any kind upon any
 31 property acquired or used by the entity for such purposes or

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1 upon any revenues at any time received by the entity. The
 2 bonds, notes, and other obligations of such separate legal
 3 entity, the transfer of and income from such bonds, notes, and
 4 other obligations, including any profits made on the sale of
 5 such bonds, notes, and other obligations, are at all times
 6 free from taxation of any kind of the state or by any
 7 political subdivision or other agency or instrumentality of
 8 the state. The exemption granted in this paragraph does not
 9 apply to any tax imposed by chapter 220 on interest, income,
 10 or profits on debt obligations owned by corporations.

11 6. The participation by any eligible entity in an
 12 alliance or a separate legal entity created pursuant to this
 13 paragraph may not be deemed a waiver of immunity to the extent
 14 of liability or any other coverage, and a contract entered
 15 regarding such alliance is not required to contain any
 16 provision for waiver.

17 Section 2. Paragraph (b) of subsection (4), paragraph
 18 (e) of subsection (5), and subsection (16) of section 215.555,
 19 Florida Statutes, as amended by chapter 2007-1, Laws of
 20 Florida, are amended to read:

21 215.555 Florida Hurricane Catastrophe Fund.--

22 (4) REIMBURSEMENT CONTRACTS.--

23 (b)1. The contract shall contain a promise by the
 24 board to reimburse the insurer for 45 percent, 75 percent, or
 25 90 percent of its losses from each covered event in excess of
 26 the insurer's retention, plus 5 percent of the reimbursed
 27 losses to cover loss adjustment expenses.

28 2. The insurer must elect one of the percentage
 29 coverage levels specified in this paragraph and may, upon
 30 renewal of a reimbursement contract, elect a lower percentage
 31 coverage level if no revenue bonds issued under subsection (6)

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1 after a covered event are outstanding, or elect a higher
2 percentage coverage level, regardless of whether or not
3 revenue bonds are outstanding. All members of an insurer group
4 must elect the same percentage coverage level. Any joint
5 underwriting association, risk apportionment plan, or other
6 entity created under s. 627.351 must elect the 90-percent
7 coverage level.

8 3. The contract shall provide that reimbursement
9 amounts shall not be reduced by reinsurance paid or payable to
10 the insurer from other sources.

11 4. Notwithstanding any other provision contained in
12 this section, the board shall make available to insurers that
13 purchased coverage provided by this subparagraph ~~participated~~
14 in 2006, insurers qualifying as limited apportionment
15 companies under s. 627.351(6)(c) ~~which began writing property~~
16 ~~insurance in 2007~~, and insurers that were approved to
17 participate in 2006 or that are approved in 2007 for the
18 Insurance Capital Build-Up Incentive Program pursuant to s.
19 215.5595, a contract or contract addendum that provides an
20 additional amount of reimbursement coverage of up to \$10
21 million. The premium to be charged for this additional
22 reimbursement coverage shall be 50 percent of the additional
23 reimbursement coverage provided, which shall include one
24 prepaid reinstatement. The minimum retention level that an
25 eligible participating insurer must retain associated with
26 this additional coverage layer is 30 percent of the insurer's
27 surplus as of December 31, 2006. This coverage shall be in
28 addition to all other coverage that may be provided under this
29 section. The coverage provided by the fund under this
30 subparagraph ~~subsection~~ shall be in addition to the
31 claims-paying capacity as defined in subparagraph (c)1., but

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1 only with respect to those insurers that select the additional
 2 coverage option and meet the requirements of this subparagraph
 3 ~~subsection~~. The claims-paying capacity with respect to all
 4 other participating insurers and limited apportionment
 5 companies that do not select the additional coverage option
 6 shall be limited to their reimbursement premium's
 7 proportionate share of the actual claims-paying capacity
 8 otherwise defined in subparagraph (c)1. and as provided for
 9 under the terms of the reimbursement contract. Coverage
 10 provided in the reimbursement contract will not be affected by
 11 the additional premiums paid by participating insurers
 12 exercising the additional coverage option allowed in this
 13 subparagraph. This subparagraph expires on May 31, 2008.

14 (5) REIMBURSEMENT PREMIUMS.--

15 (e) If Citizens Property Insurance Corporation assumes
 16 or otherwise provides coverage for policies of an insurer
 17 placed in liquidation under chapter 631 pursuant to s.
 18 627.351(6), the corporation may, pursuant to conditions
 19 mutually agreed to between the corporation and the State Board
 20 of Administration, obtain coverage for such policies under its
 21 contract with the fund or accept an assignment of the
 22 liquidated insurer's contract with the fund. If Citizens
 23 Property Insurance Corporation elects to cover these policies
 24 under the corporation's contract with the fund, it shall
 25 notify the board of its insured values with respect to such
 26 policies within a specified time mutually agreed to between
 27 the corporation and the board, after such assumption or other
 28 coverage transaction, and the fund shall treat such policies
 29 as having been in effect as of June 30 of that year. In the
 30 event of an assignment, the fund shall apply that contract to
 31 such policies and treat Citizens Property Insurance

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1 Corporation as if the corporation were the liquidated insurer
 2 for the remaining term of the contract, and the corporation
 3 shall have all rights and duties of the liquidated insurer
 4 beginning on the date it provides coverage for such policies,
 5 but the corporation is not subject to any preexisting rights,
 6 liabilities, or duties of the liquidated insurer. The
 7 assignment, including any unresolved issues between the
 8 liquidated insurer and Citizens Property Insurance Corporation
 9 under the contract, shall be provided for in the liquidation
 10 order or otherwise determined by the court. However, if a
 11 covered event occurs before the effective date of the
 12 assignment, the corporation may not obtain coverage for such
 13 policies under its contract with the fund and shall accept an
 14 assignment of the liquidated insurer's contract as provided in
 15 this paragraph. ~~This paragraph expires on June 1, 2007.~~

16 (16) TEMPORARY EMERGENCY OPTIONS FOR ADDITIONAL
 17 COVERAGE.--

18 (a) Findings and intent.--

19 1. The Legislature finds that:

20 a. Because of temporary disruptions in the market for
 21 catastrophic reinsurance, many property insurers were unable
 22 to procure reinsurance for the 2006 hurricane season with an
 23 attachment point below the insurers' respective Florida
 24 Hurricane Catastrophe Fund attachment points, were unable to
 25 procure sufficient amounts of such reinsurance, or were able
 26 to procure such reinsurance only by incurring substantially
 27 higher costs than in prior years.

28 b. The reinsurance market problems were responsible,
 29 at least in part, for substantial premium increases to many
 30 consumers and increases in the number of policies issued by
 31 the Citizens Property Insurance Corporation.

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1 c. It is likely that the reinsurance market
2 disruptions will not significantly abate prior to the 2007
3 hurricane season.

4 2. It is the intent of the Legislature to create a
5 temporary emergency program, applicable to the 2007, 2008, and
6 2009 hurricane seasons, to address these market disruptions
7 and enable insurers, at their option, to procure additional
8 coverage from the Florida Hurricane Catastrophe Fund.

9 (b) Applicability of other provisions of this
10 section.--All provisions of this section and the rules adopted
11 under this section apply to the program created by this
12 subsection unless specifically superseded by this subsection.

13 (c) Optional coverage.--For the contract year
14 commencing June 1, 2007, and ending May 31, 2008, the contract
15 year commencing June 1, 2008, and ending May 31, 2009, and the
16 contract year commencing June 1, 2009, and ending May 31,
17 2010, the board shall offer for each of such years the
18 optional coverage as provided in this subsection.

19 (d) Additional definitions.--As used in this
20 subsection, the term:

21 1. "TEACO options" means the temporary emergency
22 additional coverage options created under this subsection.

23 2. "TEACO insurer" means an insurer that has opted to
24 obtain coverage under the TEACO options in addition to the
25 coverage provided to the insurer under its reimbursement
26 contract.

27 3. "TEACO reimbursement premium" means the premium
28 charged by the fund for coverage provided under the TEACO
29 options.

30 4. "TEACO retention" means the amount of losses below
31 which a TEACO insurer is not entitled to reimbursement from

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1 the fund under the TEACO option selected. A TEACO insurer's
2 retention options shall be calculated as follows:

3 a. The board shall calculate and report to each TEACO
4 insurer the TEACO retention multiples. There shall be three
5 TEACO retention multiples for defining coverage. Each multiple
6 shall be calculated by dividing \$3 billion, \$4 billion, or \$5
7 billion by the total estimated mandatory FHCF ~~TEACO~~
8 reimbursement premium assuming all insurers ~~selected that~~
9 ~~option. Total estimated TEACO reimbursement premium for~~
10 ~~purposes of the calculation under this sub-subparagraph shall~~
11 ~~be calculated using the assumption that all insurers have~~
12 ~~selected a specific TEACO retention multiple option and have~~
13 selected the 90-percent coverage level.

14 b. The TEACO retention multiples as determined under
15 sub-subparagraph a. shall be adjusted to reflect the coverage
16 level elected by the insurer. For insurers electing the
17 90-percent coverage level, the adjusted retention multiple is
18 100 percent of the amount determined under sub-subparagraph a.
19 For insurers electing the 75-percent coverage level, the
20 retention multiple is 120 percent of the amount determined
21 under sub-subparagraph a. For insurers electing the 45-percent
22 coverage level, the adjusted retention multiple is 200 percent
23 of the amount determined under sub-subparagraph a.

24 c. An insurer shall determine its provisional TEACO
25 retention by multiplying its estimated mandatory FHCF
26 ~~provisional TEACO~~ reimbursement premium by the applicable
27 adjusted TEACO retention multiple and shall determine its
28 actual TEACO retention by multiplying its actual mandatory
29 FHCF ~~TEACO~~ reimbursement premium by the applicable adjusted
30 TEACO retention multiple.

31 d. For TEACO insurers who experience multiple covered

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1 events causing loss during the contract year, the insurer's
 2 full TEACO retention shall be applied to each of the covered
 3 events causing the two largest losses for that insurer. For
 4 other covered events resulting in losses, the TEACO option
 5 does not apply and the insurer's retention shall be one-third
 6 of the full retention as calculated under paragraph (2)(e).

7 5. "TEACO addendum" means an addendum to the
 8 reimbursement contract reflecting the obligations of the fund
 9 and TEACO insurers under the program created by this
 10 subsection.

11 6. "FHCF" means the Florida Hurricane Catastrophe
 12 Fund.

13 (e) TEACO addendum.--

14 1. The TEACO addendum shall provide for reimbursement
 15 of TEACO insurers for covered events occurring during the
 16 contract year, in exchange for the TEACO reimbursement premium
 17 paid into the fund under paragraph (f). Any insurer writing
 18 covered policies has the option of choosing to accept the
 19 TEACO addendum for any of the 3 contract years that the
 20 coverage is offered.

21 2. The TEACO addendum shall contain a promise by the
 22 board to reimburse the TEACO insurer for 45 percent, 75
 23 percent, or 90 percent of its losses from each covered event
 24 in excess of the insurer's TEACO retention, plus 5 percent of
 25 the reimbursed losses to cover loss adjustment expenses. The
 26 percentage shall be the same as the coverage level selected by
 27 the insurer under paragraph (4)(b).

28 3. The TEACO addendum shall provide that reimbursement
 29 amounts shall not be reduced by reinsurance paid or payable to
 30 the insurer from other sources.

31 4. The TEACO addendum shall also provide that the

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1 obligation of the board with respect to all TEACO addenda
 2 shall not exceed an amount equal to two times the difference
 3 between the industry retention level calculated under
 4 paragraph (2)(e) and the \$3 billion, \$4 billion, or \$5 billion
 5 industry TEACO retention level options actually selected, but
 6 in no event may the board's obligation exceed the actual
 7 claims-paying capacity of the fund plus the additional
 8 capacity created in paragraph (g). If the actual claims-paying
 9 capacity and the additional capacity created under paragraph
 10 (g) fall short of the board's obligations under the
 11 reimbursement contract, each insurer's share of the fund's
 12 capacity shall be prorated based on the premium an insurer
 13 pays for its mandatory ~~normal~~ reimbursement coverage and the
 14 premium paid for its optional TEACO coverage as each such
 15 premium bears to the total premiums paid to the fund times the
 16 available capacity.

17 5. The priorities, schedule, and method of
 18 reimbursements under the TEACO addendum shall be the same as
 19 provided under subsection (4).

20 6. A TEACO insurer's maximum reimbursement for a
 21 single event shall be equal to the product of multiplying its
 22 mandatory FHCF premium by the difference between its FHCF
 23 retention multiple and its TEACO retention multiple under the
 24 TEACO option selected and by the coverage selected under
 25 paragraph (4)(b), plus an additional 5 percent for loss
 26 adjustment expenses. A TEACO insurer's maximum reimbursement
 27 under the TEACO option selected for a TEACO insurer's two
 28 largest events ~~addendum~~ shall be twice its maximum
 29 reimbursement for a single event ~~calculated by multiplying the~~
 30 ~~insurer's share of the estimated total TEACO reimbursement~~
 31 ~~premium as calculated under sub-subparagraph (d)4.a. by an~~

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~~amount equal to two times the difference between the industry retention level calculated under paragraph (2)(e) and the \$3 billion, \$4 billion, or \$5 billion industry TEACO retention level specified in sub-subparagraph (d)4.a. as selected by the TEACO insurer.~~

(f) TEACO reimbursement premiums.--

1. Each TEACO insurer shall pay to the fund, in the manner and at the time provided in the reimbursement contract for payment of reimbursement premiums, a TEACO reimbursement premium calculated as specified in this paragraph.

~~2. The TEACO reimbursement premiums shall be calculated based on the assumption that, if all insurers entering into reimbursement contracts under subsection (4) also accepted the TEACO option:~~

~~a. The insurer's industry TEACO reimbursement premium associated with the \$3 billion retention option shall would be equal to 85 percent of a TEACO insurer's maximum reimbursement for a single event as calculated under subparagraph (e)6. the difference between the industry retention level calculated under paragraph (2)(e) and the \$3 billion industry TEACO retention level.~~

~~b. The TEACO reimbursement premium associated with the \$4 billion retention option shall would be equal to 80 percent of a TEACO insurer's maximum reimbursement for a single event as calculated under subparagraph (e)6. the difference between the industry retention level calculated under paragraph (2)(e) and the \$4 billion industry TEACO retention level.~~

~~c. The TEACO premium associated with the \$5 billion retention option shall would be equal to 75 percent of a TEACO insurer's maximum reimbursement for a single event as calculated under subparagraph (e)6. the difference between the~~

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1 ~~industry retention level calculated under paragraph (2)(e) and~~
2 ~~the \$5 billion industry TEACO retention level.~~

3 ~~3. Each insurer's TEACO premium shall be calculated~~
4 ~~based on its share of the total TEACO reimbursement premiums~~
5 ~~based on its coverage selection under the TEACO addendum.~~

6 (g) Effect on claims-paying capacity of the fund.--For
7 the contract term commencing June 1, 2007, the contract year
8 commencing June 1, 2008, and the contract term beginning June
9 1, 2009, the program created by this subsection shall increase
10 the claims-paying capacity of the fund as provided in
11 subparagraph (4)(c)1. by an amount equal to two times the
12 difference between the industry retention level calculated
13 under paragraph (2)(e) and the \$3 billion industry TEACO
14 retention level specified in sub-subparagraph (d)4.a. The
15 additional capacity shall apply only to the additional
16 coverage provided by the TEACO option and shall not otherwise
17 affect any insurer's reimbursement from the fund.

18 Section 3. Paragraphs (b), (c), and (g) of subsection
19 (2) of section 215.5595, Florida Statutes, as amended by
20 chapter 2007-1, Laws of Florida, are amended to read:

21 215.5595 Insurance Capital Build-Up Incentive
22 Program.--

23 (2) The purpose of this section is to provide surplus
24 notes to new or existing authorized residential property
25 insurers under the Insurance Capital Build-Up Incentive
26 Program administered by the State Board of Administration,
27 under the following conditions:

28 (b) The insurer must contribute an amount of new
29 capital to its surplus which is at least equal to the amount
30 of the surplus note and must apply to the board by July 1,
31 2006. If an insurer applies after July 1, 2006, but before

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1 June 1, 2007, the amount of the surplus note is limited to
 2 one-half of the new capital that the insurer contributes to
 3 its surplus, except for an insurer writing only manufactured
 4 housing policies or a domestic mutual insurer, for which the
 5 amount of the surplus note is equal to the amount of the new
 6 capital that the insurer contributes to its surplus. For
 7 purposes of this section, new capital must be in the form of
 8 cash or cash equivalents as specified in s. 625.012(1).

9 (c) The insurer's surplus, new capital, and the
 10 surplus note must total at least \$50 million, except for
 11 insurers writing residential property insurance covering only
 12 manufactured housing or a domestic mutual insurer. The
 13 insurer's surplus, new capital, and the surplus note must
 14 total at least \$14 million for insurers writing only
 15 residential property insurance covering manufactured housing
 16 policies as provided in paragraph (a). The surplus, new
 17 capital, and the surplus note for a domestic mutual insurer
 18 must total at least \$25 million.

19 (g) The total amount of funds available for the
 20 program is limited to the amount appropriated by the
 21 Legislature for this purpose. If the amount of surplus notes
 22 requested by insurers exceeds the amount of funds available,
 23 the board may prioritize insurers that are eligible and
 24 approved, with priority for funding given to insurers writing
 25 only manufactured housing policies and to domestic mutual
 26 insurers, regardless of the date of application, based on the
 27 financial strength of the insurer, the viability of its
 28 proposed business plan for writing additional residential
 29 property insurance in the state, and the effect on competition
 30 in the residential property insurance market.

31 Section 4. Subsection (1) of section 624.407, Florida

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1 Statutes, as amended by chapter 2007-1, Laws of Florida, is
2 amended to read:

3 624.407 Capital funds required; new insurers.--

4 (1) To receive authority to transact any one kind or
5 combinations of kinds of insurance, as defined in part V of
6 this chapter, an insurer applying for its original certificate
7 of authority in this state after the effective date of this
8 section shall possess surplus as to policyholders not less
9 than the greater of:

10 (a) Five million dollars for a property and casualty
11 insurer, or \$2.5 million for any other insurer;

12 (b) For life insurers, 4 percent of the insurer's
13 total liabilities;

14 (c) For life and health insurers, 4 percent of the
15 insurer's total liabilities, plus 6 percent of the insurer's
16 liabilities relative to health insurance; or

17 (d) For all insurers other than life insurers and life
18 and health insurers, 10 percent of the insurer's total
19 liabilities;

20
21 however, a domestic insurer that transacts residential
22 property insurance and is a wholly owned subsidiary of an
23 insurer domiciled ~~authorized to do business~~ in any other state
24 shall possess surplus as to policyholders of at least \$50
25 million, but no insurer shall be required under this
26 subsection to have surplus as to policyholders greater than
27 \$100 million.

28 Section 5. Subsection (4) of section 627.0613, Florida
29 Statutes, as amended by chapter 2007-1, Laws of Florida, is
30 amended to read:

31 627.0613 Consumer advocate.--The Chief Financial

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1 Officer must appoint a consumer advocate who must represent
 2 the general public of the state before the department and the
 3 office. The consumer advocate must report directly to the
 4 Chief Financial Officer, but is not otherwise under the
 5 authority of the department or of any employee of the
 6 department. The consumer advocate has such powers as are
 7 necessary to carry out the duties of the office of consumer
 8 advocate, including, but not limited to, the powers to:

9 (4) Prepare an annual report card for each authorized
 10 personal residential property insurer, on a form and using a
 11 letter-grade scale developed by the commission by rule, which
 12 grades each insurer based on the following factors:

13 (a) The number and nature of consumer complaints
 14 received by the department against the insurer.

15 (b) The disposition of all complaints received by the
 16 department.

17 (c) The average length of time for payment of claims
 18 by the insurer.

19 (d) Any other factors the commission identifies as
 20 assisting policyholders in making informed choices about
 21 homeowner's insurance.

22 Section 6. Paragraph (a) of subsection (2) of section
 23 627.062, Florida Statutes, as amended by chapter 2007-1, Laws
 24 of Florida, is amended to read:

25 627.062 Rate standards.--

26 (2) As to all such classes of insurance:

27 (a) Insurers or rating organizations shall establish
 28 and use rates, rating schedules, or rating manuals to allow
 29 the insurer a reasonable rate of return on such classes of
 30 insurance written in this state. A copy of rates, rating
 31 schedules, rating manuals, premium credits or discount

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1 schedules, and surcharge schedules, and changes thereto, shall
 2 be filed with the office under one of the following procedures
 3 except as provided in subparagraph 3.:

4 1. If the filing is made at least 90 days before the
 5 proposed effective date and the filing is not implemented
 6 during the office's review of the filing and any proceeding
 7 and judicial review, then such filing shall be considered a
 8 "file and use" filing. In such case, the office shall finalize
 9 its review by issuance of a notice of intent to approve or a
 10 notice of intent to disapprove within 90 days after receipt of
 11 the filing. The notice of intent to approve and the notice of
 12 intent to disapprove constitute agency action for purposes of
 13 the Administrative Procedure Act. Requests for supporting
 14 information, requests for mathematical or mechanical
 15 corrections, or notification to the insurer by the office of
 16 its preliminary findings shall not toll the 90-day period
 17 during any such proceedings and subsequent judicial review.
 18 The rate shall be deemed approved if the office does not issue
 19 a notice of intent to approve or a notice of intent to
 20 disapprove within 90 days after receipt of the filing.

21 2. If the filing is not made in accordance with the
 22 provisions of subparagraph 1., such filing shall be made as
 23 soon as practicable, but no later than 30 days after the
 24 effective date, and shall be considered a "use and file"
 25 filing. An insurer making a "use and file" filing is
 26 potentially subject to an order by the office to return to
 27 policyholders portions of rates found to be excessive, as
 28 provided in paragraph (h).

29 3. For all filings made or submitted on or after
 30 January 25, 2007, but on or before December 31, 2008, an
 31 insurer seeking a rate that is greater than the rate most

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1 recently approved by the office shall make a "file and use"
2 filing.

3

4 The provisions of this subsection shall not apply to workers'
5 compensation and employer's liability insurance and to motor
6 vehicle insurance.

7 Section 7. Section 627.0655, Florida Statutes, as
8 created by chapter 2007-1, Laws of Florida, is amended, to
9 read:

10 627.0655 Policyholder loss or expense-related premium
11 discounts.--An insurer or person authorized to engage in the
12 business of insurance in this state may include, in the
13 premium charged an insured for any policy, contract, or
14 certificate of insurance, a discount based on the fact that
15 another policy, contract, or certificate of any type has been
16 purchased by the insured from the same insurer or insurer
17 group.

18 Section 8. Paragraphs (a), (b), (c), (d), (j), (m),
19 (n), and (v) of subsection (6) of section 627.351, Florida
20 Statutes, as amended by chapter 2007-1, Laws of Florida, are
21 amended to read:

22 627.351 Insurance risk apportionment plans.--

23 (6) CITIZENS PROPERTY INSURANCE CORPORATION.--

24 (a)1. It is the public purpose of this subsection to
25 ensure the existence of an orderly market for property
26 insurance for Florida's residents and businesses. The
27 Legislature finds that ~~actual and threatened catastrophic~~
28 ~~losses to property in this state from hurricanes have caused~~
29 insurers are ~~to be~~ unwilling or unable to provide affordable
30 property insurance coverage in this state to the extent sought
31 and needed. The absence of affordable property insurance

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1 threatens the public health, safety, and welfare and likewise
2 threatens the economic health of this state. The state
3 therefore has a compelling ~~It is in the~~ public interest and a
4 public purpose to assist in assuring that property in the
5 state is insured so as to facilitate the remediation,
6 reconstruction, and replacement of damaged or destroyed
7 property in order to reduce or avoid the negative effects
8 otherwise resulting to the public health, safety, and welfare;
9 to the economy of the state; and to the revenues of the state
10 and local governments needed to provide for the public
11 welfare. It is necessary, therefore, to provide property
12 insurance to applicants who are in good faith entitled to
13 procure insurance through the voluntary market but are unable
14 to do so. The Legislature intends by this subsection that
15 property insurance be provided and that it continues to be
16 provided, as long as necessary, through Citizens Property
17 Insurance Corporation, a government entity that is an integral
18 part of the state and that is not a private insurance company.
19 To that end, the corporation shall strive ~~an entity organized~~
20 to achieve efficiencies and economies, while providing service
21 to policyholders, applicants, and agents which ~~that~~ is no less
22 than the quality generally provided in the voluntary market,
23 for ~~all toward~~ the achievement of the foregoing public
24 purposes. Because it is essential for this government entity
25 ~~the corporation~~ to have the maximum financial resources to pay
26 claims following a catastrophic hurricane, it is the intent of
27 the Legislature that Citizens Property Insurance Corporation
28 continues to be an integral part of the state and that the
29 income of the corporation be exempt from federal income
30 taxation and that interest on the debt obligations issued by
31 the corporation be exempt from federal income taxation.

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1 2. The Residential Property and Casualty Joint
 2 Underwriting Association originally created by this statute
 3 shall be known, as of July 1, 2002, as the Citizens Property
 4 Insurance Corporation. The corporation shall provide insurance
 5 for residential and commercial property, for applicants who
 6 are in good faith entitled, but are unable, to procure
 7 insurance through the voluntary market. The corporation shall
 8 operate pursuant to a plan of operation approved by order of
 9 the Financial Services Commission. The plan is subject to
 10 continuous review by the commission. The commission may, by
 11 order, withdraw approval of all or part of a plan if the
 12 commission determines that conditions have changed since
 13 approval was granted and that the purposes of the plan require
 14 changes in the plan. The corporation shall continue to operate
 15 pursuant to the plan of operation approved by the Office of
 16 Insurance Regulation until October 1, 2006. For the purposes
 17 of this subsection, residential coverage includes both
 18 personal lines residential coverage, which consists of the
 19 type of coverage provided by homeowner's, mobile home owner's,
 20 dwelling, tenant's, condominium unit owner's, and similar
 21 policies, and commercial lines residential coverage, which
 22 consists of the type of coverage provided by condominium
 23 association, apartment building, and similar policies.

24 3. For the purposes of this subsection, the term
 25 "homestead property" means:

26 a. Property that has been granted a homestead
 27 exemption under chapter 196;

28 b. Property for which the owner has a current, written
 29 lease with a renter for a term of at least 7 months and for
 30 which the dwelling is insured by the corporation for \$200,000
 31 or less;

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1 c. An owner-occupied mobile home or manufactured home,
 2 as defined in s. 320.01, which is permanently affixed to real
 3 property, is owned by a Florida resident, and has been granted
 4 a homestead exemption under chapter 196 or, if the owner does
 5 not own the real property, the owner certifies that the mobile
 6 home or manufactured home is his or her principal place of
 7 residence;

8 d. Tenant's coverage;

9 e. Commercial lines residential property; or

10 f. Any county, district, or municipal hospital; a
 11 hospital licensed by any not-for-profit corporation qualified
 12 under s. 501(c)(3) of the United States Internal Revenue Code;
 13 or a continuing care retirement community that is certified
 14 under chapter 651 and that receives an exemption from ad
 15 valorem taxes under chapter 196.

16 4. For the purposes of this subsection, the term
 17 "nonhomestead property" means property that is not homestead
 18 property.

19 5. Effective July 1, 2008, a personal lines
 20 residential structure that has a dwelling replacement cost of
 21 \$1 million or more, or a single condominium unit that has a
 22 combined dwelling and content replacement cost of \$1 million
 23 or more is not eligible for coverage by the corporation. Such
 24 dwellings insured by the corporation on June 30, 2008, may
 25 continue to be covered by the corporation until the end of the
 26 policy term. However, such dwellings that are insured by the
 27 corporation and become ineligible for coverage due to the
 28 provisions of this subparagraph may reapply and obtain
 29 coverage in the high-risk account and be considered
 30 "nonhomestead property" if the property owner provides the
 31 corporation with a sworn affidavit from one or more insurance

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1 agents, on a form provided by the corporation, stating that
 2 the agents have made their best efforts to obtain coverage and
 3 that the property has been rejected for coverage by at least
 4 one authorized insurer and at least three surplus lines
 5 insurers. If such conditions are met, the dwelling may be
 6 insured by the corporation for up to 3 years, after which time
 7 the dwelling is ineligible for coverage. The office shall
 8 approve the method used by the corporation for valuing the
 9 dwelling replacement cost for the purposes of this
 10 subparagraph. If a policyholder is insured by the corporation
 11 prior to being determined to be ineligible pursuant to this
 12 subparagraph and such policyholder files a lawsuit challenging
 13 the determination, the policyholder may remain insured by the
 14 corporation until the conclusion of the litigation.

15 6. For properties constructed on or after January 1,
 16 2009, the corporation may not insure any property located
 17 within 2,500 feet landward of the coastal construction control
 18 line created pursuant to s. 161.053 unless the property meets
 19 the requirements of the code-plus building standards developed
 20 by the Florida Building Commission.

21 7. It is the intent of the Legislature that
 22 policyholders, applicants, and agents of the corporation
 23 receive service and treatment of the highest possible level
 24 but never less than that generally provided in the voluntary
 25 market. It also is intended that the corporation be held to
 26 service standards no less than those applied to insurers in
 27 the voluntary market by the office with respect to
 28 responsiveness, timeliness, customer courtesy, and overall
 29 dealings with policyholders, applicants, or agents of the
 30 corporation.

31 (b)1. All insurers authorized to write one or more

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1 subject lines of business in this state are subject to
 2 assessment by the corporation and, for the purposes of this
 3 subsection, are referred to collectively as "assessable
 4 insurers." Insurers writing one or more subject lines of
 5 business in this state pursuant to part VIII of chapter 626
 6 are not assessable insurers, but insureds who procure one or
 7 more subject lines of business in this state pursuant to part
 8 VIII of chapter 626 are subject to assessment by the
 9 corporation and are referred to collectively as "assessable
 10 insureds." An authorized insurer's assessment liability shall
 11 begin on the first day of the calendar year following the year
 12 in which the insurer was issued a certificate of authority to
 13 transact insurance for subject lines of business in this state
 14 and shall terminate 1 year after the end of the first calendar
 15 year during which the insurer no longer holds a certificate of
 16 authority to transact insurance for subject lines of business
 17 in this state.

18 2.a. All revenues, assets, liabilities, losses, and
 19 expenses of the corporation shall be divided into three
 20 separate accounts as follows:

21 (I) A personal lines account for personal residential
 22 policies issued by the corporation or issued by the
 23 Residential Property and Casualty Joint Underwriting
 24 Association and renewed by the corporation that provide
 25 comprehensive, multiperil coverage on risks that are not
 26 located in areas eligible for coverage in the Florida
 27 Windstorm Underwriting Association as those areas were defined
 28 on January 1, 2002, and for such policies that do not provide
 29 coverage for the peril of wind on risks that are located in
 30 such areas;

31 (II) A commercial lines account for commercial

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1 residential and commercial nonresidential policies issued by
 2 the corporation or issued by the Residential Property and
 3 Casualty Joint Underwriting Association and renewed by the
 4 corporation that provide coverage for basic property perils on
 5 risks that are not located in areas eligible for coverage in
 6 the Florida Windstorm Underwriting Association as those areas
 7 were defined on January 1, 2002, and for such policies that do
 8 not provide coverage for the peril of wind on risks that are
 9 located in such areas; and

10 (III) A high-risk account for personal residential
 11 policies and commercial residential and commercial
 12 nonresidential property policies issued by the corporation or
 13 transferred to the corporation that provide coverage for the
 14 peril of wind on risks that are located in areas eligible for
 15 coverage in the Florida Windstorm Underwriting Association as
 16 those areas were defined on January 1, 2002. Subject to the
 17 approval of a business plan by the Financial Services
 18 Commission and Legislative Budget Commission as provided in
 19 this sub-sub-subparagraph, but no earlier than March 31, 2007,
 20 the corporation may offer policies that provide multiperil
 21 coverage and the corporation shall continue to offer policies
 22 that provide coverage only for the peril of wind for risks
 23 located in areas eligible for coverage in the high-risk
 24 account. In issuing multiperil coverage, the corporation may
 25 use its approved policy forms and rates for the personal lines
 26 account. An applicant or insured who is eligible to purchase a
 27 multiperil policy from the corporation may purchase a
 28 multiperil policy from an authorized insurer without prejudice
 29 to the applicant's or insured's eligibility to prospectively
 30 purchase a policy that provides coverage only for the peril of
 31 wind from the corporation. An applicant or insured who is

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1 eligible for a corporation policy that provides coverage only
2 for the peril of wind may elect to purchase or retain such
3 policy and also purchase or retain coverage excluding wind
4 from an authorized insurer without prejudice to the
5 applicant's or insured's eligibility to prospectively purchase
6 a policy that provides multiperil coverage from the
7 corporation. It is the goal of the Legislature that there
8 would be an overall average savings of 10 percent or more for
9 a policyholder who currently has a wind-only policy with the
10 corporation, and an ex-wind policy with a voluntary insurer or
11 the corporation, and who then obtains a multiperil policy from
12 the corporation. It is the intent of the Legislature that the
13 offer of multiperil coverage in the high-risk account be made
14 and implemented in a manner that does not adversely affect the
15 tax-exempt status of the corporation or creditworthiness of or
16 security for currently outstanding financing obligations or
17 credit facilities of the high-risk account, the personal lines
18 account, or the commercial lines account. By March 1, 2007,
19 the corporation shall prepare and submit for approval by the
20 Financial Services Commission and Legislative Budget
21 Commission a report detailing the corporation's business plan
22 for issuing multiperil coverage in the high-risk account. The
23 business plan shall be approved or disapproved within 30 days
24 after receipt, as submitted or modified and resubmitted by the
25 corporation. The business plan must include: the impact of
26 such multiperil coverage on the corporation's financial
27 resources, the impact of such multiperil coverage on the
28 corporation's tax-exempt status, the manner in which the
29 corporation plans to implement the processing of applications
30 and policy forms for new and existing policyholders, the
31 impact of such multiperil coverage on the corporation's

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1 ability to deliver customer service at the high level required
 2 by this subsection, the ability of the corporation to process
 3 claims, the ability of the corporation to quote and issue
 4 policies, the impact of such multiperil coverage on the
 5 corporation's agents, the impact of such multiperil coverage
 6 on the corporation's existing policyholders, and the impact of
 7 such multiperil coverage on rates and premium. The high-risk
 8 account must also include quota share primary insurance under
 9 subparagraph (c)2. The area eligible for coverage under the
 10 high-risk account also includes the area within Port
 11 Canaveral, which is bordered on the south by the City of Cape
 12 Canaveral, bordered on the west by the Banana River, and
 13 bordered on the north by Federal Government property.

14 b. The three separate accounts must be maintained as
 15 long as financing obligations entered into by the Florida
 16 Windstorm Underwriting Association or Residential Property and
 17 Casualty Joint Underwriting Association are outstanding, in
 18 accordance with the terms of the corresponding financing
 19 documents. When the financing obligations are no longer
 20 outstanding, in accordance with the terms of the corresponding
 21 financing documents, the corporation may use a single account
 22 for all revenues, assets, liabilities, losses, and expenses of
 23 the corporation. Consistent with the requirement of this
 24 subparagraph and prudent investment policies that minimize the
 25 cost of carrying debt, the board shall exercise its best
 26 efforts to retire existing debt or to obtain approval of
 27 necessary parties to amend the terms of existing debt, so as
 28 to structure the most efficient plan to consolidate the three
 29 separate accounts into a single account. By February 1, 2007,
 30 the board shall submit a report to the Financial Services
 31 Commission, the President of the Senate, and the Speaker of

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1 the House of Representatives which includes an analysis of
2 consolidating the accounts, the actions the board has taken to
3 minimize the cost of carrying debt, and its recommendations
4 for executing the most efficient plan.

5 c. Creditors of the Residential Property and Casualty
6 Joint Underwriting Association shall have a claim against, and
7 recourse to, the accounts referred to in sub-sub-subparagraphs
8 a.(I) and (II) and shall have no claim against, or recourse
9 to, the account referred to in sub-sub-subparagraph a.(III).
10 Creditors of the Florida Windstorm Underwriting Association
11 shall have a claim against, and recourse to, the account
12 referred to in sub-sub-subparagraph a.(III) and shall have no
13 claim against, or recourse to, the accounts referred to in
14 sub-sub-subparagraphs a.(I) and (II).

15 d. Revenues, assets, liabilities, losses, and expenses
16 not attributable to particular accounts shall be prorated
17 among the accounts.

18 e. The Legislature finds that the revenues of the
19 corporation are revenues that are necessary to meet the
20 requirements set forth in documents authorizing the issuance
21 of bonds under this subsection.

22 f. No part of the income of the corporation may inure
23 to the benefit of any private person.

24 3. With respect to a deficit in an account:

25 a. When the deficit incurred in a particular calendar
26 year is not greater than 10 percent of the aggregate statewide
27 direct written premium for the subject lines of business for
28 the prior calendar year, the entire deficit shall be recovered
29 through regular assessments of assessable insurers under
30 paragraph (p) and assessable insureds.

31 b. When the deficit incurred in a particular calendar

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1 year exceeds 10 percent of the aggregate statewide direct
 2 written premium for the subject lines of business for the
 3 prior calendar year, the corporation shall levy regular
 4 assessments on assessable insurers under paragraph (p) and on
 5 assessable insureds in an amount equal to the greater of 10
 6 percent of the deficit or 10 percent of the aggregate
 7 statewide direct written premium for the subject lines of
 8 business for the prior calendar year. Any remaining deficit
 9 shall be recovered through emergency assessments under
 10 sub-subparagraph d.

11 c. Each assessable insurer's share of the amount being
 12 assessed under sub-subparagraph a. or sub-subparagraph b.
 13 shall be in the proportion that the assessable insurer's
 14 direct written premium for the subject lines of business for
 15 the year preceding the assessment bears to the aggregate
 16 statewide direct written premium for the subject lines of
 17 business for that year. The assessment percentage applicable
 18 to each assessable insured is the ratio of the amount being
 19 assessed under sub-subparagraph a. or sub-subparagraph b. to
 20 the aggregate statewide direct written premium for the subject
 21 lines of business for the prior year. Assessments levied by
 22 the corporation on assessable insurers under sub-subparagraphs
 23 a. and b. shall be paid as required by the corporation's plan
 24 of operation and paragraph (p). Notwithstanding any other
 25 provision of this subsection, the aggregate amount of a
 26 regular assessment for a deficit incurred in a particular
 27 calendar year shall be reduced by the estimated amount to be
 28 received by the corporation from the Citizens policyholder
 29 surcharge under subparagraph (c)11. and the amount collected
 30 or estimated to be collected from the assessment on Citizens
 31 policyholders pursuant to sub-subparagraph i. Assessments

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1 levied by the corporation on assessable insureds under
 2 sub-subparagraphs a. and b. shall be collected by the surplus
 3 lines agent at the time the surplus lines agent collects the
 4 surplus lines tax required by s. 626.932 and shall be paid to
 5 the Florida Surplus Lines Service Office at the time the
 6 surplus lines agent pays the surplus lines tax to the Florida
 7 Surplus Lines Service Office. Upon receipt of regular
 8 assessments from surplus lines agents, the Florida Surplus
 9 Lines Service Office shall transfer the assessments directly
 10 to the corporation as determined by the corporation.

11 d. Upon a determination by the board of governors that
 12 a deficit in an account exceeds the amount that will be
 13 recovered through regular assessments under sub-subparagraph
 14 a. or sub-subparagraph b., the board shall levy, after
 15 verification by the office, emergency assessments, for as many
 16 years as necessary to cover the deficits, to be collected by
 17 assessable insurers and the corporation and collected from
 18 assessable insureds upon issuance or renewal of policies for
 19 subject lines of business, excluding National Flood Insurance
 20 policies. The amount of the emergency assessment collected in
 21 a particular year shall be a uniform percentage of that year's
 22 direct written premium for subject lines of business and all
 23 accounts of the corporation, excluding National Flood
 24 Insurance Program policy premiums, as annually determined by
 25 the board and verified by the office. The office shall verify
 26 the arithmetic calculations involved in the board's
 27 determination within 30 days after receipt of the information
 28 on which the determination was based. Notwithstanding any
 29 other provision of law, the corporation and each assessable
 30 insurer that writes subject lines of business shall collect
 31 emergency assessments from its policyholders without such

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1 obligation being affected by any credit, limitation,
 2 exemption, or deferment. Emergency assessments levied by the
 3 corporation on assessable insureds shall be collected by the
 4 surplus lines agent at the time the surplus lines agent
 5 collects the surplus lines tax required by s. 626.932 and
 6 shall be paid to the Florida Surplus Lines Service Office at
 7 the time the surplus lines agent pays the surplus lines tax to
 8 the Florida Surplus Lines Service Office. The emergency
 9 assessments so collected shall be transferred directly to the
 10 corporation on a periodic basis as determined by the
 11 corporation and shall be held by the corporation solely in the
 12 applicable account. The aggregate amount of emergency
 13 assessments levied for an account under this sub-subparagraph
 14 in any calendar year may not exceed the greater of 10 percent
 15 of the amount needed to cover the original deficit, plus
 16 interest, fees, commissions, required reserves, and other
 17 costs associated with financing of the original deficit, or 10
 18 percent of the aggregate statewide direct written premium for
 19 subject lines of business and for all accounts of the
 20 corporation for the prior year, plus interest, fees,
 21 commissions, required reserves, and other costs associated
 22 with financing the original deficit.

23 e. The corporation may pledge the proceeds of
 24 assessments, projected recoveries from the Florida Hurricane
 25 Catastrophe Fund, other insurance and reinsurance
 26 recoverables, policyholder surcharges and other surcharges,
 27 and other funds available to the corporation as the source of
 28 revenue for and to secure bonds issued under paragraph (p),
 29 bonds or other indebtedness issued under subparagraph (c)3.,
 30 or lines of credit or other financing mechanisms issued or
 31 created under this subsection, or to retire any other debt

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1 incurred as a result of deficits or events giving rise to
 2 deficits, or in any other way that the board determines will
 3 efficiently recover such deficits. The purpose of the lines of
 4 credit or other financing mechanisms is to provide additional
 5 resources to assist the corporation in covering claims and
 6 expenses attributable to a catastrophe. As used in this
 7 subsection, the term "assessments" includes regular
 8 assessments under sub-subparagraph a., sub-subparagraph b., or
 9 subparagraph (p)1. and emergency assessments under
 10 sub-subparagraph d. Emergency assessments collected under
 11 sub-subparagraph d. are not part of an insurer's rates, are
 12 not premium, and are not subject to premium tax, fees, or
 13 commissions; however, failure to pay the emergency assessment
 14 shall be treated as failure to pay premium. The emergency
 15 assessments under sub-subparagraph d. shall continue as long
 16 as any bonds issued or other indebtedness incurred with
 17 respect to a deficit for which the assessment was imposed
 18 remain outstanding, unless adequate provision has been made
 19 for the payment of such bonds or other indebtedness pursuant
 20 to the documents governing such bonds or other indebtedness.

21 f. As used in this subsection for purposes of any
 22 deficit incurred on or after January 25, 2007, the term
 23 "subject lines of business" means insurance written by
 24 assessable insurers or procured by assessable insureds for all
 25 property and casualty lines of business in this state, but not
 26 including workers' compensation or medical malpractice. As
 27 used in the sub-subparagraph, the term "property and casualty
 28 lines of business" includes all lines of business identified
 29 on Form 2, Exhibit of Premiums and Losses, in the annual
 30 statement required of authorized insurers by s. 624.424 and
 31 any rule adopted under this section, except for those lines

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1 identified as accident and health insurance and except for
 2 policies written under the National Flood Insurance Program or
 3 the Federal Crop Insurance Program. For purposes of this
 4 sub-subparagraph, the term "workers' compensation" includes
 5 both workers' compensation insurance and excess workers'
 6 compensation insurance.

7 g. The Florida Surplus Lines Service Office shall
 8 determine annually the aggregate statewide written premium in
 9 subject lines of business procured by assessable insureds and
 10 shall report that information to the corporation in a form and
 11 at a time the corporation specifies to ensure that the
 12 corporation can meet the requirements of this subsection and
 13 the corporation's financing obligations.

14 h. The Florida Surplus Lines Service Office shall
 15 verify the proper application by surplus lines agents of
 16 assessment percentages for regular assessments and emergency
 17 assessments levied under this subparagraph on assessable
 18 insureds and shall assist the corporation in ensuring the
 19 accurate, timely collection and payment of assessments by
 20 surplus lines agents as required by the corporation.

21 i. If a deficit is incurred in any account in 2008 or
 22 thereafter, the board of governors shall levy an immediate
 23 assessment against the premium of each nonhomestead property
 24 policyholder in all accounts of the corporation, as a uniform
 25 percentage of the premium of the policy of up to 10 percent of
 26 such premium, which funds shall be used to offset the deficit.
 27 If this assessment is insufficient to eliminate the deficit,
 28 the board of governors shall levy an additional assessment
 29 against all policyholders of the corporation, which shall be
 30 collected at the time of issuance or renewal of a policy, as a
 31 uniform percentage of the premium for the policy of up to 10

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1 percent of such premium, which funds shall be used to further
2 offset the deficit.

3 j. The board of governors shall maintain separate
4 accounting records that consolidate data for nonhomestead
5 properties, including, but not limited to, number of policies,
6 insured values, premiums written, and losses. The board of
7 governors shall annually report to the office and the
8 Legislature a summary of such data.

9 (c) The plan of operation of the corporation:

10 1. Must provide for adoption of residential property
11 and casualty insurance policy forms and commercial residential
12 and nonresidential property insurance forms, which forms must
13 be approved by the office prior to use. The corporation shall
14 adopt the following policy forms:

15 a. Standard personal lines policy forms that are
16 comprehensive multiperil policies providing full coverage of a
17 residential property equivalent to the coverage provided in
18 the private insurance market under an HO-3, HO-4, or HO-6
19 policy.

20 b. Basic personal lines policy forms that are policies
21 similar to an HO-8 policy or a dwelling fire policy that
22 provide coverage meeting the requirements of the secondary
23 mortgage market, but which coverage is more limited than the
24 coverage under a standard policy.

25 c. Commercial lines residential and nonresidential
26 policy forms that are generally similar to the basic perils of
27 full coverage obtainable for commercial residential structures
28 and commercial nonresidential structures in the admitted
29 voluntary market.

30 d. Personal lines and commercial lines residential
31 property insurance forms that cover the peril of wind only.

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1 The forms are applicable only to residential properties
2 located in areas eligible for coverage under the high-risk
3 account referred to in sub-subparagraph (b)2.a.

4 e. Commercial lines nonresidential property insurance
5 forms that cover the peril of wind only. The forms are
6 applicable only to nonresidential properties located in areas
7 eligible for coverage under the high-risk account referred to
8 in sub-subparagraph (b)2.a.

9 f. The corporation may adopt variations of the policy
10 forms listed in sub-subparagraphs a.-e. that contain more
11 restrictive coverage.

12 2.a. Must provide that the corporation adopt a program
13 in which the corporation and authorized insurers enter into
14 quota share primary insurance agreements for hurricane
15 coverage, as defined in s. 627.4025(2)(a), for eligible risks,
16 and adopt property insurance forms for eligible risks which
17 cover the peril of wind only. As used in this subsection, the
18 term:

19 (I) "Quota share primary insurance" means an
20 arrangement in which the primary hurricane coverage of an
21 eligible risk is provided in specified percentages by the
22 corporation and an authorized insurer. The corporation and
23 authorized insurer are each solely responsible for a specified
24 percentage of hurricane coverage of an eligible risk as set
25 forth in a quota share primary insurance agreement between the
26 corporation and an authorized insurer and the insurance
27 contract. The responsibility of the corporation or authorized
28 insurer to pay its specified percentage of hurricane losses of
29 an eligible risk, as set forth in the quota share primary
30 insurance agreement, may not be altered by the inability of
31 the other party to the agreement to pay its specified

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1 percentage of hurricane losses. Eligible risks that are
2 provided hurricane coverage through a quota share primary
3 insurance arrangement must be provided policy forms that set
4 forth the obligations of the corporation and authorized
5 insurer under the arrangement, clearly specify the percentages
6 of quota share primary insurance provided by the corporation
7 and authorized insurer, and conspicuously and clearly state
8 that neither the authorized insurer nor the corporation may be
9 held responsible beyond its specified percentage of coverage
10 of hurricane losses.

11 (II) "Eligible risks" means personal lines residential
12 and commercial lines residential risks that meet the
13 underwriting criteria of the corporation and are located in
14 areas that were eligible for coverage by the Florida Windstorm
15 Underwriting Association on January 1, 2002.

16 b. The corporation may enter into quota share primary
17 insurance agreements with authorized insurers at corporation
18 coverage levels of 90 percent and 50 percent.

19 c. If the corporation determines that additional
20 coverage levels are necessary to maximize participation in
21 quota share primary insurance agreements by authorized
22 insurers, the corporation may establish additional coverage
23 levels. However, the corporation's quota share primary
24 insurance coverage level may not exceed 90 percent.

25 d. Any quota share primary insurance agreement entered
26 into between an authorized insurer and the corporation must
27 provide for a uniform specified percentage of coverage of
28 hurricane losses, by county or territory as set forth by the
29 corporation board, for all eligible risks of the authorized
30 insurer covered under the quota share primary insurance
31 agreement.

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1 e. Any quota share primary insurance agreement entered
2 into between an authorized insurer and the corporation is
3 subject to review and approval by the office. However, such
4 agreement shall be authorized only as to insurance contracts
5 entered into between an authorized insurer and an insured who
6 is already insured by the corporation for wind coverage.

7 f. For all eligible risks covered under quota share
8 primary insurance agreements, the exposure and coverage levels
9 for both the corporation and authorized insurers shall be
10 reported by the corporation to the Florida Hurricane
11 Catastrophe Fund. For all policies of eligible risks covered
12 under quota share primary insurance agreements, the
13 corporation and the authorized insurer shall maintain complete
14 and accurate records for the purpose of exposure and loss
15 reimbursement audits as required by Florida Hurricane
16 Catastrophe Fund rules. The corporation and the authorized
17 insurer shall each maintain duplicate copies of policy
18 declaration pages and supporting claims documents.

19 g. The corporation board shall establish in its plan
20 of operation standards for quota share agreements which ensure
21 that there is no discriminatory application among insurers as
22 to the terms of quota share agreements, pricing of quota share
23 agreements, incentive provisions if any, and consideration
24 paid for servicing policies or adjusting claims.

25 h. The quota share primary insurance agreement between
26 the corporation and an authorized insurer must set forth the
27 specific terms under which coverage is provided, including,
28 but not limited to, the sale and servicing of policies issued
29 under the agreement by the insurance agent of the authorized
30 insurer producing the business, the reporting of information
31 concerning eligible risks, the payment of premium to the

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1 corporation, and arrangements for the adjustment and payment
 2 of hurricane claims incurred on eligible risks by the claims
 3 adjuster and personnel of the authorized insurer. Entering
 4 into a quota sharing insurance agreement between the
 5 corporation and an authorized insurer shall be voluntary and
 6 at the discretion of the authorized insurer.

7 3. May provide that the corporation may employ or
 8 otherwise contract with individuals or other entities to
 9 provide administrative or professional services that may be
 10 appropriate to effectuate the plan. The corporation shall have
 11 the power to borrow funds, by issuing bonds or by incurring
 12 other indebtedness, and shall have other powers reasonably
 13 necessary to effectuate the requirements of this subsection,
 14 including, without limitation, the power to issue bonds and
 15 incur other indebtedness in order to refinance outstanding
 16 bonds or other indebtedness. The corporation may, but is not
 17 required to, seek judicial validation of its bonds or other
 18 indebtedness under chapter 75. The corporation may issue bonds
 19 or incur other indebtedness, or have bonds issued on its
 20 behalf by a unit of local government pursuant to subparagraph
 21 (g)2., in the absence of a hurricane or other weather-related
 22 event, upon a determination by the corporation, subject to
 23 approval by the office, that such action would enable it to
 24 efficiently meet the financial obligations of the corporation
 25 and that such financings are reasonably necessary to
 26 effectuate the requirements of this subsection. The
 27 corporation is authorized to take all actions needed to
 28 facilitate tax-free status for any such bonds or indebtedness,
 29 including formation of trusts or other affiliated entities.
 30 The corporation shall have the authority to pledge
 31 assessments, projected recoveries from the Florida Hurricane

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1 Catastrophe Fund, other reinsurance recoverables, market
 2 equalization and other surcharges, and other funds available
 3 to the corporation as security for bonds or other
 4 indebtedness. In recognition of s. 10, Art. I of the State
 5 Constitution, prohibiting the impairment of obligations of
 6 contracts, it is the intent of the Legislature that no action
 7 be taken whose purpose is to impair any bond indenture or
 8 financing agreement or any revenue source committed by
 9 contract to such bond or other indebtedness.

10 4.a. Must require that the corporation operate subject
 11 to the supervision and approval of a board of governors
 12 consisting of eight individuals who are residents of this
 13 state, from different geographical areas of this state. The
 14 Governor, the Chief Financial Officer, the President of the
 15 Senate, and the Speaker of the House of Representatives shall
 16 each appoint two members of the board. At least one of the two
 17 members appointed by each appointing officer must have
 18 demonstrated expertise in insurance. The Chief Financial
 19 Officer shall designate one of the appointees as chair. All
 20 board members serve at the pleasure of the appointing officer.
 21 All members of the board of governors are subject to removal
 22 at will by the officers who appointed them. All board members,
 23 including the chair, must be appointed to serve for 3-year
 24 terms beginning annually on a date designated by the plan. Any
 25 board vacancy shall be filled for the unexpired term by the
 26 appointing officer. The Chief Financial Officer shall appoint
 27 a technical advisory group to provide information and advice
 28 to the board of governors in connection with the board's
 29 duties under this subsection. The executive director and
 30 senior managers of the corporation shall be engaged by the
 31 board and serve at the pleasure of the board. Any executive

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1 director appointed on or after July 1, 2006, is subject to
2 confirmation by the Senate. The executive director is
3 responsible for employing other staff as the corporation may
4 require, subject to review and concurrence by the board.

5 b. The board shall create a Market Accountability
6 Advisory Committee to assist the corporation in developing
7 awareness of its rates and its customer and agent service
8 levels in relationship to the voluntary market insurers
9 writing similar coverage. The members of the advisory
10 committee shall consist of the following 11 persons, one of
11 whom must be elected chair by the members of the committee:
12 four representatives, one appointed by the Florida Association
13 of Insurance Agents, one by the Florida Association of
14 Insurance and Financial Advisors, one by the Professional
15 Insurance Agents of Florida, and one by the Latin American
16 Association of Insurance Agencies; three representatives
17 appointed by the insurers with the three highest voluntary
18 market share of residential property insurance business in the
19 state; one representative from the Office of Insurance
20 Regulation; one consumer appointed by the board who is insured
21 by the corporation at the time of appointment to the
22 committee; one representative appointed by the Florida
23 Association of Realtors; and one representative appointed by
24 the Florida Bankers Association. All members must serve for
25 3-year terms and may serve for consecutive terms. The
26 committee shall report to the corporation at each board
27 meeting on insurance market issues which may include rates and
28 rate competition with the voluntary market; service, including
29 policy issuance, claims processing, and general responsiveness
30 to policyholders, applicants, and agents; and matters relating
31 to depopulation.

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

3 a. Subject to the provisions of s. 627.3517, with
4 respect to personal lines residential risks, if the risk is
5 offered coverage from an authorized insurer at the insurer's
6 approved rate under either a standard policy including wind
7 coverage or, if consistent with the insurer's underwriting
8 rules as filed with the office, a basic policy including wind
9 coverage, for a new application to the corporation for
10 coverage, the risk is not eligible for any policy issued by
11 the corporation unless the premium for coverage from the
12 authorized insurer is more than 25 percent greater than the
13 premium for comparable coverage from the corporation. If the
14 risk is not able to obtain any such offer, the risk is
15 eligible for either a standard policy including wind coverage
16 or a basic policy including wind coverage issued by the
17 corporation; however, if the risk could not be insured under a
18 standard policy including wind coverage regardless of market
19 conditions, the risk shall be eligible for a basic policy
20 including wind coverage unless rejected under subparagraph 8.
21 However, with regard to a policyholder of the corporation or a
22 policyholder removed from the corporation through an
23 assumption agreement until the end of the assumption period,
24 the policyholder remains eligible for coverage from the
25 corporation regardless of any offer of coverage from an
26 authorized insurer or surplus lines insurer. The corporation
27 shall determine the type of policy to be provided on the basis
28 of objective standards specified in the underwriting manual
29 and based on generally accepted underwriting practices.

30 (I) If the risk accepts an offer of coverage through
31 the market assistance plan or an offer of coverage through a

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1 mechanism established by the corporation before a policy is
 2 issued to the risk by the corporation or during the first 30
 3 days of coverage by the corporation, and the producing agent
 4 who submitted the application to the plan or to the
 5 corporation is not currently appointed by the insurer, the
 6 insurer shall:

7 (A) Pay to the producing agent of record of the
 8 policy, for the first year, an amount that is the greater of
 9 the insurer's usual and customary commission for the type of
 10 policy written or a fee equal to the usual and customary
 11 commission of the corporation; or

12 (B) Offer to allow the producing agent of record of
 13 the policy to continue servicing the policy for a period of
 14 not less than 1 year and offer to pay the agent the greater of
 15 the insurer's or the corporation's usual and customary
 16 commission for the type of policy written.

17
 18 If the producing agent is unwilling or unable to accept
 19 appointment, the new insurer shall pay the agent in accordance
 20 with sub-sub-sub-subparagraph (A).

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

25 (A) Pay to the producing agent of record of the
 26 corporation policy, for the first year, an amount that is the
 27 greater of the insurer's usual and customary commission for
 28 the type of policy written or a fee equal to the usual and
 29 customary commission of the corporation; or

30 (B) Offer to allow the producing agent of record of
 31 the corporation policy to continue servicing the policy for a

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1 period of not less than 1 year and offer to pay the agent the
2 greater of the insurer's or the corporation's usual and
3 customary commission for the type of policy written.

4
5 If the producing agent is unwilling or unable to accept
6 appointment, the new insurer shall pay the agent in accordance
7 with sub-sub-sub-subparagraph (A).

8 b. With respect to commercial lines residential risks,
9 for a new application to the corporation for coverage, if the
10 risk is offered coverage under a policy including wind
11 coverage from an authorized insurer at its approved rate, the
12 risk is not eligible for any policy issued by the corporation
13 unless the premium for coverage from the authorized insurer is
14 more than 25 percent greater than the premium for comparable
15 coverage from the corporation. If the risk is not able to
16 obtain any such offer, the risk is eligible for a policy
17 including wind coverage issued by the corporation. However,
18 with regard to a policyholder of the corporation or a
19 policyholder removed from the corporation through an
20 assumption agreement until the end of the assumption period,
21 the policyholder remains eligible for coverage from the
22 corporation regardless of any offer of coverage from an
23 authorized insurer or surplus lines insurer.

24 (I) If the risk accepts an offer of coverage through
25 the market assistance plan or an offer of coverage through a
26 mechanism established by the corporation before a policy is
27 issued to the risk by the corporation or during the first 30
28 days of coverage by the corporation, and the producing agent
29 who submitted the application to the plan or the corporation
30 is not currently appointed by the insurer, the insurer shall:

31 (A) Pay to the producing agent of record of the

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1 policy, for the first year, an amount that is the greater of
 2 the insurer's usual and customary commission for the type of
 3 policy written or a fee equal to the usual and customary
 4 commission of the corporation; or

5 (B) Offer to allow the producing agent of record of
 6 the policy to continue servicing the policy for a period of
 7 not less than 1 year and offer to pay the agent the greater of
 8 the insurer's or the corporation's usual and customary
 9 commission for the type of policy written.

10

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

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

18 (A) Pay to the producing agent of record of the
 19 corporation policy, for the first year, an amount that is the
 20 greater of the insurer's usual and customary commission for
 21 the type of policy written or a fee equal to the usual and
 22 customary commission of the corporation; or

23 (B) Offer to allow the producing agent of record of
 24 the corporation policy to continue servicing the policy for a
 25 period of not less than 1 year and offer to pay the agent the
 26 greater of the insurer's or the corporation's usual and
 27 customary commission for the type of policy written.

28

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

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1 c. For purposes of determining comparable coverage
2 under sub-subparagraphs a. and b., the comparison shall be
3 based on those forms and coverages that are reasonably
4 comparable. The corporation may rely on a determination of
5 comparable coverage and premium made by the producing agent
6 who submits the application to the corporation, which
7 determination shall be presumed correct and deemed to be made
8 in its capacity as the corporation's agent. It is acceptable
9 to make a comparison solely of the premium with respect to the
10 main building or structure only, on the following basis: the
11 same coverage A or other building limits; the same percentage
12 hurricane deductible that applies on an annual basis or that
13 applies to each hurricane for commercial residential property;
14 the same percentage of ordinance and law coverage, if the same
15 limit is offered by both the corporation and the authorized
16 insurer; the same mitigation credits, to the extent the same
17 types of credits are offered both by the corporation and the
18 authorized insurer; the same method for loss payment, such as
19 replacement cost or actual cash value, if the same method is
20 offered both by the corporation and the authorized insurer in
21 accordance with underwriting rules; and any other form or
22 coverage that is reasonably comparable as determined by the
23 board. Any other differences in coverage may be ignored. If an
24 application is submitted to the corporation for wind-only
25 coverage in the high-risk account, the premium for the
26 corporation's wind-only policy plus the premium for the
27 ex-wind policy that is offered by an authorized insurer to the
28 applicant shall be compared to the premium for multi-peril
29 coverage offered by an authorized insurer, subject to the
30 standards for comparison specified in this subparagraph. If
31 the corporation or the applicant requests from the authorized

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1 insurer a breakdown of the premium of the offer by types of
2 coverage so that a comparison may be made by the corporation
3 or its agent and the authorized insurer refuses or is unable
4 to provide such information, the corporation may treat the
5 offer as not being an offer of coverage from an authorized
6 insurer at the insurer's approved rate.

7 ~~6. Must provide by July 1, 2007, that an application~~
8 ~~for coverage for a new policy is subject to a waiting period~~
9 ~~of 10 days before coverage is effective, during which time the~~
10 ~~corporation shall make such application available for review~~
11 ~~by general lines agents and authorized property and casualty~~
12 ~~insurers. The board shall approve an exception that allows for~~
13 ~~coverage to be effective before the end of the 10-day waiting~~
14 ~~period, for coverage issued in conjunction with a real estate~~
15 ~~closing. The board may approve such other exceptions as the~~
16 ~~board determines are necessary to prevent lapses in coverage.~~

17 ~~6.7. Must include rules for classifications of risks~~
18 ~~and rates therefor.~~

19 ~~7.8. Must provide that if premium and investment~~
20 ~~income for an account attributable to a particular calendar~~
21 ~~year are in excess of projected losses and expenses for the~~
22 ~~account attributable to that year, such excess shall be held~~
23 ~~in surplus in the account. Such surplus shall be available to~~
24 ~~defray deficits in that account as to future years and shall~~
25 ~~be used for that purpose prior to assessing assessable~~
26 ~~insurers and assessable insureds as to any calendar year.~~

27 ~~8.9. Must provide objective criteria and procedures to~~
28 ~~be uniformly applied for all applicants in determining whether~~
29 ~~an individual risk is so hazardous as to be uninsurable. In~~
30 ~~making this determination and in establishing the criteria and~~
31 ~~procedures, the following shall be considered:~~

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1 a. Whether the likelihood of a loss for the individual
2 risk is substantially higher than for other risks of the same
3 class; and

4 b. Whether the uncertainty associated with the
5 individual risk is such that an appropriate premium cannot be
6 determined.

7
8 The acceptance or rejection of a risk by the corporation shall
9 be construed as the private placement of insurance, and the
10 provisions of chapter 120 shall not apply.

11 ~~9.10.~~ Must provide that the corporation shall make its
12 best efforts to procure catastrophe reinsurance at reasonable
13 rates, to cover its projected 100-year probable maximum loss
14 as determined by the board of governors.

15 ~~10.11.~~ Must provide that in the event of regular
16 deficit assessments under sub-subparagraph (b)3.a. or
17 sub-subparagraph (b)3.b., in the personal lines account, the
18 commercial lines residential account, or the high-risk
19 account, the corporation shall levy upon corporation
20 policyholders in its next rate filing, or by a separate rate
21 filing solely for this purpose, a Citizens policyholder
22 surcharge arising from a regular assessment in such account in
23 a percentage equal to the total amount of such regular
24 assessments divided by the aggregate statewide direct written
25 premium for subject lines of business for the prior calendar
26 year. For purposes of calculating the Citizens policyholder
27 surcharge to be levied under this subparagraph, the total
28 amount of the regular assessment to which this surcharge is
29 related shall be determined as set forth in subparagraph
30 (b)3., without deducting the estimated Citizens policyholder
31 surcharge. Citizens policyholder surcharges under this

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1 subparagraph are not considered premium and are not subject to
2 commissions, fees, or premium taxes; however, failure to pay a
3 market equalization surcharge shall be treated as failure to
4 pay premium.

5 ~~11.12.~~ The policies issued by the corporation must
6 provide that, if the corporation or the market assistance plan
7 obtains an offer from an authorized insurer to cover the risk
8 at its approved rates, the risk is no longer eligible for
9 renewal through the corporation, except as otherwise provided
10 in this subsection.

11 ~~12.13.~~ Corporation policies and applications must
12 include a notice that the corporation policy could, under this
13 section, be replaced with a policy issued by an authorized
14 insurer that does not provide coverage identical to the
15 coverage provided by the corporation. The notice shall also
16 specify that acceptance of corporation coverage creates a
17 conclusive presumption that the applicant or policyholder is
18 aware of this potential.

19 ~~13.14.~~ May establish, subject to approval by the
20 office, different eligibility requirements and operational
21 procedures for any line or type of coverage for any specified
22 county or area if the board determines that such changes to
23 the eligibility requirements and operational procedures are
24 justified due to the voluntary market being sufficiently
25 stable and competitive in such area or for such line or type
26 of coverage and that consumers who, in good faith, are unable
27 to obtain insurance through the voluntary market through
28 ordinary methods would continue to have access to coverage
29 from the corporation. When coverage is sought in connection
30 with a real property transfer, such requirements and
31 procedures shall not provide for an effective date of coverage

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1 later than the date of the closing of the transfer as
2 established by the transferor, the transferee, and, if
3 applicable, the lender.

4 ~~14.15.~~ Must provide that, with respect to the
5 high-risk account, any assessable insurer with a surplus as to
6 policyholders of \$25 million or less writing 25 percent or
7 more of its total countrywide property insurance premiums in
8 this state may petition the office, within the first 90 days
9 of each calendar year, to qualify as a limited apportionment
10 company. A regular assessment levied by the corporation on a
11 limited apportionment company for a deficit incurred by the
12 corporation for the high-risk account in 2006 or thereafter
13 may be paid to the corporation on a monthly basis as the
14 assessments are collected by the limited apportionment company
15 from its insureds pursuant to s. 627.3512, but the regular
16 assessment must be paid in full within 12 months after being
17 levied by the corporation. A limited apportionment company
18 shall collect from its policyholders any emergency assessment
19 imposed under sub-subparagraph (b)3.d. The plan shall provide
20 that, if the office determines that any regular assessment
21 will result in an impairment of the surplus of a limited
22 apportionment company, the office may direct that all or part
23 of such assessment be deferred as provided in subparagraph
24 (g)4. However, there shall be no limitation or deferment of an
25 emergency assessment to be collected from policyholders under
26 sub-subparagraph (b)3.d.

27 ~~15.16.~~ Must provide that the corporation appoint as
28 its licensed agents only those agents who also hold an
29 appointment as defined in s. 626.015(3) with an insurer who at
30 the time of the agent's initial appointment by the corporation
31 is authorized to write and is actually writing personal lines

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1 residential property coverage, commercial residential property
2 coverage, or commercial nonresidential property coverage
3 within the state.

4 ~~16.17.~~ Must provide, by July 1, 2007, a premium
5 payment plan option to its policyholders which allows at a
6 minimum for quarterly and semiannual payment of premiums. A
7 monthly payment plan may, but is not required to, be offered.

8 ~~17.18.~~ Must provide, effective June 1, 2007, that the
9 corporation contract with each insurer providing the non-wind
10 coverage for risks insured by the corporation in the high-risk
11 account, requiring that the insurer provide claims adjusting
12 services for the wind coverage provided by the corporation for
13 such risks. An insurer is required to enter into this contract
14 as a condition of providing non-wind coverage for a risk that
15 is insured by the corporation in the high-risk account unless
16 the board approves an exemption for good cause ~~finds, after a~~
17 ~~hearing, that the insurer is not capable of providing~~
18 ~~adjusting services at an acceptable level of quality to~~
19 ~~corporation policyholders.~~ The terms and conditions of such
20 contracts must be substantially the same as the contracts that
21 the corporation executed with insurers under the
22 "adjust-your-own" program in 2006, except as may be mutually
23 agreed to by the parties and except for such changes that the
24 board determines are necessary to ensure that claims are
25 adjusted appropriately. The corporation shall provide a
26 process for neutral arbitration of any dispute between the
27 corporation and the insurer regarding the terms of the
28 contract. The corporation shall review and monitor the
29 performance of insurers under these contracts.

30 ~~18.19.~~ Must limit coverage on mobile homes or
31 manufactured homes built prior to 1994 to actual cash value of

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1 the dwelling rather than replacement costs of the dwelling.

2 ~~19.20.~~ May provide such limits of coverage as the
3 board determines, consistent with the requirements of this
4 subsection.

5 ~~20.21.~~ May require commercial property to meet
6 specified hurricane mitigation construction features as a
7 condition of eligibility for coverage.

8 (d)1. All prospective employees for senior management
9 positions, as defined by the plan of operation, are subject to
10 background checks as a prerequisite for employment. The office
11 shall conduct background checks on such prospective employees
12 pursuant to ss. 624.34, 624.404(3), and 628.261.

13 2. On or before July 1 of each year, employees of the
14 corporation are required to sign and submit a statement
15 attesting that they do not have a conflict of interest, as
16 defined in part III of chapter 112. As a condition of
17 employment, all prospective employees are required to sign and
18 submit to the corporation a conflict-of-interest statement.

19 3. Senior managers and members of the board of
20 governors are subject to the provisions of ss. 112.313,
21 112.3135, 112,3143, 112.3145, 112.316, and 112.317 which apply
22 to political subdivisions of the state ~~part III of chapter~~
23 ~~112, including, but not limited to, the code of ethics and~~
24 ~~public disclosure and reporting of financial interests,~~
25 ~~pursuant to s. 112.3145.~~ For purposes of the filing
26 requirements in s. 112.3145, senior managers and board members
27 are ~~also~~ required to file such disclosures with the Commission
28 on Ethics and the Office of Insurance Regulation. The
29 executive director of the corporation or his or her designee
30 shall notify each newly appointed and existing appointed
31 member of the board of governors and senior managers of their

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1 duty to comply with the reporting requirements of s. 112.3145
 2 ~~part III of chapter 112~~. At least quarterly, the executive
 3 director or his or her designee shall submit to the Commission
 4 on Ethics a list of names of the senior managers and members
 5 of the board of governors who are subject to the public
 6 disclosure requirements under s. 112.3145. Notwithstanding s.
 7 112.313, if a member of the board of governors has been
 8 appointed by his or her appointing officer because of
 9 demonstrated expertise in insurance, such member may be an
 10 employee, officer, owner, or director of an insurance agency
 11 or insurance company or other insurance entity that has a
 12 contractual relationship with the corporation. Such board
 13 member may participate in and vote on a matter if the
 14 applicable provisions of s. 112.3143 are met and if the
 15 insurance entity would not obtain a special or unique benefit
 16 that would not apply to other similar insurance entities that
 17 have a contractual relationship with the corporation. For
 18 purposes of the applicable sections of chapter 112 cited in
 19 this subparagraph, senior managers of the corporation are
 20 subject to those provisions applicable to employees of
 21 political subdivisions of the state and board members are
 22 subject to those provisions applicable to appointed public
 23 officers or public officials of political subdivisions of the
 24 state and, for purposes of s. 112.3143(2), board members are
 25 considered state public officers.

26 4. Notwithstanding s. 112.3148 or s. 112.3149, or any
 27 other provision of law, an employee or board member may not
 28 knowingly accept, directly or indirectly, any gift or
 29 expenditure from a person or entity, or an employee or
 30 representative of such person or entity, that has a
 31 contractual relationship with the corporation or who is under

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1 consideration for a contract. An employee or board member who
 2 fails to comply with subparagraph 3. or this subparagraph is
 3 subject to penalties provided under s. ~~ss.~~ 112.317 and
 4 ~~112.3173.~~

5 5. Any senior manager of the corporation who is
 6 employed on or after January 1, 2007, regardless of the date
 7 of hire, who subsequently retires or terminates employment is
 8 prohibited from representing another person or entity before
 9 the corporation for 2 years after retirement or termination of
 10 employment from the corporation.

11 6. Any senior manager ~~employee~~ of the corporation who
 12 is employed on or after January 1, 2007, regardless of the
 13 date of hire, who subsequently retires or terminates
 14 employment is prohibited from having any employment or
 15 contractual relationship for 2 years with an insurer that has
 16 ~~received~~ a take-out bonus agreement with ~~from~~ the corporation.

17 (j)1. The corporation shall establish and maintain a
 18 unit or division to investigate possible fraudulent claims by
 19 insureds or by persons making claims for services or repairs
 20 against policies held by insureds; or it may contract with
 21 others to investigate possible fraudulent claims for services
 22 or repairs against policies held by the corporation pursuant
 23 to s. 626.9891. The corporation must comply with reporting
 24 requirements of s. 626.9891. An employee of the corporation
 25 shall notify the Corporation's Office of the Internal Auditor
 26 ~~Division of Insurance Fraud~~ within 48 hours after having
 27 information that would lead a reasonable person to suspect
 28 that fraud may have been committed by any employee of the
 29 corporation.

30 2. The corporation shall establish a unit or division
 31 responsible for receiving and responding to consumer

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1 complaints, which unit or division is the sole responsibility
2 of a senior manager of the corporation.

3 (m)1. Rates for coverage provided by the corporation
4 shall be actuarially sound and subject to the requirements of
5 s. 627.062, except as otherwise provided in this paragraph.
6 The corporation shall file its recommended rates with the
7 office at least annually. The corporation shall provide any
8 additional information regarding the rates which the office
9 requires. The office shall consider the recommendations of the
10 board and issue a final order establishing the rates for the
11 corporation within 45 days after the recommended rates are
12 filed. The corporation may not pursue an administrative
13 challenge or judicial review of the final order of the office.

14 2. In addition to the rates otherwise determined
15 pursuant to this paragraph, the corporation shall impose and
16 collect an amount equal to the premium tax provided for in s.
17 624.509 to augment the financial resources of the corporation.

18 3. After the public hurricane loss-projection model
19 under s. 627.06281 has been found to be accurate and reliable
20 by the Florida Commission on Hurricane Loss Projection
21 Methodology, that model shall serve as the minimum benchmark
22 for determining the windstorm portion of the corporation's
23 rates. This subparagraph does not require or allow the
24 corporation to adopt rates lower than the rates otherwise
25 required or allowed by this paragraph.

26 4. The rate filings for the corporation which were
27 approved by the office and which took effect January 1, 2007,
28 are rescinded, except for those rates that were lowered. As
29 soon as possible, the corporation shall begin using the lower
30 rates that were in effect on December 31, 2006, and shall
31 provide refunds to policyholders who have paid higher rates as

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1 a result of that rate filing. The rates in effect on December
 2 31, 2006, shall remain in effect through at least December 31,
 3 2007, ~~for the 2007 calendar year~~ except for any rate change
 4 that results in a lower rate. The next rate change that may
 5 increase rates shall be filed with the office by ~~take effect~~
 6 January 1, 2008, ~~pursuant to a new rate filing recommended by~~
 7 ~~the corporation and established by the office,~~ subject to the
 8 requirements of this paragraph.

9 (n) If coverage in an account is deactivated pursuant
 10 to paragraph (f), coverage through the corporation shall be
 11 reactivated by order of the office only under one of the
 12 following circumstances:

13 1. If the market assistance plan receives a minimum of
 14 100 applications for coverage within a 3-month period, or 200
 15 applications for coverage within a 1-year period or less for
 16 residential coverage, unless the market assistance plan
 17 provides a quotation from admitted carriers at their filed
 18 rates for at least 90 percent of such applicants. Any market
 19 assistance plan application that is rejected because an
 20 individual risk is so hazardous as to be uninsurable using the
 21 criteria specified in subparagraph (c)8. shall not be included
 22 in the minimum percentage calculation provided herein. In the
 23 event that there is a legal or administrative challenge to a
 24 determination by the office that the conditions of this
 25 subparagraph have been met for eligibility for coverage in the
 26 corporation, any eligible risk may obtain coverage during the
 27 pendency of such challenge.

28 2. In response to a state of emergency declared by the
 29 Governor under s. 252.36, the office may activate coverage by
 30 order for the period of the emergency upon a finding by the
 31 office that the emergency significantly affects the

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1 availability of residential property insurance.

2 (v) Notwithstanding any other provision of law:

3 1. The pledge or sale of, the lien upon, and the
 4 security interest in any rights, revenues, or other assets of
 5 the corporation created or purported to be created pursuant to
 6 any financing documents to secure any bonds or other
 7 indebtedness of the corporation shall be and remain valid and
 8 enforceable, notwithstanding the commencement of and during
 9 the continuation of, and after, any rehabilitation,
 10 insolvency, liquidation, bankruptcy, receivership,
 11 conservatorship, reorganization, or similar proceeding against
 12 the corporation under the laws of this state.

13 2. No such proceeding shall relieve the corporation of
 14 its obligation, or otherwise affect its ability to perform its
 15 obligation, to continue to collect, or levy and collect,
 16 assessments, market equalization or other surcharges under
 17 subparagraph (c)10., or any other rights, revenues, or other
 18 assets of the corporation pledged pursuant to any financing
 19 documents.

20 3. Each such pledge or sale of, lien upon, and
 21 security interest in, including the priority of such pledge,
 22 lien, or security interest, any such assessments, market
 23 equalization or other surcharges, or other rights, revenues,
 24 or other assets which are collected, or levied and collected,
 25 after the commencement of and during the pendency of, or
 26 after, any such proceeding shall continue unaffected by such
 27 proceeding. As used in this subsection, the term "financing
 28 documents" means any agreement or agreements, instrument or
 29 instruments, or other document or documents now existing or
 30 hereafter created evidencing any bonds or other indebtedness
 31 of the corporation or pursuant to which any such bonds or

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1 other indebtedness has been or may be issued and pursuant to
 2 which any rights, revenues, or other assets of the corporation
 3 are pledged or sold to secure the repayment of such bonds or
 4 indebtedness, together with the payment of interest on such
 5 bonds or such indebtedness, or the payment of any other
 6 obligation or financial product, as defined in the plan of
 7 operation of the corporation related to such bonds or
 8 indebtedness.

9 4. Any such pledge or sale of assessments, revenues,
 10 contract rights, or other rights or assets of the corporation
 11 shall constitute a lien and security interest, or sale, as the
 12 case may be, that is immediately effective and attaches to
 13 such assessments, revenues, or contract rights or other rights
 14 or assets, whether or not imposed or collected at the time the
 15 pledge or sale is made. Any such pledge or sale is effective,
 16 valid, binding, and enforceable against the corporation or
 17 other entity making such pledge or sale, and valid and binding
 18 against and superior to any competing claims or obligations
 19 owed to any other person or entity, including policyholders in
 20 this state, asserting rights in any such assessments,
 21 revenues, or contract rights or other rights or assets to the
 22 extent set forth in and in accordance with the terms of the
 23 pledge or sale contained in the applicable financing
 24 documents, whether or not any such person or entity has notice
 25 of such pledge or sale and without the need for any physical
 26 delivery, recordation, filing, or other action.

27 5. As long as the corporation has any bonds
 28 outstanding, the corporation may not file a voluntary petition
 29 under chapter 9 of the federal Bankruptcy Code or such
 30 corresponding chapter or sections as may be in effect, from
 31 time to time, and a public officer or any organization,

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1 entity, or other person may not authorize the corporation to
 2 be or become a debtor under chapter 9 of the federal
 3 Bankruptcy Code or such corresponding chapter or sections as
 4 may be in effect, from time to time, during any such period.

5 6. If ordered by a court of competent jurisdiction,
 6 the corporation may assume policies or otherwise provide
 7 coverage for policyholders of an insurer placed in liquidation
 8 under chapter 631, under such forms, rates, terms, and
 9 conditions as the corporation deems appropriate, subject to
 10 approval by the office.

11 Section 9. Subsection (4) of section 627.3511, Florida
 12 Statutes, is amended to read:

13 627.3511 Depopulation of Citizens Property Insurance
 14 Corporation.--

15 (4) AGENT BONUS.--When the corporation enters into a
 16 contractual agreement for a take-out plan that provides a
 17 bonus to the insurer, the producing agent of record of the
 18 corporation policy is entitled to retain any unearned
 19 commission on such policy, and the insurer shall either:

20 (a) Pay to the producing agent of record of the
 21 association policy, for the first year, an amount that is the
 22 greater of the insurer's usual and customary commission for
 23 the type of policy written or a fee equal to the usual and
 24 customary commission of the corporation; or

25 (b) Offer to allow the producing agent of record of
 26 the corporation policy to continue servicing the policy for a
 27 period of not less than 1 year and offer to pay the agent the
 28 greater of the insurer's or the corporation's usual and
 29 customary commission for the type of policy written.

30
 31 If the producing agent is unwilling or unable to accept

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1 appointment, the new insurer shall pay the agent in accordance
 2 with paragraph (a). The requirement of this subsection that
 3 the producing agent of record is entitled to retain the
 4 unearned commission on an association policy does not apply to
 5 a policy for which coverage has been provided in the
 6 association for 30 days or less or for which a cancellation
 7 notice has been issued pursuant to s. 627.351(6)(c)12. ~~s.~~
 8 ~~627.351(6)(c)11.~~ during the first 30 days of coverage.

9 Section 10. Paragraph (a) of subsection (3) of section
 10 627.3515, Florida Statutes, as amended by chapter 2007-1, Laws
 11 of Florida, is amended to read:

12 627.3515 Market assistance plan; property and casualty
 13 risks.--

14 (3)(a) The plan and the corporation shall develop a
 15 business plan and present it to the Financial Services
 16 Commission for approval by September 1, 2007, to provide for
 17 the implementation of an electronic database for the purpose
 18 of confirming eligibility pursuant to s. 627.351(6). The
 19 business plan may provide that authorized insurers or agents
 20 of authorized insurers may submit to the plan or the
 21 corporation in electronic form, as determined by the plan or
 22 the corporation, information determined necessary by the plan
 23 or the corporation to deny coverage to risks ineligible for
 24 coverage by the corporation. Any authorized insurer submitting
 25 such information that results in a risk being denied coverage
 26 by the corporation is required to offer coverage to the risk
 27 at its approved rates, for the coverage and premium quoted,
 28 for at least 1 year.

29 Section 11. Section 627.3517, Florida Statutes, is
 30 amended to read:

31 627.3517 Consumer choice.--

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1 ~~(1) Except as provided in subsection (2),~~ No provision
2 of s. 627.351, s. 627.3511, or s. 627.3515 shall be construed
3 to impair the right of any insurance risk apportionment plan
4 policyholder, upon receipt of any keepout or take-out offer,
5 to retain his or her current agent, so long as that agent is
6 duly licensed and appointed by the insurance risk
7 apportionment plan or otherwise authorized to place business
8 with the insurance risk apportionment plan. This right shall
9 not be canceled, suspended, impeded, abridged, or otherwise
10 compromised by any rule, plan of operation, or depopulation
11 plan, whether through keepout, take-out, midterm assumption,
12 or any other means, of any insurance risk apportionment plan
13 or depopulation plan, including, but not limited to, those
14 described in s. 627.351, s. 627.3511, or s. 627.3515. The
15 commission shall adopt any rules necessary to cause any
16 insurance risk apportionment plan or market assistance plan
17 under such sections to demonstrate that the operations of the
18 plan do not interfere with, promote, or allow interference
19 with the rights created under this section. If the
20 policyholder's current agent is unable or unwilling to be
21 appointed with the insurer making the take-out or keepout
22 offer, the policyholder shall not be disqualified from
23 participation in the appropriate insurance risk apportionment
24 plan because of an offer of coverage in the voluntary market.
25 An offer of full property insurance coverage by the insurer
26 currently insuring either the ex-wind or wind-only coverage on
27 the policy to which the offer applies shall not be considered
28 a take-out or keepout offer. Any rule, plan of operation, or
29 plan of depopulation, through keepout, take-out, midterm
30 assumption, or any other means, of any property insurance risk
31 apportionment plan under s. 627.351(2) or (6) is subject to

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1 ss. 627.351(2)(b) and (6)(c) and 627.3511(4).

2 ~~(2) This section does not apply during the first 10~~
3 ~~days after a new application for coverage has been submitted~~
4 ~~to Citizens Property Insurance Corporation under s.~~
5 ~~627.351(6), whether or not coverage is bound during this~~
6 ~~period.~~

7 Section 12. Subsection (1) of section 627.4035,
8 Florida Statutes, as amended by chapter 2007-1, Laws of
9 Florida, is amended to read:

10 627.4035 Cash payment of premiums; claims.--

11 (1) The premiums for insurance contracts issued in
12 this state or covering risk located in this state shall be
13 paid in cash consisting of coins, currency, checks, or money
14 orders or by using a debit card, credit card, automatic
15 electronic funds transfer, or payroll deduction plan. By July
16 1, 2007, insurers issuing personal lines residential and
17 commercial property policies shall provide a premium payment
18 plan option to their policyholders which allows for a minimum
19 of quarterly and semiannual payment of premiums. Insurers may,
20 but are not required to, offer monthly payment plans. Insurers
21 issuing such policies must submit their premium payment plan
22 option to the office for approval before use.

23 Section 13. Paragraph (b) of subsection (2) of section
24 627.4133, Florida Statutes, is amended, and subsection (7) is
25 added to that section to read:

26 627.4133 Notice of cancellation, nonrenewal, or
27 renewal premium.--

28 (2) With respect to any personal lines or commercial
29 residential property insurance policy, including, but not
30 limited to, any homeowner's, mobile home owner's, farmowner's,
31 condominium association, condominium unit owner's, apartment

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1 building, or other policy covering a residential structure or
2 its contents:

3 (b) The insurer shall give the named insured written
4 notice of nonrenewal, cancellation, or termination at least
5 100 days prior to the effective date of the nonrenewal,
6 cancellation, or termination. However, the insurer shall give
7 at least 100 days' written notice, or written notice by June
8 1, whichever is earlier, for any nonrenewal, cancellation, or
9 termination that would be effective between June 1 and
10 November 30. The notice must include the reason or reasons for
11 the nonrenewal, cancellation, or termination, except that:

12 1. When cancellation is for nonpayment of premium, at
13 least 10 days' written notice of cancellation accompanied by
14 the reason therefor shall be given. As used in this
15 subparagraph, the term "nonpayment of premium" means failure
16 of the named insured to discharge when due any of her or his
17 obligations in connection with the payment of premiums on a
18 policy or any installment of such premium, whether the premium
19 is payable directly to the insurer or its agent or indirectly
20 under any premium finance plan or extension of credit, or
21 failure to maintain membership in an organization if such
22 membership is a condition precedent to insurance coverage.
23 "Nonpayment of premium" also means the failure of a financial
24 institution to honor an insurance applicant's check after
25 delivery to a licensed agent for payment of a premium, even if
26 the agent has previously delivered or transferred the premium
27 to the insurer. If a dishonored check represents the initial
28 premium payment, the contract and all contractual obligations
29 shall be void ab initio unless the nonpayment is cured within
30 the earlier of 5 days after actual notice by certified mail is
31 received by the applicant or 15 days after notice is sent to

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1 the applicant by certified mail or registered mail, and if the
2 contract is void, any premium received by the insurer from a
3 third party shall be refunded to that party in full.

4 2. When such cancellation or termination occurs during
5 the first 90 days during which the insurance is in force and
6 the insurance is canceled or terminated for reasons other than
7 nonpayment of premium, at least 20 days' written notice of
8 cancellation or termination accompanied by the reason therefor
9 shall be given except where there has been a material
10 misstatement or misrepresentation or failure to comply with
11 the underwriting requirements established by the insurer.

12 3. The requirement for providing written notice of
13 nonrenewal by June 1 of any nonrenewal that would be effective
14 between June 1 and November 30 does not apply to the following
15 situations, but the insurer remains subject to the requirement
16 to provide such notice at least 100 days prior to the
17 effective date of nonrenewal:

18 a. A policy that is nonrenewed due to a revision in
19 the coverage for sinkhole losses and catastrophic ground cover
20 collapse pursuant to s. 627.730, as amended by s. 30 of
21 chapter 2007-1, Laws of Florida.

22 b. A policy that is nonrenewed by Citizens Property
23 Insurance Corporation, pursuant to s. 627.351(6), for a policy
24 that has been assumed by an authorized insurer offering
25 replacement or renewal coverage to the policyholder.

26
27 After the policy has been in effect for 90 days, the policy
28 shall not be canceled by the insurer except when there has
29 been a material misstatement, a nonpayment of premium, a
30 failure to comply with underwriting requirements established
31 by the insurer within 90 days of the date of effectuation of

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1 coverage, or a substantial change in the risk covered by the
2 policy or when the cancellation is for all insureds under such
3 policies for a given class of insureds. This paragraph does
4 not apply to individually rated risks having a policy term of
5 less than 90 days.

6 (7)(a) With respect to any residential property
7 insurance policy, every notice of renewal premium must
8 specify:

9 1. The dollar amounts recouped for assessments by the
10 Florida Hurricane Catastrophe Fund, the Citizens Property
11 Insurance Corporation, and the Florida Insurance Guaranty
12 Association. The actual names of the entities must appear next
13 to the dollar amounts.

14 2. The dollar amount of any premium increase that is
15 due to a rate increase and the total dollar amount that is due
16 to coverage changes.

17 (b) The Financial Services Commission may adopt rules
18 pursuant to ss. 120.536(1) and 120.54 to implement this
19 subsection.

20 Section 14. Paragraphs (a) and (c) of subsection (3)
21 and paragraph (d) of subsection (4) of section 627.701,
22 Florida Statutes, as amended by chapter 2007-1, Laws of
23 Florida, are amended, to read:

24 627.701 Liability of insureds; coinsurance;
25 deductibles.--

26 (3)(a) Except as otherwise provided in this
27 subsection, prior to issuing a personal lines residential
28 property insurance policy, the insurer must offer alternative
29 deductible amounts applicable to hurricane losses equal to
30 \$500, 2 percent, 5 percent, and 10 percent of the policy
31 dwelling limits, unless the specific percentage deductible is

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1 less than \$500. The written notice of the offer shall specify
 2 the hurricane ~~or wind~~ deductible to be applied in the event
 3 that the applicant or policyholder fails to affirmatively
 4 choose a hurricane deductible. The insurer must provide such
 5 policyholder with notice of the availability of the deductible
 6 amounts specified in this paragraph in a form approved by the
 7 office in conjunction with each renewal of the policy. The
 8 failure to provide such notice constitutes a violation of this
 9 code but does not affect the coverage provided under the
 10 policy.

11 (c) With respect to a policy covering a risk with
 12 dwelling limits of at least \$100,000, but less than \$250,000,
 13 the insurer may, in lieu of offering a policy with a \$500
 14 hurricane ~~or wind~~ deductible as required by paragraph (a),
 15 offer a policy that the insurer guarantees it will not
 16 nonrenew for reasons of reducing hurricane loss for one
 17 renewal period and that contains up to a 2 percent hurricane
 18 ~~or wind~~ deductible as required by paragraph (a).

19 (4)

20 (d)1. A personal lines residential property insurance
 21 policy covering a risk valued at less than \$500,000 may not
 22 have a hurricane deductible in excess of 10 percent of the
 23 policy dwelling limits, unless the following conditions are
 24 met:

25 a. The policyholder must personally write and provide
 26 to the insurer the following statement in his or her own
 27 handwriting and sign his or her name, which must also be
 28 signed by every other named insured on the policy, and dated:
 29 "I do not want the insurance on my home to pay for the first
 30 (specify dollar value) of damage from hurricanes. I will pay
 31 those costs. My insurance will not."

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1 b. If the structure insured by the policy is subject
 2 to a mortgage or lien, the policyholder must provide the
 3 insurer with a written statement from the mortgageholder or
 4 lienholder indicating that the mortgageholder or lienholder
 5 approves the policyholder electing to have the specified
 6 deductible.

7 2. A deductible subject to the requirements of this
 8 paragraph applies for the term of the policy and for each
 9 renewal thereafter ~~unless the policyholder elects otherwise.~~
 10 Changes to the deductible percentage may be implemented only
 11 as of the date of renewal.

12 3. An insurer shall keep the original copy of the
 13 signed statement required by this paragraph, electronically or
 14 otherwise, and provide a copy to the policyholder providing
 15 the signed statement. A signed statement meeting the
 16 requirements of this paragraph creates a presumption that
 17 there was an informed, knowing election of coverage.

18 4. The commission shall adopt rules providing
 19 appropriate alternative methods for providing the statements
 20 required by this section for policyholders who have a
 21 handicapping or disabling condition that prevents them from
 22 providing a handwritten statement.

23 Section 15. Subsection (5) of section 627.70131,
 24 Florida Statutes, as amended by chapter 2007-1, Laws of
 25 Florida, is amended to read:

26 627.70131 Insurer's duty to acknowledge communications
 27 regarding claims; investigation.--

28 (5) Within 90 days after an insurer receives notice of
 29 a ~~property insurance~~ claim from a policyholder under a policy
 30 providing residential coverage as defined in s. 627.4025, the
 31 insurer shall pay or deny such claim unless the failure to pay

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1 such claim is caused by factors beyond the control of the
2 insurer which reasonably prevent such payment. Failure to
3 comply with this subsection constitutes a violation of this
4 code.

5 Section 16. Subsections (2), (3), (4), and (5) of
6 section 627.712, Florida Statutes, as created by chapter
7 2007-1, Laws of Florida, are amended to read:

8 627.712 Residential hurricane coverage required;
9 availability of exclusions for windstorm or contents.--

10 (1) An insurer issuing a residential property
11 insurance policy must provide ~~hurricane~~ or windstorm coverage
12 as defined in s. 627.4025. This subsection does not apply with
13 respect to risks that are eligible for wind-only coverage from
14 Citizens Property Insurance Corporation under s. 627.351(6).

15 (2) A personal lines residential property ~~An~~ insurer
16 that is subject to subsection (1) must make available, at the
17 option of the policyholder, an exclusion of ~~hurricane coverage~~
18 ~~or~~ windstorm coverage. The coverage may be excluded only if:

19 (a) The policyholder personally writes and provides to
20 the insurer the following statement in his or her own
21 handwriting and signs his or her name, which must also be
22 signed by every other named insured on the policy, and dated:
23 "I do not want the insurance on my (home/mobile
24 home/condominium unit) to pay for damage from windstorms or
25 hurricanes. I will pay those costs. My insurance will not."

26 (b) If the structure insured by the policy is subject
27 to a mortgage or lien, the policyholder must provide the
28 insurer with a written statement from the mortgageholder or
29 lienholder indicating that the mortgageholder or lienholder
30 approves the policyholder electing to exclude windstorm
31 coverage ~~or hurricane~~ coverage from his or her residential

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1 property insurance policy.

2 (3) An insurer issuing a residential property
 3 insurance policy, except for a condominium unit owner's policy
 4 or a tenant's policy, must make available, at the option of
 5 the policyholder, an exclusion of coverage for the contents.
 6 The coverage may be excluded only if the policyholder
 7 personally writes and provides to the insurer the following
 8 statement in his or her own handwriting and signs his or her
 9 signature, which must also be signed by every other named
 10 insured on the policy, and dated: "I do not want the insurance
 11 on my (home/mobile home) to pay for the costs to repair or
 12 replace any contents that are damaged. I will pay those costs.
 13 My insurance will not."

14 (4) An insurer shall keep the original copy of a
 15 signed statement required by this section, electronically or
 16 otherwise, and provide a copy to the policyholder providing
 17 the signed statement. A signed statement meeting the
 18 requirements of this section creates a presumption that there
 19 was an informed, knowing rejection of coverage.

20 (5) The exclusions authorized by this section apply
 21 for the term of the policy and for each renewal thereafter.
 22 Changes to the exclusions authorized by this section may be
 23 implemented only as of the date of renewal. ~~The exclusions~~
 24 ~~authorized by this section are valid for the term of the~~
 25 ~~contract and for each renewal unless the policyholder elects~~
 26 ~~otherwise.~~

27 Section 17. Section 627.713, Florida Statutes, as
 28 created by chapter 2007-1, Laws of Florida, is amended to
 29 read:

30 627.713 Report of hurricane loss data.--

31 (1) The office may require property insurers to report

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1 data regarding hurricane claims and underwriting costs,
2 including, but not limited to:

3 ~~(a)(1)~~ Number of claims.

4 ~~(b)(2)~~ Amount of claim payments made.

5 ~~(c)(3)~~ Number and amount of total-loss claims.

6 ~~(d)(4)~~ Amount and percentage of losses covered by
7 reinsurance or other loss-transfer agreements.

8 ~~(e)(5)~~ Amount of losses covered under specified
9 deductibles.

10 ~~(f)(6)~~ Claims and payments for specified insured
11 values.

12 ~~(g)(7)~~ Claims and payments for specified dollar
13 values.

14 ~~(h)(8)~~ Claims and payments for specified types of
15 construction or mitigation features.

16 ~~(i)(9)~~ Claims and payments for policies under
17 specified underwriting criteria.

18 ~~(j)(10)~~ Claims and payments for contents, additional
19 living expense, and other specified coverages.

20 ~~(k)(11)~~ Claims and payments by county for the
21 information specified in this section.

22 ~~(l)(12)~~ Any other data that the office requires.

23 ~~(2) The office may not require a property insurer to~~
24 report the data specified in paragraphs (1)(f), (g), (h), (i),
25 or (j) for a particular year until January of the following
26 year or later.

27 Section 18. Subsections (4) and (5) of section
28 627.7277, Florida Statutes, as amended by chapter 2007-1, Laws
29 of Florida, are amended to read:

30 627.7277 Notice of renewal premium.--

31 ~~(4) Every notice of renewal premium must specify:~~

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1 ~~(a) The dollar amounts recouped for assessments by the~~
2 ~~Florida Hurricane Catastrophe Fund, the Citizens Property~~
3 ~~Insurance Corporation, and the Florida Insurance Guaranty~~
4 ~~Association. The actual names of the entities must appear next~~
5 ~~to the dollar amounts.~~

6 ~~(b) The dollar amount of any premium increase that is~~
7 ~~due to a rate increase and the dollar amounts that are due to~~
8 ~~coverage changes.~~

9 ~~(5) The Financial Services Commission may adopt rules~~
10 ~~pursuant to ss. 120.536(1) and 120.54 to implement this~~
11 ~~section.~~

12 Section 19. Section 631.52, Florida Statutes, is
13 amended to read:

14 631.52 Scope.--This part shall apply to all kinds of
15 direct insurance, except:

16 (1) Life, annuity, health, or disability insurance;

17 (2) Mortgage guaranty, financial guaranty, or other
18 forms of insurance offering protection against investment
19 risks;

20 (3) Fidelity or surety bonds, or any other bonding
21 obligations;

22 (4) Credit insurance, vendors' single interest
23 insurance, or collateral protection insurance or any similar
24 insurance protecting the interests of a creditor arising out
25 of a creditor-debtor transaction;

26 (5) Warranty, including motor vehicle service, home
27 warranty, or service warranty;

28 (6) Ambulance service, health care service, or preneed
29 funeral merchandise or service;

30 (7) Optometric service plan, pharmaceutical service
31 plan, or dental service plan;

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1 (8) Legal expense;

2 (9) Health maintenance, prepaid health clinic, or
3 continuing care;

4 (10) Ocean marine or wet marine insurance;

5 (11) Self-insurance and any kind of self-insurance
6 fund, liability pool, or risk management fund;

7 (12) Title insurance;

8 (13) Surplus lines;

9 (14) Workers' compensation;

10 (15) Any transaction or combination of transactions
11 between a person, including affiliates of such person, and an
12 insurer, including affiliates of such insurer, which involves
13 the transfer of investment or credit risk unaccompanied by the
14 transfer of insurance risk; or

15 (16) Any insurance provided by or guaranteed by
16 government.

17 Section 20. Paragraph (e) of subsection (3) of section
18 631.57, Florida Statutes, as amended by chapter 2007-1, Laws
19 of Florida, is amended to read:

20 631.57 Powers and duties of the association.--

21 (3)

22 (e)1.a. In addition to assessments otherwise
23 authorized in paragraph (a) and to the extent necessary to
24 secure the funds for the account specified in s. 631.55(2)(c)
25 for the direct payment of covered claims of insurers rendered
26 insolvent by the effects of a hurricane ~~homeowners' insurers~~
27 and to pay the reasonable costs to administer such claims, or
28 to retire indebtedness, including, without limitation, the
29 principal, redemption premium, if any, and interest on, and
30 related costs of issuance of, bonds issued under s. 631.695
31 and the funding of any reserves and other payments required

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1 under the bond resolution or trust indenture pursuant to which
 2 such bonds have been issued, the office, upon certification of
 3 the board of directors, shall levy emergency assessments upon
 4 insurers holding a certificate of authority. The emergency
 5 assessments payable under this paragraph by any insurer shall
 6 not exceed in any single year more than 2 percent of that
 7 insurer's direct written premiums, net of refunds, in this
 8 state during the preceding calendar year for the kinds of
 9 insurance within the account specified in s. 631.55(2)(c).

10 b. Any emergency assessments authorized under this
 11 paragraph shall be levied by the office upon insurers referred
 12 to in sub-subparagraph a., upon certification as to the need
 13 for such assessments by the board of directors. In the event
 14 the board of directors participates in the issuance of bonds
 15 in accordance with s. 631.695, emergency assessments shall be
 16 levied in each year that bonds issued under s. 631.695 and
 17 secured by such emergency assessments are outstanding, in such
 18 amounts up to such 2-percent limit as required in order to
 19 provide for the full and timely payment of the principal of,
 20 redemption premium, if any, and interest on, and related costs
 21 of issuance of, such bonds. The emergency assessments provided
 22 for in this paragraph are assigned and pledged to the
 23 municipality, county, or legal entity issuing bonds under s.
 24 631.695 for the benefit of the holders of such bonds, in order
 25 to enable such municipality, county, or legal entity to
 26 provide for the payment of the principal of, redemption
 27 premium, if any, and interest on such bonds, the cost of
 28 issuance of such bonds, and the funding of any reserves and
 29 other payments required under the bond resolution or trust
 30 indenture pursuant to which such bonds have been issued,
 31 without the necessity of any further action by the

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1 association, the office, or any other party. To the extent
2 bonds are issued under s. 631.695 and the association
3 determines to secure such bonds by a pledge of revenues
4 received from the emergency assessments, such bonds, upon such
5 pledge of revenues, shall be secured by and payable from the
6 proceeds of such emergency assessments, and the proceeds of
7 emergency assessments levied under this paragraph shall be
8 remitted directly to and administered by the trustee or
9 custodian appointed for such bonds.

10 c. Emergency assessments under this paragraph may be
11 payable in a single payment or, at the option of the
12 association, may be payable in 12 monthly installments with
13 the first installment being due and payable at the end of the
14 month after an emergency assessment is levied and subsequent
15 installments being due not later than the end of each
16 succeeding month.

17 d. If emergency assessments are imposed, the report
18 required by s. 631.695(7) shall include an analysis of the
19 revenues generated from the emergency assessments imposed
20 under this paragraph.

21 e. If emergency assessments are imposed, the
22 references in sub-subparagraph (1)(a)3.b. and s. 631.695(2)
23 and (7) to assessments levied under paragraph (a) shall
24 include emergency assessments imposed under this paragraph.

25 2. In order to ensure that insurers paying emergency
26 assessments levied under this paragraph continue to charge
27 rates that are neither inadequate nor excessive, within 90
28 days after being notified of such assessments, each insurer
29 that is to be assessed pursuant to this paragraph shall submit
30 a rate filing for coverage included within the account
31 specified in s. 631.55(2)(c) and for which rates are required

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1 to be filed under s. 627.062. If the filing reflects a rate
 2 change that, as a percentage, is equal to the difference
 3 between the rate of such assessment and the rate of the
 4 previous year's assessment under this paragraph, the filing
 5 shall consist of a certification so stating and shall be
 6 deemed approved when made. Any rate change of a different
 7 percentage shall be subject to the standards and procedures of
 8 s. 627.062.

9 3. In the event the board of directors participates in
 10 the issuance of bonds in accordance with s. 631.695, an annual
 11 assessment under this paragraph shall continue while the bonds
 12 issued with respect to which the assessment was imposed are
 13 outstanding, including any bonds the proceeds of which were
 14 used to refund bonds issued pursuant to s. 631.695, unless
 15 adequate provision has been made for the payment of the bonds
 16 in the documents authorizing the issuance of such bonds.

17 4. Emergency assessments under this paragraph are not
 18 premium and are not subject to the premium tax, to any fees,
 19 or to any commissions. An insurer is liable for all emergency
 20 assessments that the insurer collects and shall treat the
 21 failure of an insured to pay an emergency assessment as a
 22 failure to pay the premium. An insurer is not liable for
 23 uncollectible emergency assessments.

24 Section 21. Paragraphs (g), (h), and (i) of subsection
 25 (1), and subsections (2) and (6) of section 631.695, Florida
 26 Statutes, are amended to read:

27 631.695 Revenue bond issuance through counties or
 28 municipalities.--

29 (1) The Legislature finds:

30 (g) To achieve the foregoing purposes, it is proper to
 31 authorize municipalities and counties of this state

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1 ~~substantially affected by the landfall of a hurricane~~ to issue
2 bonds to assist the Florida Insurance Guaranty Association in
3 expediting the handling and payment of covered claims of
4 insolvent insurers.

5 (h) In order to avoid the needless and indiscriminate
6 proliferation, duplication, and fragmentation of such
7 assistance programs, it is in the best interests of the
8 residents of this state to authorize municipalities and
9 counties ~~severely affected by a hurricane~~ to provide for the
10 payment of covered claims beyond their territorial limits in
11 the implementation of such programs.

12 (i) It is a paramount public purpose for
13 municipalities and counties ~~substantially affected by the~~
14 ~~landfall of a hurricane~~ to be able to issue bonds for the
15 purposes described in this section. Such issuance shall
16 provide assistance to residents of those municipalities and
17 counties as well as to other residents of this state.

18 (2) The governing body of any municipality or county,
19 ~~the residents of which have been substantially affected by a~~
20 ~~hurricane~~, may issue bonds to fund an assistance program in
21 conjunction with, and with the consent of, the Florida
22 Insurance Guaranty Association for the purpose of paying
23 claimants' or policyholders' covered claims, as defined in s.
24 631.54, arising through the insolvency of an insurer, which
25 insolvency is determined by the Florida Insurance Guaranty
26 Association to have been a result of a hurricane, regardless
27 of whether the claimants or policyholders are residents of
28 such municipality or county or the property to which the claim
29 relates is located within or outside the territorial
30 jurisdiction of the municipality or county. The power of a
31 municipality or county to issue bonds, as described in this

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1 section, is in addition to any powers granted by law and may
2 not be abrogated or restricted by any provisions in such
3 municipality's or county's charter. A municipality or county
4 issuing bonds for this purpose shall enter into such contracts
5 with the Florida Insurance Guaranty Association or any entity
6 acting on behalf of the Florida Insurance Guaranty Association
7 as are necessary to implement the assistance program. Any
8 bonds issued by a municipality or county or a combination
9 thereof under this subsection shall be payable from and
10 secured by moneys received by or on behalf of the municipality
11 or county from assessments levied under s. 631.57(3)(a) and
12 assigned and pledged to or on behalf of the municipality or
13 county for the benefit of the holders of the bonds in
14 connection with the assistance program. The funds, credit,
15 property, and taxing power of the state or any municipality or
16 county shall not be pledged for the payment of such bonds.

17 (6) Two or more municipalities or counties, ~~the~~
18 ~~residents of which have been substantially affected by a~~
19 ~~hurricane~~, may create a legal entity pursuant to s.
20 163.01(7)(g) to exercise the powers described in this section
21 as well as those powers granted in s. 163.01(7)(g). References
22 in this section to a municipality or county includes such
23 legal entity.

24 Section 22. This act shall take effect upon becoming a
25 law.

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