SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: Banking and Insurance Committee

BILL: CS/SB 1980

INTRODUCER: Banking and Insurance Committee and Senator Garcia

SUBJECT: Property Insurance

DATE: April 11, 2006 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	BI Committee Staff	Deffenbaugh	BI	**Favorable/CS**
2.			JU	**Withdrawn**
3.			WM	
4.				
5.				
6.				

I. Summary:

CS/SB 1980 makes the following major changes:

Citizens Property Insurance Corporation ("Citizens")

Rates for Coverage; Assessment Reduction; Depopulation

- Requires a 25 percent rate surcharge for personal lines residential property valued at $1 million or more, effective January 1, 2007, and makes such properties ineligible for coverage with Citizens, effective July 1, 2011.
- Requires a 25 percent rate surcharge for "nonhomestead" property. If Citizens incurs a deficit, nonhomestead property owned by a nonresident of Florida would be subject to an additional 25 percent policy surcharge. "Homestead property" is broadly defined to include certain properties in addition to those that qualify for a homestead tax exemption.
- Provides that the current requirement that Citizens' rates not be competitive with authorized insurers does not apply in a county or area for which OIR determines that no authorized insurer is offering coverage.
- Requires that after the public hurricane model has been found to be accurate and reliable by the Florida Commission on Hurricane Loss Projection Methodology, it shall serve as the minimum benchmark for determining windstorm rates for Citizens.
- Requires that deficit assessments against insurers (and recouped from their policyholders) be reduced by amounts to be collected from surcharges on Citizens' policyholders.
- Requires applications for coverage to have a 10-day waiting period (with exceptions), and be made available for review by agents and insurers. If an authorized insurer offers coverage during this period, the applicant is not eligible for coverage in Citizens, whether or not the insurer appoints the agent who submitted the application.

Oversight and Internal Controls

- Requires the Financial Services Commission (Governor and Cabinet), rather than the Office of Insurance Regulation (OIR), to approve Citizens' plan of operation.
- Requires Senate confirmation of the Executive Director of Citizens.
- Requires Citizens to have an internal auditor who must submit an annual report to the board, the Financial Services Commission, and the Legislature.
- Requires OIR to do a market conduct examination of Citizens every two years.
- Requires the Auditor General to conduct an operational audit of Citizens every three years.
- Requires competitive bidding of contracts, with exceptions, and board approval of contracts of $100,000 or more.
- Requires OIR background checks of applicants for senior management positions.

Standards of Conduct

- Subjects board members and senior managers to the code of ethics and financial disclosure requirements applicable to public officials and specified state employees.
- Prohibits board members and employees from accepting any gifts from any person or entity under contract with Citizens or under consideration for a contract.
- Prohibits Citizens from retaining lobbyists, but allows employees to register as lobbyists.
- Prohibits senior managers from representing any person or entity before Citizens for two years following termination of employment from Citizens.

Other Changes to Citizens

- Requires insurers writing the non-wind coverage to contract with Citizens to provide claims adjusting services for the wind coverage provided by Citizens in the high risk account.
- Requires Citizens to report to the Legislature on the feasibility of requiring insurers providing the non-wind coverage to issue and service Citizens' wind policies.
- Requires Citizens to offer quarterly and semiannual premium payment plans.
- Extends for two years (until Feb. 1, 2009) the requirement that the board reduce the boundaries of the high risk (wind-only) area.
- Requires that any take-out bonus paid to an insurer must be conditioned on the insurer keeping the policy for five years. Requires Citizens to monitor whether such policies are later insured by Citizens.
- Requires Citizens to report to the Legislature its recommendations for consolidating its three accounts and actions taken to minimize the cost of carrying debt.

Florida Hurricane Catastrophe Fund (FHCF)

- Requires a 25 percent rapid cash build-up factor in the premiums paid by insurers for coverage from the FHCF.
- Extends the exemption of medical malpractice premiums from assessments to fund bonds issued by the FHCF, for three more years, until June 1, 2010.
- Clarifies procedures for issuing bonds and collecting assessments, in order to facilitate the expected bond issue to cover the current deficit of the FHCF.

Hurricane Loss Mitigation

- Requires the Department of Community Affairs (DCA) to establish the Home Retrofit Hardening Program, as a competitive grant program administered by local governments or non-profit agencies, to fund improvements to homes to make them less vulnerable to hurricane damage. Specifies priorities for homes and maximum funding limits. Makes an unspecified appropriation from General Revenue.
- Requires DCA to provide wind certification and hurricane mitigation inspections to homeowners at no cost, pursuant to a request for proposals from providers who must meet criteria of prior experience or training. Makes an unspecified appropriation from General Revenue.
- Exempts specified mitigation improvements from the assessed value of the home.

Approval of Insurance Rates

- Places the burden on the Office of Insurance Regulation (OIR) to establish that a rate is excessive for personal lines residential coverage with insured value at $1 million or more.
- Allows an insurer to recoup its costs of reinsurance in its rates, unless OIR establishes that the costs are in excess of amounts consistent with prudent business practices and sound actuarial principles.
- Requires the public hurricane loss model to be submitted for review by the Florida Commission on Hurricane Loss Projection Methodology. Allows OIR to continue to use the public model in reviewing rate filings until the Commission determines that the public model is not accurate or reliable.
- Requires the chief executive officer and chief financial officer of an insurer or its CPA to sign a sworn statement certifying the appropriateness of a rate filing.

Annual Report by Financial Services Commission of Assessment Burden

- Requires the Financial Services Commission to provide an annual report to the Legislature of the probable maximum losses, financing options, and potential assessments of Citizens and the FHCF, and the assessment burden on Florida policyholders.

Sinkhole Claims

- Requires the Department of Financial Services to certify engineers and geologists to serve as "neutral evaluators" of sinkhole claims disputes. This process would be optional and nonbinding and the costs must be paid by the insurer. But, if the policyholder either declines to participate or declines to resolve the matter in accordance with the recommendation of the neutral evaluator, the insurer would not be liable for attorney's fees or other extra-contractual damages related to a claim.
- Allows residential policies to provide a deductible for sinkhole losses equal to 1 percent, 2 percent, 5 percent, or 10 percent of the dwelling limits.
- Allows the insurer to make payment directly to the persons selected by the policyholder to make the repairs, if approved by the policyholder and lienholder.
- Makes it unlawful for a contractor or business providing sinkhole remediation services to communicate with any attorney for the purpose of assisting the attorney in the solicitation of legal business.

Florida Insurance Guaranty Association (FIGA)

- Authorizes FIGA to impose annual emergency assessments on insurers of up to 2 percent of written premium for specified lines of property and casualty insurance to fund revenue bonds issued by a municipality or county to pay claims of an insurer rendered insolvent due to a hurricane.
- Increases the maximum amount of FIGA's liability for a covered homeowners insurance claim against an insolvent insurer from $300,000 to $500,000.
- Provides that FIGA covers claims of a business (as a policyholder or claimant of an insolvent insurer) that has its principal place of business in Florida, rather than incorporated in Florida.
- Allows FIGA to pay claims of unearned premium refunds, without requiring the policyholder to file a proof of claim form, under certain conditions.

Direct Payment to Policyholder for Dual-Interest Property

- Requires property insurers to issue separate checks payable to the primary policyholder only, to pay claims for contents, living expenses, and the lesser of $20,000 or the first 20 percent of the estimated total covered claim amount for the replacement or repair of dual interest (mortgaged) property.

Emergency Orders; Rules

- Authorizes the Commissioner of Insurance Regulation to issue orders to temporarily modify or suspend provisions of the Insurance Code to expedite recovery of communities affected by a disaster, when the Governor declares a state of emergency.
- Requires the Financial Services Commission to adopt rules standardizing requirements that may be applied to insurers after a hurricane, addressing claims reporting requirements, grace periods for payment of premiums, and temporary postponement of cancellations and nonrenewals.

Other Provisions

- Allows insurers to make electronic payment of insurance claims without written authorization, under certain conditions.
- Permits alien surplus lines insurers to use letters of credit meeting certain criteria to fund the required minimum $5.4 million trust fund.
- Clarifies that if a property insurer does not obtain a written rejection from the policyholder for law and ordinance coverage, the policy is deemed to include such coverage limited to 25 percent of the dwelling limit (and not the alternative 50 percent limit that must also be offered).

This bill substantially amends the following sections of the Florida Statutes: 193.155; 215.555, 626.918, 627.062, 627.06281, 627.351, 627.3511, 627.3517, 627.4035, 627.7011, 627.706, 627.707, 627.7072, 627.7073, 627.727, 631.181, 631.54, 631.55, 631.57, and 877.02. The bill creates the following sections of the Florida Statutes: 215.558, 215.5586, 252.63, 627.3519, 627.6121, 627.7019, 627.7074, and 631.695.

II. Present Situation:

The 2004 & 2005 Hurricane Season

The 2004 and 2005 hurricane seasons were particularly destructive to Florida, with four hurricanes hitting Florida each year. In total, insurers have reported over $33.6 billion in estimated gross losses in Florida for these eight hurricanes. This includes amounts estimated to be covered by the insureds' deductibles, estimated to be $3.54 billion, resulting in approximately $30 billion remaining as the insurers' estimated loss. The last of these eight hurricanes, Hurricane Wilma, resulted in the greatest total losses in Florida. The estimated losses, amounts paid by deductibles, claims payments made, and estimated net retention of insurers not covered by reinsurance, are summarized in the table, below.

Insurers' Reported Hurricane Losses in Florida for 2004 and 2005				
Hurricane	Estimated Gross Probable Loss	Claim Payments Made	Reported Estimated Net Retention	Reported Amounts Paid by Insureds' Deductibles
Charley (2004)	$7.42 bil.	$7.20 bil.	$3.83 bil.	$0.41 bil.
Frances (2004)	4.76 bil.	6.38 bil.	2.56 bil.	0.48 bil.
Ivan (2004)	4.80 bil.	2.95 bil.	2.32 bil.	0.27 bil.
Jeanne (2004)	3.93 bil.	3.18 bil.	2.63 bil.	0.37 bil.
Dennis (2005)	1.24 bil.	0.29 bil.	0.35 bil.	0.12 bil.
Katrina (2005)	1.52 bil.	0.74 bil.	0.47 bil.	not collected
Rita (2005)	0.07 bil.	0.01 bil.	0.06 bil.	not collected
Wilma (2005)	9.91 bil.	8.44 bil.	4.13 bil.	1.89 bil.
Total	**$33.64 bil.**	**$29.21 bil.**	**$16.36 bil.**	**$3.54 bil.**

Source: Office of Insurance Regulation (OIR), Hurricane Reporting Summaries. The summary report for the 2004 hurricanes are as of August 15, 2005 (latest available), which can be viewed on the OIR website at: http://www.floir.com/pdf/CY2004HurricaneBriefing_082005.pdf. The summary report for the 2005 hurricanes are as of March 21, 2006, provided by OIR to committee staff.

The loss data for Hurricane Frances reflects a greater amount for Claims Payments Made ($6.38 bil.) than for Estimated Gross Probable Loss ($4.76 bil.), which is an apparent inconsistency that OIR is unable to reconcile at this time.

"Estimated Gross Probable Loss" includes insured loss plus estimated amounts paid by insureds' deductibles.

"Reported Estimated Net Retention" is the amount of loss retained by the insurer that has not been ceded to a reinsurer (i.e. amount for which the insurer does not have reinsurance covering the loss).

Total amounts may not equal the sum of amounts for individual hurricanes due to rounding.

Citizens Property Insurance Corporation -- Background; Impact of 2004 and 2005 Storms

In 2002, the Florida Legislature created Citizens Property Insurance Corporation (Citizens) which combined the then existing Florida Residential Property and Casualty Joint Underwriting Association (RPCJUA) and the Florida Windstorm Underwriting Association (FWUA). Citizens

is the state's "insurer of last resort" and a property is eligible for coverage with Citizens only if there is no other offer from an authorized insurer.

Citizens operates under the direction of an 8-member Board of Governors, two each appointed by the Governor, Chief Financial Officer, the Senate President, and the Speaker of the House of Representatives for 3-year terms. Citizens offers three types of property and casualty insurance in three separate accounts:

- Personal Lines Account (PLA) which covers homeowners, mobile homeowners, dwelling fire, tenants, condominium unit owners and similar policies, offered statewide;
- Commercial Lines Account (CLA) covering condominium associations, apartment buildings and homeowners associations, offered statewide; and
- High-Risk Account (HRA) which covers only the risk of windstorms, for both personal lines residential and commercial (residential and non-residential) policyholders, offered only in those coastal areas that have been designated as eligible for coverage in the HRA.

As of February 28, 2006, Citizens provided coverage to 815,482 policyholders, making Citizens the second largest insurer in Florida. The following table shows the number of policies insured by Citizens in each of its three accounts, the written premium, and the exposure or amount of insured property value.

Policies Issued by Citizens Property Insurance Corp.
(as of Feb. 28, 2006)

Account	Policies in Force	Premium	Exposure*
High Risk Account	366,802	$767.8 mil.	$135.9 bil.
Personal Lines Acct.	445,513	$587.7 mil.	$65 5 bil.
Comm'l Lines Acct.	3,167	$71.9 mil.	$13.8 bil.
Total	**815,482**	**$1,427.4 mil.**	**$215.1 bil.**

* Exposure = insured value of dwelling and contents
Source: Citizens Prop. Ins. Corp. (presented at 4/6/06 meeting of Sen. Banking and Insurance Committee)

Citizens has been experiencing a high volume of policy applications, processing an average of more than 2,000 new applications for coverage each work day. For February, 2006, Citizens received 40,964 new applications for coverage. By comparison, for 2004, Citizens processed an average of 31,985 new applications per month. For 2005, it processed an average of 37,957 applications per month. For the first two months of 2006, the average is 36,825 per month.

In 2004 and 2005, Citizens and its policyholders were impacted by all eight hurricanes hitting Florida. Citizens reports 124,674 claims have been filed for the 2004 hurricanes and 168,377 claims for the 2005 hurricanes. As of the end of February, 2006, Citizens estimates that its total losses for the 2004 storms are $2.92 billion and that its total losses for the 2005 storms are $2.7 billion, totaling $5.6 billion in losses for both years combined.[1] Hurricane Wilma was the

[1] As reported by Citizens at the meeting of the Senate Banking and Insurance Committee on April 6, 2006.

storm causing the largest loss, for which Citizens estimates its total losses will be over $2.3 billion.[2]

Citizens' Deficits; Assessments

Generally, if Citizens does not have adequate funds to pay claims in any of its three accounts (i.e. a deficit), it may levy regular assessments for each such account against property insurers, including surplus lines insurers, up to 10 percent of each insurer's net written premium from the prior year for subject lines of business.[3] The entire regular assessment is levied against property insurers, who may recoup such amounts from their policyholders in subsequent rate filings. Currently, Citizens' assessment base has about $8.3 billion in premium, so a one-time regular assessment would generate about $830 million.

An insurer must pay a regular assessment within 30 days of receipt of notification from Citizens. If the regular assessment is not sufficient to cover the deficit, Citizens may issue revenue bonds funded by multi-year emergency assessments collected by insurers as premium surcharges on all property insurance policyholders in the state, generally limited to 10 percent of premium, or 10 percent of the deficit, whichever is greater.

However, "limited apportionment companies" (and their policyholders) are exempt from a substantial portion of a regular assessment. These are insurers with a surplus of $25 million or less, and writing 25 percent or more of their total countrywide property insurance premiums in Florida. These insurers are exempt from regular assessments for any amount of the deficit in excess of $50 million. However, if a deficit is great enough to require multi-year emergency assessments in order to fund bonds, the policyholders of limited apportionment companies are subject to emergency assessments at the same amount as other property insurance policyholders.

After imposing a regular assessment on insurers, Citizens is required to impose a "market equalization surcharge" on its own policyholders equal to the same percent of premium assessment that is imposed on property insurers. This is intended to keep the Citizens' rates from being non-competitive, but also acts to increase revenues to Citizens above the amount of the deficit, which is fully funded by the regular assessment (if the deficit is equal to or less than 10 percent of premium).

Prior to the 2004 hurricane season, Citizens had a surplus of about $1.1 billion for its High Risk Account and $700 million for the PLA/CLA combined. Citizens' losses related to the 2004 hurricane season amounted to more than $2.4 billion, depleting its entire surplus in the High Risk Account. Thus, Citizens incurred a $516 million deficit in the HRA. The other two accounts (PLA and CLA) did not incur deficits. The $516 million deficit translates into a statewide average 6.8 percent assessment on all non-Citizens insured homeowners in Florida. Citizens policyholders will also pay a 6.8 percent assessment, a "market equalization surcharge," upon renewal of their policy.

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[2] Data from Citizens as of March 13, 2006.

[3] Subject lines of business that are subject to Citizens' deficit assessment include insurance for: fire, industrial fire, allied lines, farm owners multiperil, homeowners multiperil, commercial multiperil, and mobile homes, and includes liability coverage on all such insurance except for inland marine and certain vehicle insurance other than the insurance on mobile homes used as permanent dwellings.

Due to the 2004 losses and deficit, Citizens started the 2005 hurricane season with no surplus in the HRA. Because this account sustained losses again in 2005 as a result of the 2005 hurricanes, as well as worsening loss development for the 2004 hurricanes (which are booked to the 2005 financial statements) Citizens incurred a deficit for the second year in a row. Although Citizens does not yet have its formal, certified amount of its 2005 deficit, it estimates the deficit in the High Risk Account will be $1.7 billion.[4] This amount includes $590 million in worsening loss development for claims from 2004.[5] Citizens started the 2005 hurricane season with an estimated $162 million surplus in the PLA and $25.7 million surplus in the CLA.[6] For 2005, Citizens estimates a deficit of $82 million in the PLA and a deficit of $4 million in the CLA.[7] These deficits are expected to result in a regular assessment of about 11 percent of premium (the full 10 percent for the HRA and about 1 percent for the PLA/CLA), plus an 8 percent emergency assessment.[8] The 11 percent regular assessment would be billed at one time and, presumably, passed on to policyholders in rate filings by insurers. The 8 percent emergency assessment could be spread out over a period of years, depending on the terms of the financing approved by the board.

Rate Standards for Citizens

In order to assure that Citizens rates are not competitive with the voluntary market, the current law requires that rates for its Personal Lines Account be actuarially sound and that its average rates for each county must be no lower than the average rates charged by the insurer that had the highest average rate in that county among the 20 insurers (5 insurers for mobile home coverage) with the greatest direct written premium in the state for that line of business. For its High Risk Account (wind-only policies), the law more generally requires that Citizens rates be actuarially sound and not be competitive with approved rates charged by authorized insurers. Citizens and OIR were required to jointly develop a wind-only ratemaking methodology to meet this purpose, for rates effective on or after July 1, 2004. The wind-only rate methodology that was developed uses a variation of the "Top 20" approach mandated for personal residential multi-peril policies.

Citizens' Operations

Chapter 2005-111, L.O.F., directed the Auditor General to conduct an audit of Citizens. On December 7, 2005, the Auditor General released an operational audit (report number 2006-096) of Citizens, which included findings in the areas of administration, policy eligibility determination and depopulation, customer service, claims handling, actuarial soundness of rates, and financing options. The report included the following recommendations related to the administration of Citizens:

- No documentation was available to show that Citizens had conducted an enterprise-wide evaluation of the effectiveness of operational and financial controls.
- The statutes governing Citizens do not require the OIR to conduct background investigations of Citizens' management and officers, which are required for voluntary insurers.
- Additional steps should be taken to strengthen the standards of conduct.

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[4] As reported by Citizens at the meeting of the Senate Banking and Insurance Committee on April 6, 2006.
[5] Personal communication from representative of Citizens to committee staff.
[6] *Id.*
[7] *Id.*
[8] As reported by Citizens at the meeting of the Senate Banking and Insurance Committee on April 6, 2006.

- Citizens had not implemented a comprehensive written procurement of policies and procedures.

In response to concerns expressed by the Auditor General, the Legislature, and the Office of Insurance Regulation, the board of governors of Citizens approved the following amendments to the plan of operation to strengthen standards of conduct on October 20, 2005, which were subsequently approved by the OIR on November 30, 2005:

- A requirement that senior management be subject to the background investigation provisions of ss. 624.404(3) and 628.261, F.S.
- A requirement that the Division of Insurance Fraud of the Department of Financial Services will be notified within 48 hours of any suspected fraud or compromise of public trust by a quasi-governmental employee.
- A code of ethics that includes detailed provisions regarding conflicts of interest, dual-employment and post-employment restrictions. Gifts of more than $100 are prohibited. Financial and other interest that conflict with the interests of Citizens are prohibited. Senior management is required to file a financial disclosures form substantially similar to the form required for state employees under s. 112.3145, F.S., with the OIR and the internal auditor of Citizens. Senior management is prohibited from doing business before the board of Citizens for a period of 2 years following termination from Citizens.
- Prior to the entering into a procurement relationship, employees involved in the procurement process and vendors are required to disclose any conflict of interest. Generally, purchases estimated to cost $25,000 or more are subject to the competitive bid process. Employees engaged in the purchasing process are prohibited from accepting any gifts, other than advertising novelties of nominal value.

Code of Ethics and Financial Disclosure; Procurement of Goods and Services
Part III of ch. 112, establishes the code of ethics for public officers and employees, which mandates that employees comply with financial disclosure and reporting requirements. Each year, public officers and specified employees are required to submit a financial disclosure to the Commission on Ethics. Noncompliance with these provisions may result in civil penalties and forfeiture of public retirement benefits. [s. 112.317, F.S.] In addition, any contract that has been executed in violation with this part is voidable by any party to the contract, the Commission on Ethics, the Attorney General, and any citizen materially affected by the contract that resides in the jurisdiction of the agency entering into such contract. [s. 112.3175, F.S.]

In December 2005, the Legislature revised the laws governing the acceptance of gifts by members and employees of the Legislature and agency officials, to prohibit any gifts or expenditures, regardless of the value. [ch. 2005-359, L.O.F.]

The provisions of part I of ch. 287, F.S. governs the procurement of goods and services by agencies of the state. Under current law, state agencies are generally required to procure goods and services valued over $25,000 through competitive selection process. Exceptions to this process are authorized for exempted services (legal and auditing, etc.), sole sourcing and emergency purchases. Section 287.059, F.S. provides guidelines and criteria for determining whether staff attorneys or outside attorneys should be used and factors to be used in selecting outside firms.

Pursuant to s. 11.062, F.S. an agency of the executive branch is prohibited from using state funds to retain a lobbyist to represent it before the executive or legislative branch. However, full-time employees of the agency may register as lobbyists and represent that employer before the executive or legislative branch.

Florida Hurricane Catastrophe Fund

The Florida Hurricane Catastrophe Fund (FHCF or "fund") is a tax-exempt trust fund created after Hurricane Andrew as a form of mandatory reinsurance for residential property insurers.[9] All insurers that write residential property insurance in Florida are required to buy reimbursement coverage (reinsurance) on their residential property exposure through the FHCF. The FHCF is administered by the State Board of Administration (SBA) and is a tax-exempt source of reimbursement to property insurers for a selected percentage (45, 75, or 90 percent) of hurricane losses above the insurer's retention/deductible.

Because the FHCF provides insurers an additional source of reinsurance to what is available in the private market, insurers are generally able to write more residential property insurance in the state than would otherwise be written. Because reinsurance purchased through the FHCF is significantly less expensive than private reinsurance, the FHCF also acts to lower residential property insurance premiums for consumers.

The FHCF must charge insurers the "actuarially indicated" premium for the coverage provided, based on hurricane loss projection models found acceptable by the Florida Commission on Hurricane Loss Projection Methodology. Each insurer's "reimbursement premium" is based on the insured value of the residential property each insurer insures, their location, construction type, deductible amounts, and other factors. The "actuarially indicated" premium is basically the average annual amount expected to be reimbursed to the insurer, based on the hurricane loss models, plus administrative costs of the Fund, amounts expected to be appropriated for mitigation funding, and discounted for investment income. The law authorizes the SBA to include a rapid cash build-up factor in the premium formula, but the SBA has never done so, until its recent approval for 2006-07 premiums, explained below.

The FHCF operates on a "contract year." The contract year runs from June 1st to May 31st of the next calendar year. The start of hurricane season coincides with the start of the fund's contract year.

Under current law, the maximum amount the FHCF must pay in any one year is $15 billion, adjusted annually based on the percentage growth in fund exposure, but not to exceed the dollar growth in the cash balance of the fund.[10] Due to the reduction in the cash balance of the fund in 2004 and 2005, the cap has remained at $15 billion for 2005-06 and for 2006-07. A maximum coverage amount is calculated for each insurer, based on that insurer's share of the total premiums paid to the fund. For example, an insurer that pays 10 percent of total fund premiums has its maximum coverage limited to $1.5 billion (10 percent of $15 billion) for all hurricanes occurring during the contract year.

[9] s. 215.555, F.S. (2005).
[10] s. 215.555((4)(c)1., F.S. (2005).

Insurers must first pay hurricane losses up to their "retention" for each hurricane, similar to a deductible, before being reimbursed by the FHCF coverage. In 2005, the Legislature lowered the total industry retention from an estimated $4.96 billion to $4.5 billion per hurricane, and addressed multiple storm seasons by providing that the retention is reduced to one-third of this amount ($1.5 billion) for a third hurricane and each additional hurricane.[11] The full retention is applied to the two hurricanes causing the greatest losses to the insurer. The retention is adjusted annually based on the FHCF's exposure, but unlike the limitation on adjusting the $15 billion cap on fund payments, the retention is adjusted regardless of any change in the FHCF's cash balance.[12] For the 2006-07 contract year, the retention is estimated to be adjusted from $4.5 billion to $5.3 billion, meaning that insurers must absorb a greater amount of losses before being reimbursed. Like the maximum recovery amount, a retention is calculated for each insurer based on its share of fund premiums. For example, an insurer paying 10 percent of total fund premiums will have a retention of $530 million (10 percent of $5.3 billion) for the 2006-07 contract year.

Insurers also choose a percentage level of reimbursement by the FHCF. By statute, insurers can select 45, 75, or 90 percent coverage reimbursement for losses that exceed its retention for each hurricane.[13] The vast majority of insurers choose the 90 percent reimbursement percentage.[14] This means once an insurer triggers FHCF coverage, 90 percent of its losses will be covered by the FHCF, up to the insurer's limit of coverage. Insurers may purchase additional reinsurance in the private market to cover their hurricane losses for amounts below the retention, amounts above their reimbursement limit, or for the coinsurance amount (e.g., 10 percent) that is the insurer's responsibility for the layer of coverage provided by the FHCF.

If the cash balance of the fund is not sufficient to cover losses, the law allows the issuance of revenue bonds, which are funded by emergency assessments on property and casualty policyholders.[15] The FHCF is authorized to levy emergency assessments against all property and casualty insurance premiums paid by policyholders (other than workers' compensation and, until June 1, 2007, medical malpractice), including surplus lines policyholders, when reimbursement premiums and other fund resources are insufficient to cover the fund's obligations.[16] Notably, this assessment base includes auto insurance, which is not included in the assessment base for Citizens. The assessment base for the FHCF is approximately $31 billion, and is expected to grow to about $33 billion for premiums written at year end 2005. Annual assessments (which have never been levied) are capped at 6 percent of premium with respect to losses from any 1 year and a maximum of 10 percent of premium to fund hurricane losses from multiple years.[17]

The FHCF is expected to pay out $3.8 billion to insurers as a result of the 2004 hurricanes; to date, the fund has already paid $3.5 billion to insurers. Because the amount paid in 2004 was less

[11] s. 215.555(1)(e)4., F.S. (2005).
[12] s. 215.555(1)(e)1., F.S. (2005).
[13] s. 215.555(1)(e)2., F.S. (2005).
[14] Florida Hurricane Catastrophe Fund, Fiscal Year 2003-2004 Annual Report 23.
[15] s. 215.555(6)(a)1., F.S. (2005); s. 215.555(6)(b)1., F.S. (2005).
[16] s. 215.555(6)(b)1., F.S. (2005); s. 215.555(6)(b)(10), F.S. (2005).
[17] s. 215.555(6)(b)2., F.S. (2005).

than the FHCF's cash balance, bonding was not necessary. However, as losses develop, the actual payments may exceed the current estimates.

For the current 2005-2006 contract year, the fund's $15 billion capacity consists of $3 billion in cash (before losses) and $12 billion in bonding capacity. The FHCF was initially expected to pay out at least $3.3 billion to insurers as a result of the 2005 hurricane season, of which about $2.2 billion had actually been paid by the fund to insurers. The remainder is paid out as insurers request reimbursement and provide proof of losses. However, the loss estimates for 2005 have recently been significantly increased based on the latest loss reports, which will require bonding and assessments. The fund had previously estimated a cash shortfall of $264 million based solely on insurer loss reports.[18] However, on April 5, 2006, representatives of the Fund stated that the latest loss estimates will result in a deficit of $1.55 billion. This is based on both reported losses and an estimate of incurred but not reported losses. But, the $1.55 billion deficit will be reduced to $1.35 billion, due to an estimated $200 million in revenue from the 25 percent "rapid cash build up" factor that the SBA has approved for the 2006 premium formula.

Because the FHCF will not have cash to carry over to fund claims resulting from the 2006 hurricane season, it will have to rely solely on premiums collected in 2006 to reimburse insurers for losses. This would increase the amount of bonding if the fund has to pay claims as a result of 2006 hurricanes. The fund's anticipated premium revenue for 2006 is $800 million, plus the $200 million (25 percent) rapid cash build up factor, totaling $1 billion.[19] However, premiums to the FHCF are paid by insurers in three installments on June 1, August 1, and December 1, 2006. Thus, should an early season hurricane occur, it may be necessary for the FHCF to borrow money to cover losses. For low amounts of losses, this could be done with a simple loan. For large amounts of loss, revenue bonds would need to be issued.

In summary, from the inception of the fund in 1993 until the 2004 hurricane season, the fund paid insurers for claims for only two hurricanes, Hurricanes Erin and Opal in 1995. Until 2004, the amount the FHCF paid to insurers totaled approximately $13 million (not billion). Going into the 2004 hurricane season the FHCF had accumulated over $6 billion in cash. As a result of the 2004 hurricanes, the fund has spent or expects to spend almost $3.8 billion of its cash reimbursing insurers for hurricane losses. Going into the 2005 hurricane season, the fund's cash had decreased to $3 billion. With reimbursement to insurers for 2005 hurricane losses expected to now be about $4.5 billion, the fund anticipates it will have to bond to pay claims and will start the 2006 hurricane season with no cash. Thus, the $6 billion accumulated over ten years by the FHCF has been depleted in just two years.

Hurricane Loss Mitigation Funding

Section 215.559, F.S. directs the Legislature to annually appropriate at least $10 million from the FHCF, but no more than 35 percent of the investment income from the prior fiscal year for hurricane loss mitigation programs.[20] Actual annual legislative appropriations have ranged from the minimum $10 million to $30 million.

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[18] Memorandum regarding FHCF Losses Update & Activity Report to the State Board of Administration from Coleman Stipanovich dated March 21, 2006.

[19] Florida Hurricane Catastrophe Fund 2006 Ratemaking Formula Report to the State Board of Administration (March 27, 2006).

[20] s. 215.555(7), F.S. (2005).

The Hurricane Loss Mitigation Program (Mitigation Program) within the Department of Community Affairs (DCA) was created in 1999, with an annual appropriation of $10 million from the FHCF, to fund programs for improving the wind resistance of residences and mobile homes to prevent or reduce losses or reduce the costs of rebuilding after a disaster.[21] Three ($3) million from the Mitigation Program is statutorily directed to retrofitting public facilities to be used as hurricane shelters while the remaining $7 million, is appropriated for the Residential Construction Mitigation Program (RCMP) administered by DCA and statutorily allocated as follows:

- 40 percent ($2.8 million) is used to inspect and improve tie-downs for mobile homes;
- 10 percent ($700,000) is directed to the Type I Center of the State University System dedicated to hurricane research, e.g., Florida International University; and
- The remainder (50 percent or $3.5 million) is generally directed to programs developed by the DCA with advice from an Advisory Council to help prevent or reduce losses to residences and mobile homes or to reduce the cost of rebuilding after a disaster.

One of the programs funded by the $3.5 million allocation directs grants targeting homes in the Governor's designated Front Porch communities to provide hazard mitigation upgrades to low-to-moderate income homes.

Hurricane Loss Models

In 1995 the Legislature established the Florida Commission (Commission) on Hurricane Loss Projection Methodology to serve as an independent body within the State Board of Administration.[22] The Commission's role is to adopt findings relating to the accuracy or reliability of the methods, standards, principles, models and other means used to project hurricane losses. The membership of the Commission is designed to equip it with expertise in fulfilling its mission. The members include experts in insurance finance, statistics, computer system design, and meteorology who are full-time faculty members in the State University System, appointed by the CFO, an actuary member from the FHCF Advisory Council, an actuary employed with a property and casualty insurer appointed by the CFO, an actuary employed by OIR, the Executive Director of Citizens, the senior employee responsible for FHCF operations, the Insurance Consumer Advocate, and the Director of Emergency Management of DCA. The Commission sets standards for loss projection methodology and examines the methods employed in proprietary hurricane loss models used by private insurers in setting rates to determine whether they meet the Commission standards.

The law provides that an insurer may use in its rate filing hurricane loss models found by the commission to be accurate or reliable and that such findings are admissible and relevant in consideration of the rate filing by OIR or on any arbitration or administrative or judicial review. However, legislative changes in 2005 provided that the findings are admissible and relevant only if OIR and the consumer advocate appointed by the Department of Financial Services have access to all of the assumptions and factors that were used in developing the model and are not precluded from disclosing such information in a rate proceeding. A separate public records bill

[21] s. 215.559, F.S. (2005).
[22] Section 627.0628, F.S.

was also enacted to provide a public records exemption for a trade secret, as defined in s. 812.081, F.S., that is used in designing and constructing a hurricane loss model, that is provided by a private company to the Florida Commission on Hurricane Loss Projection Methodology (Commission), OIR, or the consumer advocate.

Public Hurricane Loss Model -- The state authorized and initially funded the development of a public hurricane loss projection model, pursuant to the 2000 General Appropriations Act.[23] The model is required to be designed in accordance with the standards set by the Florida Commission on Hurricane Loss Projection Methodology. The Department of Insurance was appropriated $2.5 million to contract with the State University System, which contract was entered with the International Hurricane Research Center at Florida International University. Subsequent annual appropriations of about $300,000 per year have been made to further the development of the public model. The model has been developed and is currently being used by OIR in its review of rate filings. However, the model has not been submitted for review by the Florida Commission on Hurricane Loss Projection Methodology.

Sinkhole Claims

Nationwide, property insurance policies typically exclude coverage for "earth movement." But, in Florida, every authorized insurer must make available coverage for insurable sinkhole losses on any structure and the personal property contained within it.[24] Even though the coverage must be "made available", insurers include sinkhole coverage within their policies, apparently because it would lead to adverse selection if offered as an option, i.e., only those in sinkhole prone areas would elect the coverage.

In some areas of the state, sinkhole costs have grown at an exponential rate in recent years. This has caused policy cancellations due to paying policy limits on sinkhole claims, and insurers refusing to issue new policies in sinkhole prone areas. Citizens Property Insurance Corporation has had a significant increase in policies from the Tampa Bay area (Hernando, Hillsborough, Pasco, and Pinellas counties), increasing from 1,012 policies at the end of 2001, to 140,171 policies, or an increase of 13,751 percent.[25] This is believed to primarily be due to private insurance companies refusing or limiting coverage in this area due to the sinkhole exposure. By way of comparison, the growth in Dade, Broward, and Palm Beach counties during the same period was 104 percent. Not only do more homeowners have to seek coverage from Citizens, but such policyholders are being hit with exploding premium costs. The average Citizens premium in Pasco County more than doubled from $1,006 on March 1, 2003, to $2,368 on April 1, 2006. If a pending Citizens actuarial rate filing for such homes is approved, the average premium will rise to $3,605 as of August 1, 2006.

In 2004, the Legislature commissioned a study by Florida State University, under the direction of OIR, of the feasibility and cost-benefit of a Florida Sinkhole Insurance Facility and other matters related to affordability and availability of sinkhole insurance. The report was submitted on April 1, 2005, as required. The study found that the number of paid sinkhole claims increased from 348 in 1999 to 1,108 in 2003 while total claims payments for sinkholes increased from

[23] Section 2226 of ch. 2000-166, L.O.F.
[24] Section 627.706, F.S.
[25] Task Force on Long-Term Solutions for Florida's Hurricane Insurance Market-Final Report, pg. 41 (March 6, 2006).

$22.4 million in 1999 to $65 million in 2003. For this five-year period (which had no hurricane claims), there were a total of 2,509 paid sinkhole claims, representing 1 percent of all claims paid by insurers, but the $219.2 million paid for sinkhole claims accounted for 16.2 percent of total claims payments.

The Legislature in 2005 substantially amended the laws on sinkhole claims, as follows:

- Specified that sinkhole coverage includes the costs to stabilize the land and building and to repair the foundation.
- Allowed an insurer to deny a sinkhole claim if the insurer determines there is no sinkhole loss, but the insurer must provide written notice to the policyholder of their right to demand testing.
- If the policyholder demands testing, the insurer must engage an engineer or a geologist to conduct testing.
- Testing must be conducted in compliance with specified standards and a report must be issued as to the cause of the loss, with recommendations for stabilization and repair.
- The findings and recommendations of the engineer and geologist are presumed correct and the insurer must pay the costs of stabilization and repair in accordance with the recommendations.
- The insurer may limit its payment to the actual cash value of the sinkhole loss until such time as expenses related to land and building stabilization and foundation repairs are incurred, including underpinning and grouting. But, the insurer cannot require the policyholder to advance payments. The insurer must pay the expenses after a policyholder enters into a contract for stabilization or foundation repairs, and pay amounts necessary to begin and perform repairs as the work is conducted.
- If repair has begun and the engineer selected or approved by the insurer determines that the repair cannot be completed within the policy limits, the insurer must either complete the engineer’s recommended repair or tender the policy limits to the policyholder without a reduction for the repair expenses incurred.
- If an insurer pays a sinkhole claim, it must file a copy of the professional report with the county property appraiser.
- Established a sinkhole database to track sinkhole insurance claims.
- Required the seller of real property to disclose to the buyer that a sinkhole claim has been paid and whether or not the insurance proceeds were used to repair the sinkhole damage.

Other Present Law issues affected by this bill are discussed in Effects of Proposed Changes, below.

III. Effect of Proposed Changes:

Section 1 amends s. 215.555, F.S., related to the Florida Hurricane Catastrophe Fund (“fund”). The major change is to require that the Fund add a charge of 25 percent of the actuarially indicated premium in order to provide a more rapid cash buildup in the fund. The State Board of Administration (SBA) recently approved this same percentage amount for the 2006-07 premium formula, but the bill would mandate this each year. It is currently estimated that the fund premiums for 2006 will be $800 million, without the rapid cash build up amount. The 25 percent rapid cash build up factor would add $200 million to the premium, totaling $1 billion. Representatives of the SBA have stated that the current bonding documents prohibit the Fund

from utilizing premium income from the actuarially indicated premium for 2006 to pay for claims incurred in 2005. However, the portion attributable to the rapid cash buildup factor can be used to pay claims associated with the 2005 hurricane season and, therefore, reduce the cash shortfall and amount of bonding needed for the 2005 season losses.

The bill also makes changes recommended by the SBA to facilitate its issuance of bonds to cover its current deficit. The changes include deleting the requirement that the bonds be validated pursuant to chapter 75, F.S., and that the validation be appealed to the Supreme Court. The SBA has already met this requirement in 1996 and deleting the language removes any ambiguity that might exist that it must be done again. The bill also clarifies the premiums that are subject to assessment for funding bond obligations and the procedures for insurers to collect and transmit these assessments.

The bill continues and extends the exemption from assessments for medical malpractice premiums, to fund bond obligations of the fund. The current three-year exemption is scheduled to be repealed on June 1, 2007, but the bill extends this exemption for three more years, until June 1, 2010.

The bill also deletes language that appears to be obsolete requiring a preference in reimbursement to limited apportionment companies when the cash balance is below $2 billion. This language was in the law when the Fund was designed to make payments at year end, due to each insurer's maximum share not being known until that time. Changes in 1995 established recovery limits for each insurer, which has enabled the Fund to reimburse insurers almost immediately (2 to 7 days). The current language could bring into question whether the Fund should reserve cash for limited apportionment companies, even if other insurers have claims owing, which could result in delaying payment or earlier or unnecessary bonding.

The bill also clarifies:
- that the reference to "cash balance" for purposes of determining the annual growth factor for the Fund's $15 billion limit, refers to the Fund balance as of December 31, as defined by rule;
- that the Fund does not reimburse insurers for claims for loss of rent or rental income, rather than "loss of use," to further clarify that the Fund does reimburse insurers for claims for additional living expenses paid under their policies; and
- that any annual assessments that are necessary to fund bonding obligations continue "for as long as" (rather than "until") the revenue bonds are outstanding.

Section 2 creates s. 215.558, F.S., to require the Department of Community Affairs to establish the Home Retrofit Hardening Program as a competitive grant program administered by local governments, regional planning councils, or private nonprofit agencies, to fund improvements to homes to make them less vulnerable to hurricane damage. The order of priority would be: 1) low-income homeowners who live in wind-borne debris regions as defined in the Florida Building Code, who are eligible for up to 100 percent funding; 2) homestead dwellings insured at $500,000 or less and located in high-risk areas of Citizens, with priority for homes insured by Citizens, eligible for up to 50 percent funding; and 3) all other homestead dwellings insured at $500,000 or less, eligible for up to 25 percent funding. The maximum grant for an individual home is $10,000. The program must include an inspection to determine mitigation measures, a

means for verifying that the improvements have been demonstrated to reduce hurricane damage and that the proceeds were spent on such improvements. (Section 31 of the bill appropriates an unspecified amount from General Revenue for this program.)

Section 3 creates s. 215.5586, F.S., to provide wind certification and hurricane mitigation inspections to homeowners at no cost, pursuant to a request for proposals from providers who must meet specified criteria of prior experience or specialized training. (Section 32 of the bill appropriates an unspecified amount from General Revenue for this purpose.)

Section 4 amends s. 193.155, F.S. to provide that specified mitigation improvements are not to be included or otherwise increase the assessed value of a home for tax purposes.

Section 5 creates s. 252.63, F.S., to authorizes the Commissioner of Insurance Regulation to issue orders to temporarily modify or suspend provisions of the Insurance Code to expedite recovery of communities affected by a disaster, when the Governor declares a state of emergency. This provision is modeled on s. 252.62, F.S., which provides similar powers to the Director of the Office of Financial Regulation relative to the laws for financial institutions.

Section 6 amends s. 626.918, F.S., to allow alien surplus lines insurers to fund trust funds with letters of credit meeting certain criteria issued or confirmed by a qualified United States financial institution, as defined. Alien surplus lines insurers (i.e., formed under the laws of another country) must maintain in the United States, a trust fund for the protection of U.S. policyholders of at least $5.4 million, in addition to the minimum $15 million minimum surplus requirement.

Section 7 amends s. 627.062, F.S., to revise the rate standards for property and casualty insurance rates, as follows:

The bill provides that the burden is on OIR to establish that a rate is excessive for personal lines residential coverage with a dwelling replacement cost of $1 million or more, or for a condominium unit with a combined dwelling and contents replacement cost of $1 million or more. These are the same properties that are subject to a 25 percent surcharge for coverage with Citizens, and that are made ineligible for coverage in Citizens effective July 1, 2011, pursuant to Section 9 of the bill.

The bill also revises the current law that allows an insurer writing residential property insurance to recoup in its rates the premiums paid to the Florida Hurricane Catastrophe Fund, together with "reasonable" costs of other reinsurance. The bill changes this standard to, instead, allow an insurer to recoup its costs of other reinsurance "consistent with prudent business practices and sound actuarial principles", but the burden would be on OIR to establish that such costs are in excess of this standard. Currently, when an insurer makes a rate filing, it has the burden to prove by a preponderance of the evidence to show that a rate is not excessive, inadequate, or unfairly discriminatory (s. 627.062(1)(g), F.S.). The bill's provision would shift this burden to the OIR only with regard to whether the costs of reinsurance the insurer is attempting to recoup exceed the statutory standard, as revised.

The bill requires the chief executive officer and chief financial officer of an insurer or its CPA to sign a sworn statement certifying the appropriateness of a rate filing.

Section 8 amends s. 627.06281, F.S., related to the public hurricane loss projection model. The bill requires that the public model be submitted to the Florida Commission on Hurricane Loss Projection Methodology ("Commission") for review pursuant to s. 627.0628, F.S., (i.e., the same process and standards as the Commission uses for the review of other hurricane loss projection models). The bill allows OIR to continue to use the public model in its review of rate filings, until such time as the Commission determines that the public model is not accurate or reliable pursuant to the same process and standards as the Commission uses for the review of other hurricane loss projection models.

Section 9 amends s. 627.651(6), F.S., related to Citizens Property Insurance Corporation.

Residential Structures Valued at $1 million or More

The bill requires that effective January 1, 2007, rates for coverage in the high-risk account must include a 25 percent surcharge for a personal lines residential structure with a dwelling replacement cost of $1 million or more, or a single condominium unit with combined dwelling and content replacement cost of $1 million or more. These same properties would no longer be eligible for coverage in Citizens, effective July 1, 2011. This will affect the wind-only coverage currently offered by Citizens in the high-risk account (HRA), since Citizens currently excludes coverage for these policies in the personal lines account.

Citizens has reported that its estimated 100-year probable maximum loss (PML) for the HRA would be reduced by approximately $800 million if it did not insure residential properties with values greater than $1 million. Citizens had also reported in February of this year that the 100-year PML for the HRA was $7.8 billion as of December 31, 2005. However, Citizens reported new PML estimates in March, that the 100-year PML of the HRA is now $10.3 billion.

In the February estimates, Citizens reported that it had 6,431 residential policies in force that were insured for values greater than $1 million, with a total insured value of $16.7 billion with a total premium of $64.3 million. In response to staff's inquiry for updated information, a representative of Citizens reported that as of December 12, 2005, it had 5,280 HRA residential policies with dwelling coverage in excess of $1million and that the total inforce premium was $64,238,090, resulting in an average premium of $12,166.

Rate Surcharge for Non-Homestead Property

The bill requires that for policies issued or renewed on or after January 1, 2007, Citizens must impose a 25 percent rate surcharge on "nonhomestead property." This reflects a legislative policy that there should be less reliance on assessments on non-Citizens policyholders to fund deficits for losses to nonhomestead property than for homestead property. The bill also requires that if Citizens does experience a deficit, that there must be an additional 25 percent surcharge imposed on nonhomestead property, but this provision would be limited to nonhomestead property owned by a nonresident of Florida.

However, the definition of "homestead property" that is not subject to these surcharges is broader than the use of this term for tax purposes. The definition in the bill would include the following (who would *not* be subject to the 25 percent surcharges):

- property granted a homestead exemption under chapter 196, F.S.
- property for which the owner has a current, written lease with a renter for a term of at least 6 months and for which the dwelling is insured by Citizens for $200,000 or less;
- an owner-occupied mobile home or manufactured home as defined in s. 320.01, F.S., permanently affixed to real property, is owned by a Florida resident, and has been granted a homestead tax exemption or, if the owner does not own the real property, the owner certifies that the mobile home or manufactured home is his or her principal place of residence;
- tenants coverage (i.e., the coverage purchased by a renter to cover the contents);
- commercial lines coverage, including both residential and nonresidential (i.e., condominium associations, apartment buildings, or commercial businesses. However; a condominium unit owner would not meet the definition of homestead unless he or she had a homestead exemption, or has a current 6-month lease with a renter and the insured value is $200,000 or less.)

Calculation of Deficit Assessments

The bill requires that in determining the amount of the regular assessment to be levied on insurers (and recouped from their policyholders), the amount must be reduced by amounts that are estimated to be collected from surcharges on Citizens' policyholders. There are two such surcharges under the bill. One is the current "market equalization surcharge" that the bill re-names the "Citizens policyholder surcharge." Currently, this surcharge must be imposed by Citizens on their own policyholders after an assessment has been levied, as an equal percentage of the premium that was, on average, paid by the voluntary market policyholders after being recouped by insurers. However, the current law requires the entire deficit to be funded by the regular assessment (if it is at or below 10 percent of premium), so that by imposing the market equalization surcharge, Citizens actually collects more than the estimated deficit amount. Under the bill, the amount to be collected from this surcharge on Citizens policyholders must be deducted from the regular assessment. But, in computing the Citizens policyholder assessment, the calculation requires that the total amount of the regular assessment must be determined without deducting the estimated Citizens policyholder surcharge.

The bill also requires that in calculating the amount of the regular assessment, that there must also be a reduction for the estimated amount that will be collected from the new 25 percent "deficit surcharge" that the bill requires to be imposed on premiums for nonhomestead property owned by a non-resident of Florida.

Ten-Day Waiting Period; Limited Exception to "Consumer Choice"

The bill requires that effective July 1, 2007, applications for new coverage to Citizens are subject to a 10-day waiting period, and must be made available for review by agents and insurers. However, the board is authorized to approve exceptions that allow for coverage to be effective

during this time for coverage issued in conjunction with a real estate closing or other situations the board determines are necessary to prevent lapses in coverage.

Due to the change in Section 12 of the bill, below, if an authorized insurer offers coverage during this 10-day period, the applicant would not be eligible for coverage in Citizens, whether or not the insurer appoints the agent who submitted the application. This is due to the provision in current law (s. 627.651(c)5., F.S.), which provides, "Subject to the provisions of s. 627.3517, F.S., with respect to personal lines residential risks, if the risk is offered coverage from an authorized insurer at the insurer's approved rate . . . the risk is not eligible for any policy issued by the corporation." The reference to "Subject to the provisions of s. 627.3517, F.S.," is a reference to the "Consumer Choice" statute that provides, "If the [Citizens] policyholder's current agent is unable or unwilling to be appointed with the insurer making the take-out or keep out offer, the policyholder shall not be disqualified from participation in [Citizens]…" However, Section 12 of the bill provides that this provision would not apply during the first 10 days after a new application for coverage has been submitted to Citizens, whether or not coverage is bound during this period. But, if the policy is taken out during this 10-day period, the bill would still apply the current law that requires the take-out insurer to provide compensation to the agent pursuant to s. 626.361(6)(c)5.a.(I), F.S., which requires paying the producing agent, for the first year, an amount that is the greater of the insurer's commission or Citizen's commission.

Rate Standards for Citizens

The bill provides that the current requirement that Citizens' rates not be competitive with authorized insurers does not apply in a county or area for which OIR determines that no authorized insurer is offering coverage.

The bill requires that after the public hurricane model has been found to be accurate and reliable by the Florida Commission on Hurricane Loss Projection Methodology, it shall serve as the minimum benchmark for determining windstorm rates for Citizens.

Oversight and Internal Controls

- Requires the Financial Services Commission (Governor and Cabinet), rather than the Office of Insurance Regulation (OIR), to approve Citizens' plan of operation.
- Requires Senate confirmation of the Executive Director of Citizens.
- Requires Citizens to have an internal auditor who must submit an annual report to the board, the Financial Services Commission, and the Legislature. Citizens' internal auditor was engaged in December 2004 and has issued reports on the following areas investments function, premiums and cash Receipts, and cat claims. Another audit on agency administration and compliance, which was part of the internal auditor's work plan, was conducted by external auditors.
- Requires OIR to do a market conduct examination of Citizens every two years.
- Requires the Auditor General to conduct an operational audit of Citizens every three years.

- Requires competitive bidding of contracts, with exceptions, and board approval of contracts of $100,000 or more. These requirements are similar to requirements that have been adopted by Citizens.
- Requires OIR background checks of applicants for senior management positions. The OIR is responsible for conducting these background checks pursuant to ss. 624.404(3), and 628.261, F.S. Currently, prospective officers and senior management of insurers in the voluntary market are subject to the same requirements. The background check includes a national fingerprint check. Effective, October 20, 2005, Citizens instituted background checks pursuant to these statutory provisions.

Standards of Conduct

- Subjects board members and senior managers to the code of ethics and financial disclosure requirements applicable to public officials and specified state employees. In October 2005, the board adopted financial disclosures similar to the forms required of senior management of state agencies. However, these forms are required to be submitted to the OIR and the Internal Auditor rather than the Commission of Ethics, as the bill requires.
- Prohibits board members and employees from accepting any gifts from any person or entity under contract with Citizens or under consideration for a contract. Currently, Citizens prohibit employees and board members of the corporation from accepting gifts valued over $100.
- Prohibits Citizens from retaining lobbyists, but allows employees to register as lobbyists.
- Prohibits senior managers from representing any person or entity before Citizens for two years following termination of employment from Citizens.

Other Changes to Citizens

- Requires insurers writing the non-wind coverage to contract with Citizens to provide claims adjusting services for the wind coverage provided by Citizens in the high-risk account.
- Requires Citizens to report to the Legislature on the feasibility of requiring insurers providing the non-wind coverage to issue and service Citizens' wind policies.
- Requires Citizens to offer quarterly and semiannual premium payment plans.
- Extends for two years (until Feb. 1, 2009) the requirement that the board reduce the boundaries of the high risk area eligible for wind-only coverage.
- Requires that any take-out bonus paid to an insurer by Citizens must be conditioned on the insurer keeping the policy for five years. Also, requires Citizens to monitor whether such policies are later insured by Citizens.
- Requires Citizens to report to the Legislature its recommendations regarding consolidation of its three existing accounts and the actions taken to minimize the cost of carrying debt.

Section 10 specifies that the changes in Section 9 regarding the method for calculation and determining the assessments and surcharges that must be levied to fund deficits in Citizens apply to a deficit incurred in 2006 and thereafter.

Section 11 amends s. 627.3511, F.S., to conform to the changes made in Section 9 regarding take-out bonuses paid by Citizens, to require that any bonus be conditioned on the property being insured for at least 5 years. This section currently provides for a maximum $100 per policy take-out bonus, under specified conditions, but this section has been effectively moot, due to the broader authority in the Citizens statute that allows Citizens to adopt programs for the reduction of writings subject to the approval of OIR, (s. 627.351(6)(g)3., F.S.), which has resulted in take-out bonuses of amounts in excess of $100 per policy, based on conditions approved by the board and OIR.

Section 12 amends s. 627.3517, F.S., related to Consumer Choice. This law currently provides that no provision in the Citizens statute or any other joint underwriting association or risk apportionment plan shall be construed to impair the right of any policyholder to retain his or her current agent, upon receipt of any keep out or take-out offer. The current law provides that a policyholder shall not be disqualified from being insured in Citizens or any other plan because of an offer of coverage in the voluntary market if the policyholder's current agent is unable or unwilling to be appointed by the insurer making the take-out or keep out offer. The bill provides an exception to this law, so that it would not apply during the first 10 days after a new application for coverage has been submitted to Citizens, whether or not coverage is bound during this period. As described in Section 9, above, the bill requires that applications for new coverage to Citizens are subject to a 10-day waiting period, and must be made available for review by agents and insurers.

Section 13 creates s. 627.3519, F.S., to require the Financial Services Commission to provide an annual report to the Legislature of the probable maximum losses, financing options, and potential assessments of Citizens and the FHCF, and the assessment burden on Florida policyholders.

Section 14 amends s. 627.4035, F.S., to provide an exception to the requirement that the recipient's written authorization must be provided to an insurer in order for the insurer to pay claims electronically. The bill waives this requirement if the insurer verifies the identity of the insured or recipient, does not charge a fee for the transaction, and remains liable if the funds are misdirected.

Section 15 creates s. 627.6121, F.S., to require property insurers to issue separate checks payable to the primary policyholder only, to pay claims for contents, living expenses, and the lesser of $20,000 or the first 20 percent of the estimated total covered claim amount for the replacement or repair of dual interest (mortgaged) property.

Section 16 amends s. 627.7011, F.S., to clarify that if a property insurer does not obtain a written rejection from the policyholder for law and ordinance coverage, the policy is deemed to include the law and ordinance coverage limited to 25 percent of the dwelling limit (and not the alternative 50 percent limit that must also be offered).

This section currently requires insurers to offer replacement cost coverage and requires that if a loss is insured for replacement cost, the insurer must pay the replacement costs without holdback of any depreciation in value, whether or not the insured replaces or repairs the dwelling or property. The bill clarifies that this section does not prohibit an insurer from limiting its

replacement cost coverage to the lesser of: the limit of liability shown on the policy declaration page; the reasonable and necessary cost to repair the property; or the reasonable and necessary cost to replace the property.

Section 17 creates s. 627.7019, F.S. to require the Financial Services Commission to adopt rules standardizing requirements that may be applied to insurers after a hurricane, addressing claims reporting requirements, grace periods for payment of premiums, and temporary postponement of cancellations and nonrenewals.

Section 18 amends s. 627.706, F.S., to allow (but not require) insurers to include a deductible for sinkhole losses for residential property insurance equal to 1 percent, 2 percent, 5 percent, or 10 percent of the policy dwelling limits, with appropriate premium discounts offered with each deductible amount.

The bill also defines the term "professional engineer" rather than "engineer" but does not otherwise change the definition. This term is used throughout the following sections, to be consistent with the terminology used for "professional geologist," but does not substantively change the law.

Section 19 amends s. 627.707, F.S, relating to standards for investigation of sinkhole claims. The bill allows the insurer to make payment directly to the persons selected by the policyholder to make the repairs, if approved by the policyholder and lienholder.

The current law requires that if the repair of the sinkhole loss has begun and the engineer selected or approved by the insurer determines that the repair cannot be completed within the policy limits, that the insurer must either complete the engineer's recommended repair or tender the policy limits. The bill limits the application of this requirement to personal lines residential property insurance policies. Therefore, it would not apply to commercial lines (residential or non-residential) policies, such as a condominium association or commercial business.

Section 20 amends s. 627.7072, F.S., to make technical conforming changes to the term "professional engineer."

Section 21 amends s. 627.7073, F.S., to specify that the sinkhole investigation report that is done by a professional engineer or professional geologist must include findings as to the "cause of distress to the property" rather than the "verification or elimination of a sinkhole loss." This terminology is believed to be more consistent with the findings that are typically made in such reports.

The bill also requires that insurers that pay sinkhole claims must file sinkhole reports with the county clerk of court, rather than the county property appraiser.

Section 22 creates s. 627.7074, F.S. to require the Department of Financial Services ("department") to certify engineers and geologists to serve as "neutral evaluators" of sinkhole claims disputes between insurers and policyholders. This process would be optional and nonbinding and the costs must be paid by the insurer. However, if an insurer requests this process and the policyholder either declines to participate or declines to resolve the matter in

accordance with the recommendation of the neutral evaluator, the insurer would not be liable for attorney's fees or other extra-contractual damages related to a claim.

Neutral evaluation must be conducted as an informal process in which formal rules of evidence and procedure need not be observed. The department must adopt rules of procedure for the process. The conference may be held by telephone, if feasible and desirable, and must be held within 45 days after receipt of the request by the department. Upon receipt of a request, the department must refer the request to a neutral evaluator who shall notify the parties of the date, time, and place of the conference.

The bill provides that evidence of an offer to settle a claim during the neutral evaluation process, or other relevant conduct or statements made concerning an offer to settle are inadmissible to prove or disprove liability or a claim's value. However, the recommendation of the neutral evaluator is admissible in any subsequent action or proceeding only for a determination regarding the award of attorney's fees.

The bill provides that if the neutral evaluator verifies a sinkhole and recommends costs that exceed the amount the insurer has offered to pay the policyholder, the insurer is liable for up to $2,500 in attorney's fees for the attorney's participation in the neutral evaluation process.

A party may seek judicial review to vacate the recommendation of the neutral evaluator if it was not "reasonable". However, the grounds are very limited in this regard, because a recommendation is reasonable unless: it was procured by corruption, fraud, or other undue means; there was evident partiality by the neutral evaluator or misconduct prejudicing the rights of any party; or the neutral evaluator exceeded the authority and power granted by this section.

Section 23 amends s. 627.727, F.S., to make a technical change to conform to a cross-reference.

Section 24 amends s. 631.181, F.S., related to insurance guaranty associations. The bill allows FIGA and other guaranty associations to pay claims of unearned premium refunds, without requiring the policyholder to file a proof of claim form, if adequate claims file documentation exists within the records of the insolvent insurer, or if the receiver certifies to the guaranty fund that the records of the insolvent insurer are sufficient to determine the amount of unearned premium owed to each policyholder. This should result in returning unearned premiums to policyholders much more quickly.

Claimants are required to file "proof of claim" forms with the receiver (department) for any unpaid claims against an insurer in receivership, which must include certain information and be filed within the time limits specified in the receiver's notice. This applies not only to claims covered under the policy, but also to policyholder claims for the return of unearned premium, which is covered by each of the guaranty funds, subject to a $100 deductible in FIGA. This process is time consuming and often results in insureds not receiving a return of their unearned premium for months or even a year after an insolvency.

Section 25 amends s. 631.54, F.S., to revise the definition of "covered claim" to specify that for an entity other than a person, i.e., a business or other legal entity, the residence of the entity is the state where the entity's principal place of business is located. This would change the current

interpretation applied by FIGA that the state of incorporation is the state of residency of a corporation.

According to representatives from FIGA, this will conform the Florida law to the majority of jurisdictions that use the principal place of business test for determining residency of a corporation for purposes of guaranty fund coverage. So, corporations and business entities with their principal place of business in Florida will be covered by FIGA if their insurer is rendered insolvent. Corporations incorporated in Florida but which have their principal place of business in another state will be required to seek reimbursement from the other state's guaranty association.

The bill adds a definition of "homeowners insurance" that is relevant to the following section of the bill which increases the maximum amount of FIGA's liability for a covered homeowners insurance claim against an insolvent insurer from $300,000 to $500,000.

Section 26 amends s. 631.55, F.S., to make a technical change to a cross-reference.

Section 27 amends s. 631.57, F.S., to authorize FIGA to impose annual emergency assessments on insurers of up to 2 percent of written premium for specified lines of property and casualty insurance to fund revenue bonds issued by a municipality or county to pay claims of an insurer rendered insolvent due to a hurricane. The bill authorizes FIGA to contract with a city or county to issue tax-exempt revenue bonds for this purpose. The provision is similar to the law enacted by the 1992 Legislature to enable FIGA to pay the hurricane-related claims of insurers who became insolvent following Hurricane Andrew, except that the bill would provide continuing authority in this regard for any hurricane-caused insolvencies.

The bill also increases the maximum amount of FIGA's liability for a covered homeowners insurance claim against an insolvent insurer from $300,000 to $500,000.

Section 28 amends s. 631.695, F.S. to authorize any city or county substantially affected by a hurricane, to issue bonds to fund an assistance program in conjunction with FIGA, to pay covered claims arising from the insolvency of an insurer determined by FIGA to have been a result of a hurricane. Such bonds would be secured by the current assessments that can be levied by FIGA, and may be for a term not to exceed 30 years. The bond proceeds may be used by FIGA to settle unpaid claims or to refund unearned premiums to citizens of the state affected by the hurricane, even if the claimant's residence is not in the city or county that issues the bonds.

The bill makes legislative findings that it is necessary for the protection of the public health, safety, and general welfare of the residents of this state, and declared to be an essential public purpose, to permit municipalities and counties to take such actions as will provide relief to claimants and policyholders having claims against insolvent insurers. Related findings are made regarding the personal hardship to persons and families who suffer losses during a hurricane and the need for claims to be settled expeditiously. The findings also recognize the success of the FIGA bonds issued in 1993 and their potential for future use. The legislative findings likely will be used as part of the supporting documents that accompany any future bond issue for hurricane recovery.

The bill authorizes several uses for bonds issued for hurricane recovery. Among the authorized uses is the payment of covered claims of an insolvent insurer; to refinance or replace previous borrowings; to fund reserves for the bonds; to pay expenses incident to bond issuance; and other similar enumerated purposes. The bill provides that the state covenants (promises) not to take any action that could endanger the availability of funds to repay the bonds.

The bill requires FIGA to file a report annually with the Senate President, the Speaker of the House, and the Chief Financial Officer on the status of the bond proceeds.

Section 29 provides that no provision of s. 631.57, F.S. (as amended by the bill) or s. 631.695, F.S. (as created by the bill) shall be repealed until such time as the principal and interest on all bonds issued pursuant to such sections have been paid in full or adequate provision for payment has been made.

Section 30 amends s. 877.02, F.S. to make it unlawful for a contractor or business providing sinkhole remediation services to communicate with any attorney for the purpose of assisting the attorney in the solicitation of legal business. This expands the current law that makes it unlawful for certain other persons (employees of hospitals, police departments, etc.) to communicate with any attorney for this purpose.

Section 31 makes an unspecified appropriation from the General Revenue Fund to the Department of Community Affairs for the purposes of the Home Retrofit Hardening Program.

Section 32 makes an unspecified appropriation from the General Revenue Fund to the Department of Community Affairs for the purposes of wind certification and hurricane mitigation inspections specified in this act.

Section 33 provides that except as otherwise expressly provided, this act takes effect upon becoming law. (Many of the sections of the bill have later effective dates.)

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. Other Constitutional Issues:

The bill requires Citizens to impose a 25 percent deficit surcharge on nonhomestead property (as defined) owned by a non-resident of Florida. It also imposes a 25 percent

surcharge on rates for nonhomestead property, and the definition of "homestead" for mobile homes includes state residency as a factor. These provisions raise a constitutional issue regarding equal protection and the "right to travel." The right to travel is derived from Art. IV, Sect. 2 of the constitution which states that "[t]he Citizens of each State shall be entitled to all the Privileges and Immunities of Citizens in the several States." The United States Supreme Court has found a fundamental right to interstate travel within the Constitution.[26] The right has three components: (1) the right of a citizen of one state to enter and leave another state; (2) the right to be treated as a welcome visitor rather than an unfriendly alien while temporarily in the state; and (3) for persons who elect to become permanent residents, the right to be treated like other citizens of that state.[27] The right to be treated as a welcome visitor while temporarily in a state, is the most likely of the three provisions to be implicated by the provisions regarding Citizens surcharges.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

Section 4. The bill amends s. 193.155, F.S. to provide that specified mitigation improvements are not to be included or otherwise increase the assessed value of a home for tax purposes. The Department of Revenue has estimated that this will have no fiscal impact.

Section 9. The impact on assessments by Citizens and the Florida Hurricane Catastrophe Fund are discussed in Private Sector Impact and Government Sector Impact, below.

B. Private Sector Impact:

Section 1. The bill requires that the premiums paid by insurers for coverage from the Florida Hurricane Catastrophe Fund be increased by 25 percent in order to provide for more rapid cash buildup in the fund. This is expected to increase property insurance premiums by about 2.7 percent.

Medical malpractice policyholders will continue to enjoy the benefit of being exempt from assessments from the Florida Hurricane Catastrophe Fund, until June 1, 2010. This will be an actual benefit, rather than a theoretical benefit, given the fact that deficit assessments are expected for 2006. Given the broad assessment base, it is unlikely that such assessments will exceed 1 percent of premium, but is dependent on the term of the debt and the unknown, potential losses for the 2006-07 contract year and subsequent years. The elimination of medical malpractice insurance premiums removes about $850 million or about 2.6 percent of the assessment base, which is expected to total about $33 billion for year end 2005.

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[26] *Saenz v. Roe*, 526 U.S. 489 (1999).
[27] *Saenz*, at 500.

Sections 3 and 4. The bill creates programs that will provide grants to homeowners for hurricane loss mitigation and home inspections for this purpose. Such mitigation efforts will benefit individual homeowners who reduce their potential out-of-pocket costs due to a hurricane and receive credits on their property insurance premiums. It will also benefit property insurers by reducing exposure to hurricane losses and benefit all policyholders by favorably impacting premiums.

Section 7. The bill may facilitate the insurer's attempt to have rate filings approved by allowing an insurer to recoup its costs of reinsurance in its rates, unless OIR establishes that the costs are in excess of amounts consistent with prudent business practices and sound actuarial principles.

Section 9. Owners of homes valued at $1 million or more (not including the value of the land) would be subject to a 25 percent surcharge for rates charged by Citizens, effective January 1, 2007, and would no longer be eligible for windstorm coverage in Citizens HRA account, effective July 1, 2011. Such homeowners may be more likely to find coverage from an authorized insurer due to the bill's provisions that place the burden on OIR to establish that rates are excessive for coverage for such properties. Alternatively, such homeowners may find coverage in the surplus lines market. A representative of the surplus lines market has recently stated that a market for these homes exists, but that market conditions can change rapidly.

Owners of nonhomestead homes (as defined) insured by Citizens would be subject to a 25 percent surcharge and non-Florida residents owning such homes would be subject to an additional 25 percent surcharge if there is a deficit.

Non-Citizens policyholders will have a lower exposure to deficit assessments for deficits due to the increased rates for $1 million homes and for nonhomestead property, as well as the requirement that the calculation of the regular assessment deduct the amount to be collected from Citizens' policyholders. The impact of providing that homes valued over $1 million are not eligible for coverage is unknown, since it is unknown where hurricanes will land and whether Citizens will have a profit or loss for such homes in the future. But, eliminating these homes reduces the 100-year probable maximum loss of Citizens by an estimated $800 million, according to Citizens.

Greater depopulation of Citizens (and lower potential for assessments) may also result from the 10-day waiting period for Citizens coverage and the exception from the Consumer Choice law during this period, meaning that a keep-out offer would make the applicant ineligible for coverage whether or not the current agent is appointed by the keep-out insurer. Insurance agents who submit applications to Citizens but lose the business to a "keep out" insurer, must still be compensated by the insurer which is required to pay the producing agent, for the first year, an amount that is the greater of the insurer's commission or Citizen's commission.

Insurance companies writing the non-wind coverage for properties that are provided wind coverage by Citizens will continue to be allowed to write non-wind coverage for these properties (i.e., properties in the areas currently eligible for wind-only coverage by

Citizens). The current law requires the board of Citizens to reduce these boundaries on February 1, 2007, which the bill delays for two years. Therefore, these insurers will not face the choice of either dropping the non-wind coverage or writing the windstorm coverage for these policies. However, these same insurers will be required to provide claims adjusting services for the wind coverage provided by Citizens, at terms that are substantially the same as those provided in the contracts that Citizens and insurers have voluntarily entered for 2006.

Requiring that take-out bonuses paid to insurers be conditioned on the insurer keeping the policy for five years may reduce the number of policies taken out, but would provide assurance that any such policies remain out of Citizens for this time period.

Section 15. Financial institutions and mortgage holders that are currently entitled to have checks issued jointly in their name and the name of the primary policyholder will no longer be entitled to this for claims payments up to the lesser of $20,000 or 20 percent of the estimated damage. This will compromise the ability of such institutions to protect their collateral for the mortgage and, potentially, the marketability of mortgages on the secondary market.

Section 22. Sinkhole claims payments may be reduced with a favorable impact on premiums due to the requirement that for the arbitration process and the prohibition on awards of attorney fees under certain circumstances. If insurers select to offer the percentage sinkhole deductibles allowed by the bill, appropriate reductions in premiums would have to be provided.

Section 27. The bill authorizes FIGA to impose annual emergency assessments on insurers of up to 2 percent of written premium for specified lines of property and casualty insurance to fund revenue bonds issued by a municipality or county to pay claims of an insurer rendered insolvent due to a hurricane.

The bill increases the maximum amount of FIGA's liability for a covered homeowners insurance claim against an insolvent insurer from $300,000 to $500,000. This favorably impacts an affected homeowner, but would add to the liability of FIGA.

C. Government Sector Impact:

Section 1. The bill requires that the Florida Hurricane Catastrophe Fund add a charge of 25 percent of the actuarially indicated premium to provide a more rapid cash buildup factor. It is currently estimated that the Fund premiums for 2006 will be $800 million, without any changes to the current law. The 25 percent rapid cash build up factor would add $200 million to the premium, totaling $1 billion. Representatives of the State Board of Administration have stated that the current bonding documents prohibit the Fund from utilizing premium income from the actuarially indicated premium for 2006 to pay for claims incurred in 2005. However, the portion attributable to the rapid cash buildup factor can be used to pay claims associated with the 2005 hurricane season and, therefore, reduce the cash shortfall for the 2005 season.

Section 9. The various provisions imposing ethical standards and greater accountability and oversight of Citizens should help assure that Citizens operates in a manner consistent with the operation of state agencies and should help prevent conflicts of interest, improper expenditures, and deviations from accepted accounting and business practices.

Section 22. The Department of Financial Services will have additional duties regarding the neutral evaluation process of sinkhole claims. The DFS must certify and maintain a list of neutral evaluators. It must also receive requests for neutral evaluation and refer a neutral evaluator to mediate the dispute and make findings. The department will also receive the written report of the neutral evaluator.

The DFS has estimated the following costs related to these provisions:

i. $58,243 in salary and benefits, expenses, and start-up costs for a Management Analyist I who will implement and manage the neutral evaluation process.
ii. $65,565 in salary and benefits, expenses, and start up costs for a Consumer Affairs Specialist who would serve as a liason for consumers participating in the neutral evalution process without an attorney.
iii. Approximately $2,000 to create 5,250 brochures regarding the sinkhole mediation process.

The total first year costs are estimated to be $125,808.

Sections 31 and 32. The bill appropriates an unspecified amount from the General Revenue Fund to the Department of Community Affairs for the purposes of the Home Retrofit Hardening Program in Section 2 and for the wind certification and hurricane mitigation inspections specified in Section 3.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

VIII. Summary of Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.