

1 A bill to be entitled

2 An act relating to hurricane preparedness and insurance;
3 providing a short title; amending s. 163.01, F.S.,
4 relating to the Florida Interlocal Cooperation Act;
5 redefining the term "public agency" to include certain
6 legal or administrative entities; authorizing such
7 entities to finance the provision of property coverage
8 contracts for or from local government property insurance
9 pools or property coverage contracts; providing a
10 definition; authorizing certain hospitals to jointly issue
11 bonds to finance windstorm coverages and claims; granting
12 authority to individual hospitals and teaching hospitals
13 to jointly issue bond anticipation notes; authorizing
14 validation of bonds issued to certain hospital entities;
15 specifying that a hospital's immunity caps are not waived
16 through issuance of bonds to pay windstorm coverage or
17 claims; amending s. 215.5595, F.S.; including manufactured
18 housing insurers in the Insurance Capital Build-Up
19 Incentive Program; providing manufactured housing insurer
20 program contribution requirements; providing surplus
21 requirements; prioritizing funding for manufactured
22 housing insurers; providing premium to surplus ratio
23 requirements for certain manufactured housing insurers;
24 amending s. 624.462, F.S.; revising requirements for the
25 establishment of a commercial self-insurance fund by a
26 not-for-profit group; specifying required rules of the
27 commission; amending s. 624.4622, F.S.; authorizing local
28 government self-insurance funds to insure or self-insure

29 | real or personal property against loss or damage; creating
30 | s. 395.106, F.S.; authorizing certain hospitals and
31 | hospital systems to pool and spread windstorm property
32 | exposure risk among members; providing criteria for
33 | participation; providing definitions; subjecting alliances
34 | not in compliance with risk pooling requirements to the
35 | Insurance Code; excluding an alliance meeting provision
36 | requirements from participation in or coverage by an
37 | insurance guaranty association established by ch. 631,
38 | F.S.; creating s. 624.4625, F.S.; authorizing two or more
39 | corporations not for profit to form a self-insurance fund
40 | for certain purposes; providing specific requirements;
41 | providing a definition; providing limitations; providing
42 | for application of certain provisions to certain premiums,
43 | contributions, and assessments; providing for payment of
44 | insurance premium tax at a reduced rate by corporation
45 | not-for-profit self-insurance funds; subjecting a
46 | corporation not for profit self-insurance fund to certain
47 | group self-insurance fund provisions under certain
48 | circumstances; amending s. 624.610, F.S.; prescribing
49 | responsibilities of the Commissioner of Insurance
50 | Regulation relating to allowing credit for reinsurance;
51 | amending s. 627.062, F.S.; delaying the effective date of
52 | certain provisions relating to residential property
53 | insurance rate filings; amending s. 627.351, F.S.;
54 | prohibiting the Property and Casualty Joint Underwriting
55 | Association and Citizens Property Insurance Corporation
56 | from insuring certain properties under certain

57 | circumstances; providing exceptions; requiring that
58 | Citizens' rates must be adequate; rescinding certain rate
59 | filings of the corporation; requiring the corporation to
60 | use certain other rates; requiring the corporation to
61 | refund certain portions of rates; providing for effect of
62 | certain rates; providing for new rate filings; requiring
63 | the Department of Financial Services to review the
64 | corporation's insurance agent commission structure and
65 | make recommendations for commission standards; requiring a
66 | report; creating the Task Force on Citizens Property
67 | Insurance Claims Handling and Resolution; providing for
68 | administration of the task force; providing for
69 | membership; providing for reimbursement of expenses but no
70 | compensation; providing purpose and intent; requiring the
71 | task force to address certain issues; requiring reports
72 | and recommendations; providing additional responsibilities
73 | of the task force; providing for expiration of the task
74 | force; abolishing the existing board of governors of
75 | Citizens Property Insurance Corporation; providing for
76 | appointment of new members; amending s. 631.57, F.S.;
77 | revising criteria and requirements for levy of emergency
78 | assessments by the Florida Insurance Guaranty Association;
79 | revising characterizations of emergency assessments;
80 | providing legislative intent; amending s. 627.706, F.S.;
81 | revising sinkhole insurance provisions to include coverage
82 | for losses due to catastrophic ground cover collapse;
83 | authorizing certain deductibles; revising definitions;
84 | specifying requirements for certain sinkhole insurance

85 disclosures; requiring insurers to offer certain
 86 additional coverage; specifying requirements for
 87 additional coverage; providing an effective date.

88

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

90

91 Section 1. This act may be cited as the "Citizens Reform
 92 and Private Market Restoration Act."

93 Section 2. Paragraph (b) of subsection (3) and paragraph
 94 (e) of subsection (7) of section 163.01, Florida Statutes, are
 95 amended, and paragraph (h) is added to subsection (7) of that
 96 section, to read:

97 163.01 Florida Interlocal Cooperation Act of 1969.--

98 (3) As used in this section:

99 (b) "Public agency" means a political subdivision, agency,
 100 or officer of this state or of any state of the United States,
 101 including, but not limited to, state government, county, city,
 102 school district, single and multipurpose special district,
 103 single and multipurpose public authority, metropolitan or
 104 consolidated government, a separate legal entity or
 105 administrative entity created under subsection (7), an
 106 independently elected county officer, any agency of the United
 107 States Government, a federally recognized Native American tribe,
 108 and any similar entity of any other state of the United States.

109 (7)

110 (e)1. Notwithstanding the provisions of paragraph (c), any
 111 separate legal entity, created pursuant to the provisions of
 112 this section and controlled by counties or municipalities of

113 | this state, the membership of which consists or is to consist
 114 | only of public agencies of this state, may, for the purpose of
 115 | financing the provision or acquisition of liability or property
 116 | coverage contracts for or from one or more local government
 117 | liability or property pools to provide liability or property
 118 | coverage for counties, municipalities, or other public agencies
 119 | of this state, exercise all powers in connection with the
 120 | authorization, issuance, and sale of bonds. All of the
 121 | privileges, benefits, powers, and terms of s. 125.01 relating to
 122 | counties and s. 166.021 relating to municipalities shall be
 123 | fully applicable to such entity and such entity shall be
 124 | considered a unit of local government for all of the privileges,
 125 | benefits, powers, and terms of part I of chapter 159. Bonds
 126 | issued by such entity shall be deemed issued on behalf of
 127 | counties, municipalities, or public agencies which enter into
 128 | loan agreements with such entity as provided in this paragraph.
 129 | Proceeds of bonds issued by such entity may be loaned to
 130 | counties, municipalities, or other public agencies of this
 131 | state, whether or not such counties, municipalities, or other
 132 | public agencies are also members of the entity issuing the
 133 | bonds, and such counties, municipalities, or other public
 134 | agencies may in turn deposit such loan proceeds with a separate
 135 | local government liability or property pool for purposes of
 136 | providing or acquiring liability or property coverage contracts.

137 | 2. Counties or municipalities of this state are authorized
 138 | pursuant to this section, in addition to the authority provided
 139 | by s. 125.01, part II of chapter 166, and other applicable law,
 140 | to issue bonds for the purpose of acquiring liability coverage

141 contracts from a local government liability pool. Any individual
142 county or municipality may, by entering into interlocal
143 agreements with other counties, municipalities, or public
144 agencies of this state, issue bonds on behalf of itself and
145 other counties, municipalities, or other public agencies, for
146 purposes of acquiring a liability coverage contract or contracts
147 from a local government liability pool. Counties,
148 municipalities, or other public agencies are also authorized to
149 enter into loan agreements with any entity created pursuant to
150 subparagraph 1., or with any county or municipality issuing
151 bonds pursuant to this subparagraph, for the purpose of
152 obtaining bond proceeds with which to acquire liability coverage
153 contracts from a local government liability pool. No county,
154 municipality, or other public agency shall at any time have more
155 than one loan agreement outstanding for the purpose of obtaining
156 bond proceeds with which to acquire liability coverage contracts
157 from a local government liability pool. Obligations of any
158 county, municipality, or other public agency of this state
159 pursuant to a loan agreement as described above may be validated
160 as provided in chapter 75. Prior to the issuance of any bonds
161 pursuant to subparagraph 1. or this subparagraph for the purpose
162 of acquiring liability coverage contracts from a local
163 government liability pool, the reciprocal insurer or the manager
164 of any self-insurance program shall demonstrate to the
165 satisfaction of the Office of Insurance Regulation of the
166 Financial Services Commission that excess liability coverage for
167 counties, municipalities, or other public agencies is reasonably
168 unobtainable in the amounts provided by such pool or that the

169 liability coverage obtained through acquiring contracts from a
170 local government liability pool, after taking into account costs
171 of issuance of bonds and any other administrative fees, is less
172 expensive to counties, municipalities, or special districts than
173 similar commercial coverage then reasonably available.

174 3. Any entity created pursuant to this section or any
175 county or municipality may also issue bond anticipation notes,
176 as provided by s. 215.431, in connection with the authorization,
177 issuance, and sale of such bonds. In addition, the governing
178 body of such legal entity or the governing body of such county
179 or municipality may also authorize bonds to be issued and sold
180 from time to time and may delegate, to such officer, official,
181 or agent of such legal entity as the governing body of such
182 legal entity may select, the power to determine the time; manner
183 of sale, public or private; maturities; rate or rates of
184 interest, which may be fixed or may vary at such time or times
185 and in accordance with a specified formula or method of
186 determination; and other terms and conditions as may be deemed
187 appropriate by the officer, official, or agent so designated by
188 the governing body of such legal entity. However, the amounts
189 and maturities of such bonds and the interest rate or rates of
190 such bonds shall be within the limits prescribed by the
191 governing body of such legal entity and its resolution
192 delegating to such officer, official, or agent the power to
193 authorize the issuance and sale of such bonds. Any series of
194 bonds issued pursuant to this paragraph for liability coverage
195 shall mature no later than 7 years following the date of
196 issuance ~~thereof~~. A series of bonds issued pursuant to this

197 paragraph for property coverage shall mature no later than 30
198 years following the date of issuance.

199 4. Bonds issued pursuant to subparagraph 1. may be
200 validated as provided in chapter 75. The complaint in any
201 action to validate such bonds shall be filed only in the Circuit
202 Court for Leon County. The notice required to be published by
203 s. 75.06 shall be published in Leon County and in each county
204 which is an owner of the entity issuing the bonds, or in which a
205 member of the entity is located, and the complaint and order of
206 the circuit court shall be served only on the State Attorney of
207 the Second Judicial Circuit and on the state attorney of each
208 circuit in each county or municipality which is an owner of the
209 entity issuing the bonds or in which a member of the entity is
210 located.

211 5. Bonds issued pursuant to subparagraph 2. may be
212 validated as provided in chapter 75. The complaint in any action
213 to validate such bonds shall be filed in the circuit court of
214 the county or municipality which will issue the bonds. The
215 notice required to be published by s. 75.06 shall be published
216 only in the county where the complaint is filed, and the
217 complaint and order of the circuit court shall be served only on
218 the state attorney of the circuit in the county or municipality
219 which will issue the bonds.

220 6. The participation by any county, municipality, or other
221 public agency of this state in a local government liability pool
222 shall not be deemed a waiver of immunity to the extent of
223 liability coverage, nor shall any contract entered regarding
224 such a local government liability pool be required to contain

225 any provision for waiver.

226 (h)1. Notwithstanding the provisions of paragraph (c), any
227 separate legal entity consisting of an alliance, as defined in
228 s. 395.106(2)(a), created pursuant to this paragraph and
229 controlled by and whose members consist of eligible entities
230 comprised of special districts created pursuant to a special act
231 and having the authority to own or operate one or more hospitals
232 licensed in this state or hospitals licensed in this state that
233 are owned, operated, or funded by a county or municipality, for
234 the purpose of providing property insurance coverage as defined
235 in s. 395.106(2)(c), for such eligible entities, may exercise
236 all powers under this subsection in connection with borrowing
237 funds for such purposes, including, without limitation, the
238 authorization, issuance, and sale of bonds, notes, or other
239 obligations of indebtedness. Borrowed funds, including, but not
240 limited to, bonds issued by such alliance shall be deemed issued
241 on behalf of such eligible entities that enter into loan
242 agreements with such separate legal entity as provided in this
243 paragraph.

244 2. Any such separate legal entity shall have all the
245 powers that are provided by the interlocal agreement under which
246 the entity is created or that are necessary to finance, operate,
247 or manage the alliance's property insurance coverage program.
248 Proceeds of bonds, notes, or other obligations issued by such an
249 entity may be loaned to any one or more eligible entities. Such
250 eligible entities are authorized to enter into loan agreements
251 with any separate legal entity created pursuant to this
252 paragraph for the purpose of obtaining moneys with which to

253 finance property insurance coverage or claims. Obligations of
254 any eligible entity pursuant to a loan agreement as described in
255 this paragraph may be validated as provided in chapter 75.

256 3. Any bonds, notes, or other obligations to be issued or
257 incurred by a separate legal entity created pursuant to this
258 paragraph shall be authorized by resolution of the governing
259 body of such entity and bear the date or dates; mature at the
260 time or times, not exceeding 30 years from their respective
261 dates; bear interest at the rate or rates, which may be fixed or
262 vary at such time or times and in accordance with a specified
263 formula or method of determination; be payable at the time or
264 times; be in the denomination; be in the form; carry the
265 registration privileges; be executed in the manner; be payable
266 from the sources and in the medium of payment and at the place;
267 and be subject to redemption, including redemption prior to
268 maturity, as the resolution may provide. The bonds, notes, or
269 other obligations may be sold at public or private sale for such
270 price as the governing body of the separate legal entity shall
271 determine. The bonds may be secured by such credit enhancement,
272 if any, as the governing body of the separate legal entity deems
273 appropriate. The bonds may be secured by an indenture of trust
274 or trust agreement. In addition, the governing body of the
275 separate legal entity may delegate, to such officer or official
276 of such entity as the governing body may select, the power to
277 determine the time; manner of sale, public or private;
278 maturities; rate or rates of interest, which may be fixed or may
279 vary at such time or times and in accordance with a specified
280 formula or method of determination; and other terms and

281 conditions as may be deemed appropriate by the officer or
 282 official so designated by the governing body of such separate
 283 legal entity. However, the amounts and maturities of such bonds,
 284 the interest rate or rates, and the purchase price of such bonds
 285 shall be within the limits prescribed by the governing body of
 286 such separate legal entity in its resolution delegating to such
 287 officer or official the power to authorize the issuance and sale
 288 of such bonds.

289 4. Bonds issued pursuant to this paragraph may be
 290 validated as provided in chapter 75. The complaint in any action
 291 to validate such bonds shall be filed only in the Circuit Court
 292 for Leon County. The notice required to be published by s. 75.06
 293 shall be published in Leon County and in each county in which an
 294 eligible entity that is a member of an alliance is located. The
 295 complaint and order of the circuit court shall be served only on
 296 the state attorney of the Second Judicial Circuit and on the
 297 state attorney of each circuit in each county in which an
 298 eligible entity receiving bond proceeds is located.

299 5. The accomplishment of the authorized purposes of a
 300 separate legal entity created under this paragraph is deemed in
 301 all respects for the benefit, increase of the commerce and
 302 prosperity, and improvement of the health and living conditions
 303 of the people of this state. Inasmuch as the separate legal
 304 entity performs essential public functions in accomplishing its
 305 purposes, the separate legal entity is not required to pay any
 306 taxes or assessments of any kind upon any property acquired or
 307 used by the entity for such purposes or upon any revenues at any
 308 time received by the entity. The bonds, notes, and other

309 obligations of such separate legal entity, the transfer of and
310 income from such bonds, notes, and other obligations, including
311 any profits made on the sale of such bonds, notes, and other
312 obligations, are at all times free from taxation of any kind of
313 the state or by any political subdivision or other agency or
314 instrumentality if the state. The exemption granted in this
315 paragraph does not apply to any tax imposed by chapter 220 on
316 interest, income, or profits on debt obligations owned by
317 corporations.

318 6. The participation by any eligible entity in an alliance
319 or a separate legal entity created pursuant to this paragraph
320 may not be deemed a waiver of immunity to the extent of
321 liability or any other coverage and a contract entered regarding
322 such alliance is not required to contain any provision for
323 waiver.

324 Section 3. Paragraphs (a), (c), and (g) of subsection (2)
325 of section 215.5595, Florida Statutes, are amended, and
326 paragraph (i) is added to that subsection, to read:

327 215.5595 Insurance Capital Build-Up Incentive Program.--

328 (2) The purpose of this section is to provide surplus
329 notes to new or existing authorized residential property
330 insurers under the Insurance Capital Build-Up Incentive Program
331 administered by the State Board of Administration, under the
332 following conditions:

333 (a) The amount of the surplus note for any insurer or
334 insurer group, other than an insurer writing only manufactured
335 housing policies, may not exceed \$25 million or 20 percent of
336 the total amount of funds available under the program, whichever

337 is greater. The amount of the surplus note for any insurer or
338 insurer group writing residential property insurance covering
339 only manufactured housing may not exceed \$7 million.

340 (c) The insurer's surplus, new capital, and the surplus
341 note must total at least \$50 million, except for insurers
342 writing residential property insurance covering only
343 manufactured housing. The insurer's surplus, new capital, and
344 the surplus note must total at least \$14 million for insurers
345 writing only residential property insurance covering
346 manufactured housing policies as provided in paragraph (a).

347 (g) The total amount of funds available for the program is
348 limited to the amount appropriated by the Legislature for this
349 purpose. If the amount of surplus notes requested by insurers
350 exceeds the amount of funds available, the board may prioritize
351 insurers that are eligible and approved, with priority for
352 funding given to insurers writing only manufactured housing
353 policies, regardless of the date of application, based on the
354 financial strength of the insurer, the viability of its proposed
355 business plan for writing additional residential property
356 insurance in the state, and the effect on competition in the
357 residential property insurance market.

358 (i) Notwithstanding paragraph (d), a newly formed
359 manufactured housing insurer that is eligible for a surplus note
360 under this section shall meet the premium to surplus ratio
361 provisions of s. 624.4095.

362 Section 4. Paragraph (a) of subsection (2) of section
363 624.462, Florida Statutes, is amended to read:

364 624.462 Commercial self-insurance funds.--

365 (2) As used in ss. 624.460-624.488, "commercial self-
 366 insurance fund" or "fund" means a group of members, operating
 367 individually and collectively through a trust or corporation,
 368 that must be:

369 (a) Established by:

370 1. A not-for-profit trade association, industry
 371 association, or professional association of employers or
 372 professionals which has a constitution or bylaws, which is
 373 incorporated under the laws of this state, and which has been
 374 organized for purposes other than that of obtaining or providing
 375 insurance and operated in good faith for a continuous period of
 376 1 year;

377 2. A self-insurance trust fund organized pursuant to s.
 378 627.357 and maintained in good faith for a continuous period of
 379 1 year for purposes other than that of obtaining or providing
 380 insurance pursuant to this section. Each member of a commercial
 381 self-insurance trust fund established pursuant to this
 382 subsection must maintain membership in the self-insurance trust
 383 fund organized pursuant to s. 627.357;

384 3. A group of 10 or more health care providers, as defined
 385 in s. 627.351(4)(h), for purposes of providing medical
 386 malpractice coverage; or

387 4. A not-for-profit group comprised of no fewer ~~less~~ than
 388 10 community condominium associations created and operating
 389 under chapter 718, chapter 719, chapter 720, chapter 721, or
 390 chapter 723 that ~~as defined in s. 718.103(2), which is~~
 391 ~~incorporated under the laws of this state, which~~ restricts its
 392 membership to community condominium associations only, and that

393 ~~which~~ has been organized and maintained in good faith for the
394 purpose of pooling and spreading the liabilities of its group
395 members relating to property or casualty risk ~~a continuous~~
396 ~~period of 1 year for purposes other than that of obtaining or~~
397 ~~providing insurance.~~ However, a not-for-profit group comprised
398 of fewer than 10 community associations may establish a
399 commercial self-insurance fund if the commission has adopted
400 rules:

401 a. Requiring monetary reserves to be maintained by such
402 self-insurers to ensure their financial solvency and governing
403 their organization and operation to ensure compliance with such
404 requirements.

405 b. Implementing the reserve requirements in accordance
406 with accepted actuarial techniques.

407 c. Requiring the office to establish procedures by which
408 notice is acknowledged by applicants for the commercial self-
409 insurance fund, as well as individual property owners, of the
410 assessability of membership in the self-insurance fund and that
411 contributing additional moneys to meet unfilled obligations of
412 the fund may be necessary.

413 d. Prohibiting the office from denying a fund's
414 application solely because of the geographical proximity of the
415 fund's associational membership, provided the fund possesses
416 sufficient financial resources to operate in a fiscally
417 responsible manner.

418 Section 5. Subsection (1) of section 624.4622, Florida
419 Statutes, is amended to read:

420 624.4622 Local government self-insurance funds.--

421 (1) Any two or more local governmental entities may enter
422 into interlocal agreements for the purpose of securing the
423 payment of benefits under chapter 440, or insuring or self-
424 insuring real or personal property of every kind and every
425 interest in such property against loss or damage from any hazard
426 or cause and against any loss consequential to such loss or
427 damage, provided the local government self-insurance fund that
428 is created must:

429 (a) Have annual normal premiums in excess of \$5 million;

430 (b) Maintain a continuing program of excess insurance
431 coverage and reserve evaluation to protect the financial
432 stability of the fund in an amount and manner determined by a
433 qualified and independent actuary;

434 (c) Submit annually an audited fiscal year-end financial
435 statement by an independent certified public accountant within 6
436 months after the end of the fiscal year to the office; and

437 (d) Have a governing body which is comprised entirely of
438 local elected officials.

439 Section 6. Section 395.106, Florida Statutes, is created
440 to read:

441 395.106 Risk pooling by certain hospitals and hospital
442 systems.--

443 (1) Notwithstanding an other provision of law, any two or
444 more hospitals licensed in this state and located in this state
445 may form an alliance for the purpose of pooling and spreading
446 liabilities of its members relative to windstorm property
447 exposure or securing such windstorm property insurance coverage
448 for the benefit of its members, provided an alliance that is

449 created:

450 (a) Has annual premiums in excess of \$3 million.

451 (b) Maintains a continuing program of premium calculation
452 and evaluation and reserve evaluation to protect the financial
453 stability of the alliance in an amount and manner determined by
454 consultants using catastrophic (CAT) modeling criteria or other
455 risk-estimating methodologies, including those used by qualified
456 and independent actuaries.

457 (c) Causes to be prepared annually a fiscal year-end
458 financial statement based upon generally accepted accounting
459 principles and audited by an independent certified public
460 accountant within 6 months after the end of the fiscal year.

461 (d) Has a governing body comprised entirely of member
462 entities whose representatives on such governing body are
463 specified by the organizational documents of the alliance.

464 (2) For purposes of this section, the term:

465 (a) "Alliance" means a corporation, association, limited
466 liability company, or partnership or any other legal entity
467 formed by a group of eligible entities.

468 (b) "Property coverage" means property coverage provided
469 by self-insurance or insurance for real or personal property of
470 every kind and every interest in such property against loss or
471 damage from any hazard or cause and against any loss
472 consequential to such loss or damage.

473 (3) An alliance that meets the requirements of this
474 section is not subject to any provision of the Insurance Code.

475 (4) An alliance that meets the requirements of this
476 section is not an insurer for purposes of participation in or

477 coverage by the Florida Insurance Guaranty Association
 478 established in part II of chapter 631. Alliance self-insured
 479 coverage is not subject to insurance premium tax, and any such
 480 alliance formed pursuant to this section may not be assessed for
 481 purposes of s. 627.351 or s. 215.555.

482 Section 7. Section 624.4625, Florida Statutes, is created
 483 to read:

484 624.4625 Corporation not-for-profit self-insurance
 485 funds.--

486 (1) Notwithstanding any other provision of law, any two or
 487 more corporations not for profit located in and organized under
 488 the laws of this state may form a self-insurance fund for the
 489 purpose of pooling and spreading liabilities of its group
 490 members in any one or combination of property or casualty risk,
 491 provided the corporation not for profit self-insurance fund that
 492 is created:

493 (a) Has annual normal premiums in excess of \$5 million.

494 (b) Requires for qualification that each participating
 495 member receive at least 75 percent of its revenues from local,
 496 state, or federal governmental sources or a combination of such
 497 sources.

498 (c) Uses a qualified actuary to determine rates using
 499 accepted actuarial principles and annually submits to the office
 500 a certification by the actuary that the rates are actuarially
 501 sound and are not inadequate, as defined in s. 627.062.

502 (d) Uses a qualified actuary to establish reserves for
 503 loss and loss adjustment expenses and annually submits to the
 504 office a certification by the actuary that the loss and loss

505 adjustment expense reserves are adequate. If the actuary
506 determines that reserves are not adequate, the fund shall file
507 with the office a remedial plan for increasing the reserves or
508 otherwise addressing the financial condition of the fund,
509 subject to a determination by the office that the fund will
510 operate on an actuarially sound basis and the fund does not pose
511 a significant risk of insolvency.

512 (e) Maintains a continuing program of excess insurance
513 coverage and reserve evaluation to protect the financial
514 stability of the fund in an amount and manner determined by a
515 qualified actuary. At a minimum, this program must:

516 1. Purchase excess insurance from authorized insurance
517 carriers.

518 2. Retain a per-loss occurrence that does not exceed
519 \$350,000.

520 (f) Submits to the office annually an audited fiscal year-
521 end financial statement by an independent certified public
522 accountant within 6 months after the end of the fiscal year.

523 (g) Has a governing body that is comprised entirely of
524 officials from corporations not for profit that are members of
525 the corporation not-for-profit self-insurance fund.

526 (h) Uses knowledgeable persons or business entities to
527 administer or service the fund in the areas of claims
528 administration, claims adjusting, underwriting, risk management,
529 loss control, policy administration, financial audit, and legal
530 areas. Such persons must meet all applicable requirements of law
531 for state licensure and must have at least 5 years' experience
532 with commercial self-insurance funds formed under s. 624.462,

533 self-insurance funds formed under s. 624.4622, or domestic
534 insurers.

535 (i) Submits to the office copies of contracts used for its
536 members that clearly establish the liability of each member for
537 the obligations of the fund.

538 (j) Annually submits to the office a certification by the
539 governing body of the fund that, to the best of its knowledge,
540 the requirements of this section are met.

541 (2) As used in this section, the term "qualified actuary"
542 means an actuary that is a member of the Casualty Actuarial
543 Society or the American Academy of Actuaries.

544 (3) A corporation not-for-profit self-insurance fund that
545 meets the requirements of this section is not:

546 (a) An insurer for purposes of participation in or
547 coverage by any insurance guaranty association established by
548 chapter 631; or

549 (b) Subject to s. 624.4621 and is not required to file any
550 report with the department under s. 440.38(2)(b) that is
551 uniquely required of group self-insurer funds qualified under s.
552 624.4621.

553 (4) Premiums, contributions, and assessments received by a
554 corporation not-for-profit self-insurance fund are subject to
555 ss. 624.509(1) and (2) and 624.5092, except that the tax rate
556 shall be 1.6 percent of the gross amount of such premiums,
557 contributions, and assessments.

558 (5) If any of the requirements of subsection (1) are not
559 met, a corporation not-for-profit self-insurance fund is subject
560 to the requirements of s. 624.4621 if the fund provides only

561 workers' compensation coverage or is subject to the requirements
 562 of ss. 624.460-624.488 if the fund provides coverage for other
 563 property, casualty, or surety risks.

564 Section 8. Subsection (3) of section 624.610, Florida
 565 Statutes, is amended to read:

566 624.610 Reinsurance.--

567 (3)(a) Credit must be allowed when the reinsurance is
 568 ceded to an assuming insurer that is authorized to transact
 569 insurance or reinsurance in this state.

570 (b)1. Credit must be allowed when the reinsurance is ceded
 571 to an assuming insurer that is accredited as a reinsurer in this
 572 state. An accredited reinsurer is one that:

573 a. Files with the office evidence of its submission to
 574 this state's jurisdiction;

575 b. Submits to this state's authority to examine its books
 576 and records;

577 c. Is licensed or authorized to transact insurance or
 578 reinsurance in at least one state or, in the case of a United
 579 States branch of an alien assuming insurer, is entered through,
 580 licensed, or authorized to transact insurance or reinsurance in
 581 at least one state;

582 d. Files annually with the office a copy of its annual
 583 statement filed with the insurance department of its state of
 584 domicile any quarterly statements if required by its state of
 585 domicile or such quarterly statements if specifically requested
 586 by the office, and a copy of its most recent audited financial
 587 statement; and

588 (I) Maintains a surplus as regards policyholders in an

589 amount not less than \$20 million and whose accreditation has not
 590 been denied by the office within 90 days after its submission;
 591 or

592 (II) Maintains a surplus as regards policyholders in an
 593 amount not less than \$20 million and whose accreditation has
 594 been approved by the office.

595 2. The office may deny or revoke an assuming insurer's
 596 accreditation if the assuming insurer does not submit the
 597 required documentation pursuant to subparagraph 1., if the
 598 assuming insurer fails to meet all of the standards required of
 599 an accredited reinsurer, or if the assuming insurer's
 600 accreditation would be hazardous to the policyholders of this
 601 state. In determining whether to deny or revoke accreditation,
 602 the office may consider the qualifications of the assuming
 603 insurer with respect to all the following subjects:

- 604 a. Its financial stability;
- 605 b. The lawfulness and quality of its investments;
- 606 c. The competency, character, and integrity of its
 607 management;
- 608 d. The competency, character, and integrity of persons who
 609 own or have a controlling interest in the assuming insurer; and
- 610 e. Whether claims under its contracts are promptly and
 611 fairly adjusted and are promptly and fairly paid in accordance
 612 with the law and the terms of the contracts.

613 3. Credit must not be allowed a ceding insurer if the
 614 assuming insurer's accreditation has been revoked by the office
 615 after notice and the opportunity for a hearing.

616 4. The actual costs and expenses incurred by the office to

617 review a reinsurer's request for accreditation and subsequent
618 reviews must be charged to and collected from the requesting
619 reinsurer. If the reinsurer fails to pay the actual costs and
620 expenses promptly when due, the office may refuse to accredit
621 the reinsurer or may revoke the reinsurer's accreditation.

622 (c)1. Credit must be allowed when the reinsurance is ceded
623 to an assuming insurer that maintains a trust fund in a
624 qualified United States financial institution, as defined in
625 paragraph (5)(b), for the payment of the valid claims of its
626 United States ceding insurers and their assigns and successors
627 in interest. To enable the office to determine the sufficiency
628 of the trust fund, the assuming insurer shall report annually to
629 the office information substantially the same as that required
630 to be reported on the NAIC Annual Statement form by authorized
631 insurers. The assuming insurer shall submit to examination of
632 its books and records by the office and bear the expense of
633 examination.

634 2.a. Credit for reinsurance must not be granted under this
635 subsection unless the form of the trust and any amendments to
636 the trust have been approved by:

637 (I) The insurance regulator of the state in which the
638 trust is domiciled; or

639 (II) The insurance regulator of another state who,
640 pursuant to the terms of the trust instrument, has accepted
641 principal regulatory oversight of the trust.

642 b. The form of the trust and any trust amendments must be
643 filed with the insurance regulator of every state in which the
644 ceding insurer beneficiaries of the trust are domiciled. The

645 trust instrument must provide that contested claims are valid
646 and enforceable upon the final order of any court of competent
647 jurisdiction in the United States. The trust must vest legal
648 title to its assets in its trustees for the benefit of the
649 assuming insurer's United States ceding insurers and their
650 assigns and successors in interest. The trust and the assuming
651 insurer are subject to examination as determined by the
652 insurance regulator.

653 c. The trust remains in effect for as long as the assuming
654 insurer has outstanding obligations due under the reinsurance
655 agreements subject to the trust. No later than February 28 of
656 each year, the trustee of the trust shall report to the
657 insurance regulator in writing the balance of the trust and list
658 the trust's investments at the preceding year end, and shall
659 certify that the trust will not expire prior to the following
660 December 31.

661 3. The following requirements apply to the following
662 categories of assuming insurer:

663 a. The trust fund for a single assuming insurer consists
664 of funds in trust in an amount not less than the assuming
665 insurer's liabilities attributable to reinsurance ceded by
666 United States ceding insurers, and, in addition, the assuming
667 insurer shall maintain a trusteed surplus of not less than \$20
668 million. Not less than 50 percent of the funds in the trust
669 covering the assuming insurer's liabilities attributable to
670 reinsurance ceded by United States ceding insurers and trusteed
671 surplus shall consist of assets of a quality substantially
672 similar to that required in part II of chapter 625. Clean,

673 irrevocable, unconditional, and evergreen letters of credit,
674 issued or confirmed by a qualified United States financial
675 institution, as defined in paragraph (5) (a), effective no later
676 than December 31 of the year for which the filing is made and in
677 the possession of the trust on or before the filing date of its
678 annual statement, may be used to fund the remainder of the trust
679 and trusteed surplus.

680 b.(I) In the case of a group including incorporated and
681 individual unincorporated underwriters:

682 (A) For reinsurance ceded under reinsurance agreements
683 with an inception, amendment, or renewal date on or after August
684 1, 1995, the trust consists of a trusteed account in an amount
685 not less than the group's several liabilities attributable to
686 business ceded by United States domiciled ceding insurers to any
687 member of the group;

688 (B) For reinsurance ceded under reinsurance agreements
689 with an inception date on or before July 31, 1995, and not
690 amended or renewed after that date, notwithstanding the other
691 provisions of this section, the trust consists of a trusteed
692 account in an amount not less than the group's several insurance
693 and reinsurance liabilities attributable to business written in
694 the United States; and

695 (C) In addition to these trusts, the group shall maintain
696 in trust a trusteed surplus of which \$100 million must be held
697 jointly for the benefit of the United States domiciled ceding
698 insurers of any member of the group for all years of account.

699 (II) The incorporated members of the group must not be
700 engaged in any business other than underwriting of a member of

701 the group, and are subject to the same level of regulation and
702 solvency control by the group's domiciliary regulator as the
703 unincorporated members.

704 (III) Within 90 days after its financial statements are
705 due to be filed with the group's domiciliary regulator, the
706 group shall provide to the insurance regulator an annual
707 certification by the group's domiciliary regulator of the
708 solvency of each underwriter member or, if a certification is
709 unavailable, financial statements, prepared by independent
710 public accountants, of each underwriter member of the group.

711 (d) Credit must be allowed when the reinsurance is ceded
712 to an assuming insurer not meeting the requirements of paragraph
713 (a), paragraph (b), or paragraph (c), but only as to the
714 insurance of risks located in jurisdictions in which the
715 reinsurance is required to be purchased by a particular entity
716 by applicable law or regulation of that jurisdiction.

717 (e) If the reinsurance is ceded to an assuming insurer not
718 meeting the requirements of paragraph (a), paragraph (b),
719 paragraph (c), or paragraph (d), the commissioner may allow
720 credit, but only if the assuming insurer holds surplus in excess
721 of \$100 million and has a secure financial strength rating from
722 at least two nationally recognized statistical rating
723 organizations deemed acceptable by the commissioner. In
724 determining whether credit should be allowed, the commissioner
725 shall consider the following:

726 1. The domiciliary regulatory jurisdiction of the assuming
727 insurer.

728 2. The structure and authority of the domiciliary

729 regulator with regard to solvency regulation requirements and
730 the financial surveillance of the reinsurer.

731 3. The substance of financial and operating standards for
732 reinsurers in the domiciliary jurisdiction.

733 4. The form and substance of financial reports required to
734 be filed by the reinsurers in the domiciliary jurisdiction or
735 other public financial statements filed in accordance with
736 generally accepted accounting principles.

737 5. The domiciliary regulator's willingness to cooperate
738 with United States regulators in general and the office in
739 particular.

740 6. The history of performance by reinsurers in the
741 domiciliary jurisdiction.

742 7. Any documented evidence of substantial problems with
743 the enforcement of valid United States judgments in the
744 domiciliary jurisdiction.

745 8. Any other matters deemed relevant by the commissioner.
746 The commissioner shall give appropriate consideration to insurer
747 group ratings that may have been issued. The commissioner may,
748 in lieu of granting full credit under this subsection, reduce
749 the amount required to be held in trust under paragraph (c).

750 (f)-(e) If the assuming insurer is not authorized or
751 accredited to transact insurance or reinsurance in this state
752 pursuant to paragraph (a) or paragraph (b), the credit permitted
753 by paragraph (c) or paragraph (d) must not be allowed unless the
754 assuming insurer agrees in the reinsurance agreements:

755 1.a. That in the event of the failure of the assuming
756 insurer to perform its obligations under the terms of the

757 reinsurance agreement, the assuming insurer, at the request of
758 the ceding insurer, shall submit to the jurisdiction of any
759 court of competent jurisdiction in any state of the United
760 States, will comply with all requirements necessary to give the
761 court jurisdiction, and will abide by the final decision of the
762 court or of any appellate court in the event of an appeal; and

763 b. To designate the Chief Financial Officer, pursuant to
764 s. 48.151, or a designated attorney as its true and lawful
765 attorney upon whom may be served any lawful process in any
766 action, suit, or proceeding instituted by or on behalf of the
767 ceding company.

768 2. This paragraph is not intended to conflict with or
769 override the obligation of the parties to a reinsurance
770 agreement to arbitrate their disputes, if this obligation is
771 created in the agreement.

772 (g)~~(f)~~ If the assuming insurer does not meet the
773 requirements of paragraph (a) or paragraph (b), the credit
774 permitted by paragraph (c) or paragraph (d) is not allowed
775 unless the assuming insurer agrees in the trust agreements, in
776 substance, to the following conditions:

777 1. Notwithstanding any other provisions in the trust
778 instrument, if the trust fund is inadequate because it contains
779 an amount less than the amount required by paragraph (c), or if
780 the grantor of the trust has been declared insolvent or placed
781 into receivership, rehabilitation, liquidation, or similar
782 proceedings under the laws of its state or country of domicile,
783 the trustee shall comply with an order of the insurance
784 regulator with regulatory oversight over the trust or with an

785 order of a United States court of competent jurisdiction
 786 directing the trustee to transfer to the insurance regulator
 787 with regulatory oversight all of the assets of the trust fund.

788 2. The assets must be distributed by and claims must be
 789 filed with and valued by the insurance regulator with regulatory
 790 oversight in accordance with the laws of the state in which the
 791 trust is domiciled which are applicable to the liquidation of
 792 domestic insurance companies.

793 3. If the insurance regulator with regulatory oversight
 794 determines that the assets of the trust fund or any part thereof
 795 are not necessary to satisfy the claims of the United States
 796 ceding insurers of the grantor of the trust, the assets or part
 797 thereof must be returned by the insurance regulator with
 798 regulatory oversight to the trustee for distribution in
 799 accordance with the trust agreement.

800 4. The grantor shall waive any right otherwise available
 801 to it under United States law which is inconsistent with this
 802 provision.

803 Section 9. Paragraph (j) of subsection (2) of section
 804 627.062, Florida Statutes, is amended to read:

805 627.062 Rate standards.--

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

807 (j) Effective July 1, 2009 ~~2007~~, notwithstanding any other
 808 provision of this section:

809 1. With respect to any residential property insurance
 810 subject to regulation under this section for any area for which
 811 the office determines a reasonable degree of competition exists,
 812 a rate filing, including, but not limited to, any rate changes,

813 rating factors, territories, classification, discounts, and
814 credits, with respect to any policy form, including endorsements
815 issued with the form, that results in an overall average
816 statewide premium increase or decrease of no more than 5 percent
817 above or below the premium that would result from the insurer's
818 rates then in effect shall not be subject to a determination by
819 the office that the rate is excessive or unfairly discriminatory
820 except as provided in subparagraph 3., or any other provision of
821 law, provided all changes specified in the filing do not result
822 in an overall premium increase of more than 10 percent for any
823 one territory, for reasons related solely to the rate change. As
824 used in this subparagraph, the term "insurer's rates then in
825 effect" includes only rates that have been lawfully in effect
826 under this section or rates that have been determined to be
827 lawful through administrative proceedings or judicial
828 proceedings.

829 2. An insurer may not make filings under this paragraph
830 with respect to any policy form, including endorsements issued
831 with the form, if the overall premium changes resulting from
832 such filings exceed the amounts specified in this paragraph in
833 any 12-month period. An insurer may proceed under other
834 provisions of this section or other provisions of law if the
835 insurer seeks to exceed the premium or rate limitations of this
836 paragraph.

837 3. This paragraph does not affect the authority of the
838 office to disapprove a rate as inadequate or to disapprove a
839 filing for the unlawful use of unfairly discriminatory rating
840 factors that are prohibited by the laws of this state. An

841 insurer electing to implement a rate change under this paragraph
842 shall submit a filing to the office at least 40 days prior to
843 the effective date of the rate change. The office shall have 30
844 days after the filing's submission to review the filing and
845 determine if the rate is inadequate or uses unfairly
846 discriminatory rating factors. Absent a finding by the office
847 within such 30-day period that the rate is inadequate or that
848 the insurer has used unfairly discriminatory rating factors, the
849 filing is deemed approved. If the office finds during the 30-day
850 period that the filing will result in inadequate premiums or
851 otherwise endanger the insurer's solvency, the office shall
852 suspend the rate decrease. If the insurer is implementing an
853 overall rate increase, the results of which continue to produce
854 an inadequate rate, such increase shall proceed pending
855 additional action by the office to ensure the adequacy of the
856 rate.

857 4. This paragraph does not apply to rate filings for any
858 insurance other than residential property insurance.

859

860 The provisions of this subsection shall not apply to workers'
861 compensation and employer's liability insurance and to motor
862 vehicle insurance.

863 Section 10. Paragraph (a) of subsection (5) and subsection
864 (6) of section 627.351, Florida Statutes, are amended to read:

865 627.351 Insurance risk apportionment plans.--

866 (5) PROPERTY AND CASUALTY INSURANCE RISK

867 APPORTIONMENT.--The commission shall adopt by rule a joint
868 underwriting plan to equitably apportion among insurers

869 authorized in this state to write property insurance as defined
870 in s. 624.604 or casualty insurance as defined in s. 624.605,
871 the underwriting of one or more classes of property insurance or
872 casualty insurance, except for the types of insurance that are
873 included within property insurance or casualty insurance for
874 which an equitable apportionment plan, assigned risk plan, or
875 joint underwriting plan is authorized under s. 627.311 or
876 subsection (1), subsection (2), subsection (3), subsection (4),
877 or subsection (5) and except for risks eligible for flood
878 insurance written through the federal flood insurance program to
879 persons with risks eligible under subparagraph (a)1. and who are
880 in good faith entitled to, but are unable to, obtain such
881 property or casualty insurance coverage, including excess
882 coverage, through the voluntary market. For purposes of this
883 subsection, an adequate level of coverage means that coverage
884 which is required by state law or by responsible or prudent
885 business practices. The Joint Underwriting Association shall not
886 be required to provide coverage for any type of risk for which
887 there are no insurers providing similar coverage in this state.
888 The office may designate one or more participating insurers who
889 agree to provide policyholder and claims service, including the
890 issuance of policies, on behalf of the participating insurers.

891 (a) The plan shall provide:

892 1. A means of establishing eligibility of a risk for
893 obtaining insurance through the plan, which provides that:

894 a. A risk shall be eligible for such property insurance or
895 casualty insurance as is required by Florida law if the
896 insurance is unavailable in the voluntary market, including the

897 market assistance program and the surplus lines market.

898 b. A commercial risk not eligible under sub-subparagraph

899 a. shall be eligible for property or casualty insurance if:

900 (I) The insurance is unavailable in the voluntary market,
 901 including the market assistance plan and the surplus lines
 902 market;

903 (II) Failure to secure the insurance would substantially
 904 impair the ability of the entity to conduct its affairs; and

905 (III) The risk is not determined by the Risk Underwriting
 906 Committee to be uninsurable.

907 c. In the event the Federal Government terminates the
 908 Federal Crime Insurance Program established under 44 C.F.R. ss.
 909 80-83, Florida commercial and residential risks previously
 910 insured under the federal program shall be eligible under the
 911 plan.

912 d.(I) In the event a risk is eligible under this paragraph
 913 and in the event the market assistance plan receives a minimum
 914 of 100 applications for coverage within a 3-month period, or 200
 915 applications for coverage within a 1-year period or less, for a
 916 given class of risk contained in the classification system
 917 defined in the plan of operation of the Joint Underwriting
 918 Association, and unless the market assistance plan provides a
 919 quotation for at least 80 percent of such applicants, such
 920 classification shall immediately be eligible for coverage in the
 921 Joint Underwriting Association.

922 (II) Any market assistance plan application which is
 923 rejected because an individual risk is so hazardous as to be
 924 practically uninsurable, considering whether the likelihood of a

925 loss for such a risk is substantially higher than for other
926 risks of the same class due to individual risk characteristics,
927 prior loss experience, unwillingness to cooperate with a prior
928 insurer, physical characteristics and physical location shall
929 not be included in the minimum percentage calculation provided
930 above. In the event that there is any legal or administrative
931 challenge to a determination by the office that the conditions
932 of this subparagraph have been met for eligibility for coverage
933 in the Joint Underwriting Association for a given
934 classification, any eligible risk may obtain coverage during the
935 pendency of any such challenge.

936 e. In order to qualify as a quotation for the purpose of
937 meeting the minimum percentage calculation in this subparagraph,
938 the quoted premium must meet the following criteria:

939 (I) In the case of an admitted carrier, the quoted premium
940 must not exceed the premium available for a given classification
941 currently in use by the Joint Underwriting Association or the
942 premium developed by using the rates and rating plans on file
943 with the office by the quoting insurer, whichever is greater.

944 (II) In the case of an authorized surplus lines insurer,
945 the quoted premium must not exceed the premium available for a
946 given classification currently in use by the Joint Underwriting
947 Association by more than 25 percent, after consideration of any
948 individual risk surcharge or credit.

949 f. Any agent who falsely certifies the unavailability of
950 coverage as provided by sub-subparagraphs a. and b., is subject
951 to the penalties provided in s. 626.611.

952 g. For properties constructed on or after January 1, 2009,

953 the association shall not insure any property located within 500
954 feet seaward or landward of the coastal construction control
955 line created pursuant to s. 161.053 and shall not insure any
956 property located over 500 to 2,500 feet landward of the coastal
957 construction control line unless the property meets the
958 requirements of the code-plus building standards developed by
959 the Florida Building Commission or the standards contained in
960 the Miami-Dade Building Code pending the adoption of code-plus
961 standards by the commission. However, this sub-subparagraph
962 shall not apply to properties for which a building permit has
963 been issued prior to January 1, 2009.

964 2. A means for the equitable apportionment of profits or
965 losses and expenses among participating insurers.

966 3. Rules for the classification of risks and rates which
967 reflect the past and prospective loss experience.

968 4. A rating plan which reasonably reflects the prior
969 claims experience of the insureds. Such rating plan shall
970 include at least two levels of rates for risks that have
971 favorable loss experience and risks that have unfavorable loss
972 experience, as established by the plan.

973 5. Reasonable limits to available amounts of insurance.
974 Such limits may not be less than the amounts of insurance
975 required of eligible risks by Florida law.

976 6. Risk management requirements for insurance where such
977 requirements are reasonable and are expected to reduce losses.

978 7. Deductibles as may be necessary to meet the needs of
979 insureds.

980 8. Policy forms which are consistent with the forms in use

981 by the majority of the insurers providing coverage in the
982 voluntary market for the coverage requested by the applicant.

983 9. A means to remove risks from the plan once such risks
984 no longer meet the eligibility requirements of this paragraph.
985 For this purpose, the plan shall include the following
986 requirements: At each 6-month interval after the activation of
987 any class of insureds, the board of governors or its designated
988 committee shall review the number of applications to the market
989 assistance plan for that class. If, based on these latest
990 numbers, at least 90 percent of such applications have been
991 provided a quotation, the Joint Underwriting Association shall
992 cease underwriting new applications for such class within 30
993 days, and notification of this decision shall be sent to the
994 office, the major agents' associations, and the board of
995 directors of the market assistance plan. A quotation for the
996 purpose of this subparagraph shall meet the same criteria for a
997 quotation as provided in sub-subparagraph 1.e. All policies
998 which were previously written for that class shall continue in
999 force until their normal expiration date, at which time, subject
1000 to the required timely notification of nonrenewal by the Joint
1001 Underwriting Association, the insured may then elect to reapply
1002 to the Joint Underwriting Association according to the
1003 requirements of eligibility. If, upon reapplication, those
1004 previously insured Joint Underwriting Association risks meet the
1005 eligibility requirements, the Joint Underwriting Association
1006 shall provide the coverage requested.

1007 10. A means for providing credits to insurers against any
1008 deficit assessment levied pursuant to paragraph (c), for risks

1009 voluntarily written through the market assistance plan by such
 1010 insurers.

1011 11. That the Joint Underwriting Association shall operate
 1012 subject to the supervision and approval of a board of governors
 1013 consisting of 13 individuals appointed by the Chief Financial
 1014 Officer, and shall have an executive or underwriting committee.
 1015 At least four of the members shall be representatives of
 1016 insurance trade associations as follows: one member from the
 1017 American Insurance Association, one member from the Alliance of
 1018 American Insurers, one member from the National Association of
 1019 Independent Insurers, and one member from an unaffiliated
 1020 insurer writing coverage on a national basis. Two
 1021 representatives shall be from two of the statewide agents'
 1022 associations. Each board member shall be appointed to serve for
 1023 2-year terms beginning on a date designated by the plan and
 1024 shall serve at the pleasure of the Chief Financial Officer.
 1025 Members may be reappointed for subsequent terms.

1026 (6) CITIZENS PROPERTY INSURANCE CORPORATION.--

1027 (a)1. The Legislature finds that actual and threatened
 1028 catastrophic losses to property in this state from hurricanes
 1029 have caused insurers to be unwilling or unable to provide
 1030 property insurance coverage to the extent sought and needed. It
 1031 is in the public interest and a public purpose to assist in
 1032 assuring that property in the state is insured so as to
 1033 facilitate the remediation, reconstruction, and replacement of
 1034 damaged or destroyed property in order to reduce or avoid the
 1035 negative effects otherwise resulting to the public health,
 1036 safety, and welfare; to the economy of the state; and to the

1037 revenues of the state and local governments needed to provide
1038 for the public welfare. It is necessary, therefore, to provide
1039 property insurance to applicants who are in good faith entitled
1040 to procure insurance through the voluntary market but are unable
1041 to do so. The Legislature intends by this subsection that
1042 property insurance be provided and that it continues, as long as
1043 necessary, through an entity organized to achieve efficiencies
1044 and economies, while providing service to policyholders,
1045 applicants, and agents that is no less than the quality
1046 generally provided in the voluntary market, all toward the
1047 achievement of the foregoing public purposes. Because it is
1048 essential for the corporation to have the maximum financial
1049 resources to pay claims following a catastrophic hurricane, it
1050 is the intent of the Legislature that the income of the
1051 corporation be exempt from federal income taxation and that
1052 interest on the debt obligations issued by the corporation be
1053 exempt from federal income taxation.

1054 2. The Residential Property and Casualty Joint
1055 Underwriting Association originally created by this statute
1056 shall be known, as of July 1, 2002, as the Citizens Property
1057 Insurance Corporation. The corporation shall provide insurance
1058 for residential ~~and commercial~~ property, for applicants who are
1059 in good faith entitled, but are unable, to procure insurance
1060 through the voluntary market. The corporation shall operate
1061 pursuant to a plan of operation approved by order of the
1062 Financial Services Commission. The plan is subject to continuous
1063 review by the commission. The commission may, by order, withdraw
1064 approval of all or part of a plan if the commission determines

1065 that conditions have changed since approval was granted and that
 1066 the purposes of the plan require changes in the plan. The
 1067 corporation shall continue to operate pursuant to the plan of
 1068 operation approved by the Office of Insurance Regulation until
 1069 October 1, 2006. For the purposes of this subsection,
 1070 residential coverage includes both personal lines residential
 1071 coverage, which consists of the type of coverage provided by
 1072 homeowner's, mobile home owner's, dwelling, tenant's,
 1073 condominium unit owner's, and similar policies, and commercial
 1074 lines residential coverage, which consists of the type of
 1075 coverage provided by condominium association, apartment
 1076 building, and similar policies.

1077 3. For the purposes of this subsection, the term
 1078 "homestead property" means:

1079 a. Property that has been granted a homestead exemption
 1080 under chapter 196;

1081 b. Property for which the owner has a current, written
 1082 lease with a renter for a term of at least 7 months and for
 1083 which the dwelling is insured by the corporation for \$200,000 or
 1084 less;

1085 c. An owner-occupied mobile home or manufactured home, as
 1086 defined in s. 320.01, which is permanently affixed to real
 1087 property, is owned by a Florida resident, and has been granted a
 1088 homestead exemption under chapter 196 or, if the owner does not
 1089 own the real property, the owner certifies that the mobile home
 1090 or manufactured home is his or her principal place of residence.

1091 d. Tenant's coverage;

1092 e. Commercial lines residential property; or

1093 f. Any county, district, or municipal hospital; a hospital
1094 licensed by any not-for-profit corporation qualified under s.
1095 501(c)(3) of the United States Internal Revenue Code; or a
1096 continuing care retirement community that is certified under
1097 chapter 651 and that receives an exemption from ad valorem taxes
1098 under chapter 196.

1099 4. For the purposes of this subsection, the term
1100 "nonhomestead property" means property that is not homestead
1101 property.

1102 5. Effective July 1, 2008, a personal lines residential
1103 structure that has a dwelling replacement cost of \$1 million or
1104 more, or a single condominium unit that has a combined dwelling
1105 and content replacement cost of \$1 million or more is not
1106 eligible for coverage by the corporation. Such dwellings insured
1107 by the corporation on June 30, 2008, may continue to be covered
1108 by the corporation until the end of the policy term. However,
1109 such dwellings that are insured by the corporation and become
1110 ineligible for coverage due to the provisions of this
1111 subparagraph may reapply and obtain coverage in the high-risk
1112 account and be considered "nonhomestead property" if the
1113 property owner provides the corporation with a sworn affidavit
1114 from one or more insurance agents, on a form provided by the
1115 corporation, stating that the agents have made their best
1116 efforts to obtain coverage and that the property has been
1117 rejected for coverage by at least one authorized insurer and at
1118 least three surplus lines insurers. If such conditions are met,
1119 the dwelling may be insured by the corporation for up to 3
1120 years, after which time the dwelling is ineligible for coverage.

1121 The office shall approve the method used by the corporation for
1122 valuing the dwelling replacement cost for the purposes of this
1123 subparagraph. If a policyholder is insured by the corporation
1124 prior to being determined to be ineligible pursuant to this
1125 subparagraph and such policyholder files a lawsuit challenging
1126 the determination, the policyholder may remain insured by the
1127 corporation until the conclusion of the litigation.

1128 6. Effective March 1, 2007, nonhomestead property is not
1129 eligible for coverage by the corporation and is not eligible for
1130 renewal of such coverage unless the property owner provides the
1131 corporation with a sworn affidavit from one or more insurance
1132 agents, on a form provided by the corporation, stating that the
1133 agents have made their best efforts to obtain coverage and that
1134 the property has been rejected for coverage by at least one
1135 authorized insurer and at least three surplus lines insurers.

1136 7. For properties constructed on or after January 1, 2009,
1137 the corporation shall not insure any property located within 500
1138 feet seaward or landward of the coastal construction control
1139 line created pursuant to s.161.053 and shall not insure any
1140 property located over 500 to 2,500 feet landward of the coastal
1141 construction control line unless the property meets the
1142 requirements of the code-plus building standards developed by
1143 the Florida Building Commission or the standards contained in
1144 the Miami-Dade Building Code pending the adoption of code-plus
1145 standards by the commission. However, this subparagraph shall
1146 not apply to properties for which a building permit has been
1147 issued prior to January 1, 2009.

1148 ~~8.7-~~ It is the intent of the Legislature that
1149 policyholders, applicants, and agents of the corporation receive
1150 service and treatment of the highest possible level but never
1151 less than that generally provided in the voluntary market. It
1152 also is intended that the corporation be held to service
1153 standards no less than those applied to insurers in the
1154 voluntary market by the office with respect to responsiveness,
1155 timeliness, customer courtesy, and overall dealings with
1156 policyholders, applicants, or agents of the corporation.

1157 (b)1. All insurers authorized to write one or more subject
1158 lines of business in this state are subject to assessment by the
1159 corporation and, for the purposes of this subsection, are
1160 referred to collectively as "assessable insurers." Insurers
1161 writing one or more subject lines of business in this state
1162 pursuant to part VIII of chapter 626 are not assessable
1163 insurers, but insureds who procure one or more subject lines of
1164 business in this state pursuant to part VIII of chapter 626 are
1165 subject to assessment by the corporation and are referred to
1166 collectively as "assessable insureds." An authorized insurer's
1167 assessment liability shall begin on the first day of the
1168 calendar year following the year in which the insurer was issued
1169 a certificate of authority to transact insurance for subject
1170 lines of business in this state and shall terminate 1 year after
1171 the end of the first calendar year during which the insurer no
1172 longer holds a certificate of authority to transact insurance
1173 for subject lines of business in this state.

1174 2.a. All revenues, assets, liabilities, losses, and
 1175 expenses of the corporation shall be divided into three separate
 1176 accounts as follows:

1177 (I) A personal lines account for personal residential
 1178 policies issued by the corporation or issued by the Residential
 1179 Property and Casualty Joint Underwriting Association and renewed
 1180 by the corporation that provide comprehensive, multiperil
 1181 coverage on risks that are not located in areas eligible for
 1182 coverage in the Florida Windstorm Underwriting Association as
 1183 those areas were defined on January 1, 2002, and for such
 1184 policies that do not provide coverage for the peril of wind on
 1185 risks that are located in such areas;

1186 (II) A commercial lines account for commercial residential
 1187 policies issued by the corporation or issued by the Residential
 1188 Property and Casualty Joint Underwriting Association and renewed
 1189 by the corporation that provide coverage for basic property
 1190 perils on risks that are not located in areas eligible for
 1191 coverage in the Florida Windstorm Underwriting Association as
 1192 those areas were defined on January 1, 2002, and for such
 1193 policies that do not provide coverage for the peril of wind on
 1194 risks that are located in such areas; and

1195 (III) A high-risk account for personal residential
 1196 policies and commercial residential ~~and commercial~~
 1197 ~~nonresidential~~ property policies issued by the corporation or
 1198 transferred to the corporation that provide coverage for the
 1199 peril of wind on risks that are located in areas eligible for
 1200 coverage in the Florida Windstorm Underwriting Association as
 1201 those areas were defined on January 1, 2002. The high-risk

1202 account must also include quota share primary insurance under
1203 subparagraph (c)2. The area eligible for coverage under the
1204 high-risk account also includes the area within Port Canaveral,
1205 which is bordered on the south by the City of Cape Canaveral,
1206 bordered on the west by the Banana River, and bordered on the
1207 north by Federal Government property. The office may remove
1208 territory from the area eligible for wind-only and quota share
1209 coverage if, after a public hearing, the office finds that
1210 authorized insurers in the voluntary market are willing and able
1211 to write sufficient amounts of personal and commercial
1212 residential coverage for all perils in the territory, including
1213 coverage for the peril of wind, such that risks covered by wind-
1214 only policies in the removed territory could be issued a policy
1215 by the corporation in either the personal lines or commercial
1216 lines account without a significant increase in the
1217 corporation's probable maximum loss in such account. Removal of
1218 territory from the area eligible for wind-only or quota share
1219 coverage does not alter the assignment of wind coverage written
1220 in such areas to the high-risk account.

1221 b. The three separate accounts must be maintained as long
1222 as financing obligations entered into by the Florida Windstorm
1223 Underwriting Association or Residential Property and Casualty
1224 Joint Underwriting Association are outstanding, in accordance
1225 with the terms of the corresponding financing documents. When
1226 the financing obligations are no longer outstanding, in
1227 accordance with the terms of the corresponding financing
1228 documents, the corporation may use a single account for all
1229 revenues, assets, liabilities, losses, and expenses of the

1230 corporation. Consistent with the requirement of this
1231 subparagraph and prudent investment policies that minimize the
1232 cost of carrying debt, the board shall exercise its best efforts
1233 to retire existing debt or to obtain approval of necessary
1234 parties to amend the terms of existing debt, so as to structure
1235 the most efficient plan to consolidate the three separate
1236 accounts into a single account. By February 1, 2007, the board
1237 shall submit a report to the Financial Services Commission, the
1238 President of the Senate, and the Speaker of the House of
1239 Representatives which includes an analysis of consolidating the
1240 accounts, the actions the board has taken to minimize the cost
1241 of carrying debt, and its recommendations for executing the most
1242 efficient plan.

1243 c. Creditors of the Residential Property and Casualty
1244 Joint Underwriting Association shall have a claim against, and
1245 recourse to, the accounts referred to in sub-sub-subparagraphs
1246 a.(I) and (II) and shall have no claim against, or recourse to,
1247 the account referred to in sub-sub-subparagraph a.(III).
1248 Creditors of the Florida Windstorm Underwriting Association
1249 shall have a claim against, and recourse to, the account
1250 referred to in sub-sub-subparagraph a.(III) and shall have no
1251 claim against, or recourse to, the accounts referred to in sub-
1252 sub-subparagraphs a.(I) and (II).

1253 d. Revenues, assets, liabilities, losses, and expenses not
1254 attributable to particular accounts shall be prorated among the
1255 accounts.

1256 e. The Legislature finds that the revenues of the
1257 corporation are revenues that are necessary to meet the

1258 requirements set forth in documents authorizing the issuance of
1259 bonds under this subsection.

1260 f. No part of the income of the corporation may inure to
1261 the benefit of any private person.

1262 3. With respect to a deficit in an account:

1263 a. When the deficit incurred in a particular calendar year
1264 is not greater than 10 percent of the aggregate statewide direct
1265 written premium for the subject lines of business for the prior
1266 calendar year, the entire deficit shall be recovered through
1267 regular assessments of assessable insurers under paragraph (p)
1268 and assessable insureds.

1269 b. When the deficit incurred in a particular calendar year
1270 exceeds 10 percent of the aggregate statewide direct written
1271 premium for the subject lines of business for the prior calendar
1272 year, the corporation shall levy regular assessments on
1273 assessable insurers under paragraph (p) and on assessable
1274 insureds in an amount equal to the greater of 10 percent of the
1275 deficit or 10 percent of the aggregate statewide direct written
1276 premium for the subject lines of business for the prior calendar
1277 year. Any remaining deficit shall be recovered through emergency
1278 assessments under sub-subparagraph d.

1279 c. Each assessable insurer's share of the amount being
1280 assessed under sub-subparagraph a. or sub-subparagraph b. shall
1281 be in the proportion that the assessable insurer's direct
1282 written premium for the subject lines of business for the year
1283 preceding the assessment bears to the aggregate statewide direct
1284 written premium for the subject lines of business for that year.
1285 The assessment percentage applicable to each assessable insured

1286 is the ratio of the amount being assessed under sub-subparagraph
 1287 a. or sub-subparagraph b. to the aggregate statewide direct
 1288 written premium for the subject lines of business for the prior
 1289 year. Assessments levied by the corporation on assessable
 1290 insurers under sub-subparagraphs a. and b. shall be paid as
 1291 required by the corporation's plan of operation and paragraph
 1292 (p). Notwithstanding any other provision of this subsection, the
 1293 aggregate amount of a regular assessment for a deficit incurred
 1294 in a particular calendar year shall be reduced by the estimated
 1295 amount to be received by the corporation from the Citizens
 1296 policyholder surcharge under subparagraph (c)11. and the amount
 1297 collected or estimated to be collected from the assessment on
 1298 Citizens policyholders pursuant to sub-subparagraph i.
 1299 Assessments levied by the corporation on assessable insureds
 1300 under sub-subparagraphs a. and b. shall be collected by the
 1301 surplus lines agent at the time the surplus lines agent collects
 1302 the surplus lines tax required by s. 626.932 and shall be paid
 1303 to the Florida Surplus Lines Service Office at the time the
 1304 surplus lines agent pays the surplus lines tax to the Florida
 1305 Surplus Lines Service Office. Upon receipt of regular
 1306 assessments from surplus lines agents, the Florida Surplus Lines
 1307 Service Office shall transfer the assessments directly to the
 1308 corporation as determined by the corporation.

1309 d. Upon a determination by the board of governors that a
 1310 deficit in an account exceeds the amount that will be recovered
 1311 through regular assessments under sub-subparagraph a. or sub-
 1312 subparagraph b., the board shall levy, after verification by the
 1313 office, emergency assessments, for as many years as necessary to

1314 cover the deficits, to be collected by assessable insurers and
1315 the corporation and collected from assessable insureds upon
1316 issuance or renewal of policies for subject lines of business,
1317 excluding National Flood Insurance policies. The amount of the
1318 emergency assessment collected in a particular year shall be a
1319 uniform percentage of that year's direct written premium for
1320 subject lines of business and all accounts of the corporation,
1321 excluding National Flood Insurance Program policy premiums, as
1322 annually determined by the board and verified by the office. The
1323 office shall verify the arithmetic calculations involved in the
1324 board's determination within 30 days after receipt of the
1325 information on which the determination was based.

1326 Notwithstanding any other provision of law, the corporation and
1327 each assessable insurer that writes subject lines of business
1328 shall collect emergency assessments from its policyholders
1329 without such obligation being affected by any credit,
1330 limitation, exemption, or deferment. Emergency assessments
1331 levied by the corporation on assessable insureds shall be
1332 collected by the surplus lines agent at the time the surplus
1333 lines agent collects the surplus lines tax required by s.
1334 626.932 and shall be paid to the Florida Surplus Lines Service
1335 Office at the time the surplus lines agent pays the surplus
1336 lines tax to the Florida Surplus Lines Service Office. The
1337 emergency assessments so collected shall be transferred directly
1338 to the corporation on a periodic basis as determined by the
1339 corporation and shall be held by the corporation solely in the
1340 applicable account. The aggregate amount of emergency
1341 assessments levied for an account under this sub-subparagraph in

1342 any calendar year may not exceed the greater of 10 percent of
1343 the amount needed to cover the original deficit, plus interest,
1344 fees, commissions, required reserves, and other costs associated
1345 with financing of the original deficit, or 10 percent of the
1346 aggregate statewide direct written premium for subject lines of
1347 business and for all accounts of the corporation for the prior
1348 year, plus interest, fees, commissions, required reserves, and
1349 other costs associated with financing the original deficit.

1350 e. The corporation may pledge the proceeds of assessments,
1351 projected recoveries from the Florida Hurricane Catastrophe
1352 Fund, other insurance and reinsurance recoverables, policyholder
1353 surcharges and other surcharges, and other funds available to
1354 the corporation as the source of revenue for and to secure bonds
1355 issued under paragraph (p), bonds or other indebtedness issued
1356 under subparagraph (c)3., or lines of credit or other financing
1357 mechanisms issued or created under this subsection, or to retire
1358 any other debt incurred as a result of deficits or events giving
1359 rise to deficits, or in any other way that the board determines
1360 will efficiently recover such deficits. The purpose of the lines
1361 of credit or other financing mechanisms is to provide additional
1362 resources to assist the corporation in covering claims and
1363 expenses attributable to a catastrophe. As used in this
1364 subsection, the term "assessments" includes regular assessments
1365 under sub-subparagraph a., sub-subparagraph b., or subparagraph
1366 (p)1. and emergency assessments under sub-subparagraph d.
1367 Emergency assessments collected under sub-subparagraph d. are
1368 not part of an insurer's rates, are not premium, and are not
1369 subject to premium tax, fees, or commissions; however, failure

1370 to pay the emergency assessment shall be treated as failure to
1371 pay premium. The emergency assessments under sub-subparagraph d.
1372 shall continue as long as any bonds issued or other indebtedness
1373 incurred with respect to a deficit for which the assessment was
1374 imposed remain outstanding, unless adequate provision has been
1375 made for the payment of such bonds or other indebtedness
1376 pursuant to the documents governing such bonds or other
1377 indebtedness.

1378 f. As used in this subsection, the term "subject lines of
1379 business" means insurance written by assessable insurers or
1380 procured by assessable insureds on real or personal property, as
1381 defined in s. 624.604, including insurance for fire, industrial
1382 fire, allied lines, farmowners multiperil, homeowners
1383 multiperil, commercial residential multiperil, and mobile homes,
1384 and including liability coverage on all such insurance, but
1385 excluding inland marine as defined in s. 624.607(3) and
1386 excluding vehicle insurance as defined in s. 624.605(1) other
1387 than insurance on mobile homes used as permanent dwellings.

1388 g. The Florida Surplus Lines Service Office shall
1389 determine annually the aggregate statewide written premium in
1390 subject lines of business procured by assessable insureds and
1391 shall report that information to the corporation in a form and
1392 at a time the corporation specifies to ensure that the
1393 corporation can meet the requirements of this subsection and the
1394 corporation's financing obligations.

1395 h. The Florida Surplus Lines Service Office shall verify
1396 the proper application by surplus lines agents of assessment
1397 percentages for regular assessments and emergency assessments

1398 levied under this subparagraph on assessable insureds and shall
1399 assist the corporation in ensuring the accurate, timely
1400 collection and payment of assessments by surplus lines agents as
1401 required by the corporation.

1402 i. If a deficit is incurred in any account, the board of
1403 governors shall levy an immediate assessment against the premium
1404 of each nonhomestead property policyholder in all accounts of
1405 the corporation, as a uniform percentage of the premium of the
1406 policy of up to 10 percent of such premium, which funds shall be
1407 used to offset the deficit. If this assessment is insufficient
1408 to eliminate the deficit, the board of governors shall levy an
1409 additional assessment against all policyholders of the
1410 corporation, which shall be collected at the time of issuance or
1411 renewal of a policy, as a uniform percentage of the premium for
1412 the policy of up to 10 percent of such premium, which funds
1413 shall be used to further offset the deficit.

1414 j. The board of governors shall maintain separate
1415 accounting records that consolidate data for nonhomestead
1416 properties, including, but not limited to, number of policies,
1417 insured values, premiums written, and losses. The board of
1418 governors shall annually report to the office and the
1419 Legislature a summary of such data.

1420 (c) The plan of operation of the corporation:

1421 1. Must provide for adoption of residential property and
1422 casualty insurance policy forms and commercial residential ~~and~~
1423 ~~nonresidential~~ property insurance forms, which forms must be
1424 approved by the office prior to use. The corporation shall adopt
1425 the following policy forms:

1426 a. Standard personal lines policy forms that are
1427 comprehensive multiperil policies providing full coverage of a
1428 residential property equivalent to the coverage provided in the
1429 private insurance market under an HO-3, HO-4, or HO-6 policy.

1430 b. Basic personal lines policy forms that are policies
1431 similar to an HO-8 policy or a dwelling fire policy that provide
1432 coverage meeting the requirements of the secondary mortgage
1433 market, but which coverage is more limited than the coverage
1434 under a standard policy.

1435 c. Commercial lines residential policy forms that are
1436 generally similar to the basic perils of full coverage
1437 obtainable for commercial residential structures in the admitted
1438 voluntary market.

1439 d. Personal lines and commercial lines residential
1440 property insurance forms that cover the peril of wind only. The
1441 forms are applicable only to residential properties located in
1442 areas eligible for coverage under the high-risk account referred
1443 to in sub-subparagraph (b)2.a.

1444 ~~e. Commercial lines nonresidential property insurance~~
1445 ~~forms that cover the peril of wind only. The forms are~~
1446 ~~applicable only to nonresidential properties located in areas~~
1447 ~~eligible for coverage under the high risk account referred to in~~
1448 ~~sub-subparagraph (b)2.a.~~

1449 e.f. The corporation may adopt variations of the policy
1450 forms listed in sub-subparagraphs a.-d. ~~a.-e.~~ that contain more
1451 restrictive coverage.

1452 2.a. Must provide that the corporation adopt a program in
1453 which the corporation and authorized insurers enter into quota

1454 share primary insurance agreements for hurricane coverage, as
1455 defined in s. 627.4025(2)(a), for eligible risks, and adopt
1456 property insurance forms for eligible risks which cover the
1457 peril of wind only. As used in this subsection, the term:

1458 (I) "Quota share primary insurance" means an arrangement
1459 in which the primary hurricane coverage of an eligible risk is
1460 provided in specified percentages by the corporation and an
1461 authorized insurer. The corporation and authorized insurer are
1462 each solely responsible for a specified percentage of hurricane
1463 coverage of an eligible risk as set forth in a quota share
1464 primary insurance agreement between the corporation and an
1465 authorized insurer and the insurance contract. The
1466 responsibility of the corporation or authorized insurer to pay
1467 its specified percentage of hurricane losses of an eligible
1468 risk, as set forth in the quota share primary insurance
1469 agreement, may not be altered by the inability of the other
1470 party to the agreement to pay its specified percentage of
1471 hurricane losses. Eligible risks that are provided hurricane
1472 coverage through a quota share primary insurance arrangement
1473 must be provided policy forms that set forth the obligations of
1474 the corporation and authorized insurer under the arrangement,
1475 clearly specify the percentages of quota share primary insurance
1476 provided by the corporation and authorized insurer, and
1477 conspicuously and clearly state that neither the authorized
1478 insurer nor the corporation may be held responsible beyond its
1479 specified percentage of coverage of hurricane losses.

1480 (II) "Eligible risks" means personal lines residential and
1481 commercial lines residential risks that meet the underwriting

1482 criteria of the corporation and are located in areas that were
1483 eligible for coverage by the Florida Windstorm Underwriting
1484 Association on January 1, 2002.

1485 b. The corporation may enter into quota share primary
1486 insurance agreements with authorized insurers at corporation
1487 coverage levels of 90 percent and 50 percent.

1488 c. If the corporation determines that additional coverage
1489 levels are necessary to maximize participation in quota share
1490 primary insurance agreements by authorized insurers, the
1491 corporation may establish additional coverage levels. However,
1492 the corporation's quota share primary insurance coverage level
1493 may not exceed 90 percent.

1494 d. Any quota share primary insurance agreement entered
1495 into between an authorized insurer and the corporation must
1496 provide for a uniform specified percentage of coverage of
1497 hurricane losses, by county or territory as set forth by the
1498 corporation board, for all eligible risks of the authorized
1499 insurer covered under the quota share primary insurance
1500 agreement.

1501 e. Any quota share primary insurance agreement entered
1502 into between an authorized insurer and the corporation is
1503 subject to review and approval by the office. However, such
1504 agreement shall be authorized only as to insurance contracts
1505 entered into between an authorized insurer and an insured who is
1506 already insured by the corporation for wind coverage.

1507 f. For all eligible risks covered under quota share
1508 primary insurance agreements, the exposure and coverage levels
1509 for both the corporation and authorized insurers shall be

1510 reported by the corporation to the Florida Hurricane Catastrophe
1511 Fund. For all policies of eligible risks covered under quota
1512 share primary insurance agreements, the corporation and the
1513 authorized insurer shall maintain complete and accurate records
1514 for the purpose of exposure and loss reimbursement audits as
1515 required by Florida Hurricane Catastrophe Fund rules. The
1516 corporation and the authorized insurer shall each maintain
1517 duplicate copies of policy declaration pages and supporting
1518 claims documents.

1519 g. The corporation board shall establish in its plan of
1520 operation standards for quota share agreements which ensure that
1521 there is no discriminatory application among insurers as to the
1522 terms of quota share agreements, pricing of quota share
1523 agreements, incentive provisions if any, and consideration paid
1524 for servicing policies or adjusting claims.

1525 h. The quota share primary insurance agreement between the
1526 corporation and an authorized insurer must set forth the
1527 specific terms under which coverage is provided, including, but
1528 not limited to, the sale and servicing of policies issued under
1529 the agreement by the insurance agent of the authorized insurer
1530 producing the business, the reporting of information concerning
1531 eligible risks, the payment of premium to the corporation, and
1532 arrangements for the adjustment and payment of hurricane claims
1533 incurred on eligible risks by the claims adjuster and personnel
1534 of the authorized insurer. Entering into a quota sharing
1535 insurance agreement between the corporation and an authorized
1536 insurer shall be voluntary and at the discretion of the
1537 authorized insurer.

1538 3. May provide that the corporation may employ or
 1539 otherwise contract with individuals or other entities to provide
 1540 administrative or professional services that may be appropriate
 1541 to effectuate the plan. The corporation shall have the power to
 1542 borrow funds, by issuing bonds or by incurring other
 1543 indebtedness, and shall have other powers reasonably necessary
 1544 to effectuate the requirements of this subsection, including,
 1545 without limitation, the power to issue bonds and incur other
 1546 indebtedness in order to refinance outstanding bonds or other
 1547 indebtedness. The corporation may, but is not required to, seek
 1548 judicial validation of its bonds or other indebtedness under
 1549 chapter 75. The corporation may issue bonds or incur other
 1550 indebtedness, or have bonds issued on its behalf by a unit of
 1551 local government pursuant to subparagraph (p)~~(g)~~2., in the
 1552 absence of a hurricane or other weather-related event, upon a
 1553 determination by the corporation, subject to approval by the
 1554 office, that such action would enable it to efficiently meet the
 1555 financial obligations of the corporation and that such
 1556 financings are reasonably necessary to effectuate the
 1557 requirements of this subsection. The corporation is authorized
 1558 to take all actions needed to facilitate tax-free status for any
 1559 such bonds or indebtedness, including formation of trusts or
 1560 other affiliated entities. The corporation shall have the
 1561 authority to pledge assessments, projected recoveries from the
 1562 Florida Hurricane Catastrophe Fund, other reinsurance
 1563 recoverables, market equalization and other surcharges, and
 1564 other funds available to the corporation as security for bonds
 1565 or other indebtedness. In recognition of s. 10, Art. I of the

1566 State Constitution, prohibiting the impairment of obligations of
1567 contracts, it is the intent of the Legislature that no action be
1568 taken whose purpose is to impair any bond indenture or financing
1569 agreement or any revenue source committed by contract to such
1570 bond or other indebtedness.

1571 4.a. Must require that the corporation operate subject to
1572 the supervision and approval of a board of governors consisting
1573 of eight individuals who are residents of this state, from
1574 different geographical areas of this state. The Governor, the
1575 Chief Financial Officer, the President of the Senate, and the
1576 Speaker of the House of Representatives shall each appoint two
1577 members of the board. At least one of the two members appointed
1578 by each appointing officer must have demonstrated expertise in
1579 insurance. The Chief Financial Officer shall designate one of
1580 the appointees as chair. All board members serve at the pleasure
1581 of the appointing officer. All board members, including the
1582 chair, must be appointed to serve for 3-year terms beginning
1583 annually on a date designated by the plan. Any board vacancy
1584 shall be filled for the unexpired term by the appointing
1585 officer. The Chief Financial Officer shall appoint a technical
1586 advisory group to provide information and advice to the board of
1587 governors in connection with the board's duties under this
1588 subsection. The executive director and senior managers of the
1589 corporation shall be engaged by the board and serve at the
1590 pleasure of the board. Any executive director appointed on or
1591 after July 1, 2006, is subject to confirmation by the Senate.
1592 The executive director is responsible for employing other staff

1593 as the corporation may require, subject to review and
1594 concurrence by the board.

1595 b. The board shall create a Market Accountability Advisory
1596 Committee to assist the corporation in developing awareness of
1597 its rates and its customer and agent service levels in
1598 relationship to the voluntary market insurers writing similar
1599 coverage. The members of the advisory committee shall consist of
1600 the following 11 persons, one of whom must be elected chair by
1601 the members of the committee: four representatives, one
1602 appointed by the Florida Association of Insurance Agents, one by
1603 the Florida Association of Insurance and Financial Advisors, one
1604 by the Professional Insurance Agents of Florida, and one by the
1605 Latin American Association of Insurance Agencies; three
1606 representatives appointed by the insurers with the three highest
1607 voluntary market share of residential property insurance
1608 business in the state; one representative from the Office of
1609 Insurance Regulation; one consumer appointed by the board who is
1610 insured by the corporation at the time of appointment to the
1611 committee; one representative appointed by the Florida
1612 Association of Realtors; and one representative appointed by the
1613 Florida Bankers Association. All members must serve for 3-year
1614 terms and may serve for consecutive terms. The committee shall
1615 report to the corporation at each board meeting on insurance
1616 market issues which may include rates and rate competition with
1617 the voluntary market; service, including policy issuance, claims
1618 processing, and general responsiveness to policyholders,
1619 applicants, and agents; and matters relating to depopulation.

1620 5. Must provide a procedure for determining the
1621 eligibility of a risk for coverage, as follows:

1622 a. Subject to the provisions of s. 627.3517, with respect
1623 to personal lines residential risks, if the risk is offered
1624 coverage from an authorized insurer at the insurer's approved
1625 rate under either a standard policy including wind coverage or,
1626 if consistent with the insurer's underwriting rules as filed
1627 with the office, a basic policy including wind coverage, the
1628 risk is not eligible for any policy issued by the corporation.
1629 If the risk is not able to obtain any such offer, the risk is
1630 eligible for either a standard policy including wind coverage or
1631 a basic policy including wind coverage issued by the
1632 corporation; however, if the risk could not be insured under a
1633 standard policy including wind coverage regardless of market
1634 conditions, the risk shall be eligible for a basic policy
1635 including wind coverage unless rejected under subparagraph 8.
1636 The corporation shall determine the type of policy to be
1637 provided on the basis of objective standards specified in the
1638 underwriting manual and based on generally accepted underwriting
1639 practices.

1640 (I) If the risk accepts an offer of coverage through the
1641 market assistance plan or an offer of coverage through a
1642 mechanism established by the corporation before a policy is
1643 issued to the risk by the corporation or during the first 30
1644 days of coverage by the corporation, and the producing agent who
1645 submitted the application to the plan or to the corporation is
1646 not currently appointed by the insurer, the insurer shall:

1647 (A) Pay to the producing agent of record of the policy,
1648 for the first year, an amount that is the greater of the
1649 insurer's usual and customary commission for the type of policy
1650 written or a fee equal to the usual and customary commission of
1651 the corporation; or

1652 (B) Offer to allow the producing agent of record of the
1653 policy to continue servicing the policy for a period of not less
1654 than 1 year and offer to pay the agent the greater of the
1655 insurer's or the corporation's usual and customary commission
1656 for the type of policy written.

1657

1658 If the producing agent is unwilling or unable to accept
1659 appointment, the new insurer shall pay the agent in accordance
1660 with sub-sub-sub-subparagraph (A).

1661 (II) When the corporation enters into a contractual
1662 agreement for a take-out plan, the producing agent of record of
1663 the corporation policy is entitled to retain any unearned
1664 commission on the policy, and the insurer shall:

1665 (A) Pay to the producing agent of record of the
1666 corporation policy, for the first year, an amount that is the
1667 greater of the insurer's usual and customary commission for the
1668 type of policy written or a fee equal to the usual and customary
1669 commission of the corporation; or

1670 (B) Offer to allow the producing agent of record of the
1671 corporation policy to continue servicing the policy for a period
1672 of not less than 1 year and offer to pay the agent the greater
1673 of the insurer's or the corporation's usual and customary
1674 commission for the type of policy written.

1675
1676 If the producing agent is unwilling or unable to accept
1677 appointment, the new insurer shall pay the agent in accordance
1678 with sub-sub-sub-subparagraph (A).

1679 b. With respect to commercial lines residential risks, if
1680 the risk is offered coverage under a policy including wind
1681 coverage from an authorized insurer at its approved rate, the
1682 risk is not eligible for any policy issued by the corporation.
1683 If the risk is not able to obtain any such offer, the risk is
1684 eligible for a policy including wind coverage issued by the
1685 corporation.

1686 (I) If the risk accepts an offer of coverage through the
1687 market assistance plan or an offer of coverage through a
1688 mechanism established by the corporation before a policy is
1689 issued to the risk by the corporation or during the first 30
1690 days of coverage by the corporation, and the producing agent who
1691 submitted the application to the plan or the corporation is not
1692 currently appointed by the insurer, the insurer shall:

1693 (A) Pay to the producing agent of record of the policy,
1694 for the first year, an amount that is the greater of the
1695 insurer's usual and customary commission for the type of policy
1696 written or a fee equal to the usual and customary commission of
1697 the corporation; or

1698 (B) Offer to allow the producing agent of record of the
1699 policy to continue servicing the policy for a period of not less
1700 than 1 year and offer to pay the agent the greater of the
1701 insurer's or the corporation's usual and customary commission
1702 for the type of policy written.

1703
 1704 If the producing agent is unwilling or unable to accept
 1705 appointment, the new insurer shall pay the agent in accordance
 1706 with sub-sub-sub-subparagraph (A).

1707 (II) When the corporation enters into a contractual
 1708 agreement for a take-out plan, the producing agent of record of
 1709 the corporation policy is entitled to retain any unearned
 1710 commission on the policy, and the insurer shall:

1711 (A) Pay to the producing agent of record of the
 1712 corporation policy, for the first year, an amount that is the
 1713 greater of the insurer's usual and customary commission for the
 1714 type of policy written or a fee equal to the usual and customary
 1715 commission of the corporation; or

1716 (B) Offer to allow the producing agent of record of the
 1717 corporation policy to continue servicing the policy for a period
 1718 of not less than 1 year and offer to pay the agent the greater
 1719 of the insurer's or the corporation's usual and customary
 1720 commission for the type of policy written.

1721
 1722 If the producing agent is unwilling or unable to accept
 1723 appointment, the new insurer shall pay the agent in accordance
 1724 with sub-sub-sub-subparagraph (A).

1725 6. Must provide by July 1, 2007, that an application for
 1726 coverage for a new policy is subject to a waiting period of 10
 1727 days before coverage is effective, during which time the
 1728 corporation shall make such application available for review by
 1729 general lines agents and authorized property and casualty
 1730 insurers. The board shall ~~may~~ approve an exception ~~exceptions~~

1731 that allows ~~allow~~ for coverage to be effective before the end of
 1732 the 10-day waiting period~~,~~ for coverage issued in conjunction
 1733 with a real estate closing.~~,~~ The board may approve ~~and for~~ such
 1734 other exceptions as the board determines are necessary to
 1735 prevent lapses in coverage.

1736 7. Must include rules for classifications of risks and
 1737 rates therefor.

1738 8. Must provide that if premium and investment income for
 1739 an account attributable to a particular calendar year are in
 1740 excess of projected losses and expenses for the account
 1741 attributable to that year, such excess shall be held in surplus
 1742 in the account. Such surplus shall be available to defray
 1743 deficits in that account as to future years and shall be used
 1744 for that purpose prior to assessing assessable insurers and
 1745 assessable insureds as to any calendar year.

1746 9. Must provide objective criteria and procedures to be
 1747 uniformly applied for all applicants in determining whether an
 1748 individual risk is so hazardous as to be uninsurable. In making
 1749 this determination and in establishing the criteria and
 1750 procedures, the following shall be considered:

1751 a. Whether the likelihood of a loss for the individual
 1752 risk is substantially higher than for other risks of the same
 1753 class; and

1754 b. Whether the uncertainty associated with the individual
 1755 risk is such that an appropriate premium cannot be determined.
 1756

1757 The acceptance or rejection of a risk by the corporation shall
 1758 be construed as the private placement of insurance, and the
 1759 provisions of chapter 120 shall not apply.

1760 10. Must provide that the corporation shall make its best
 1761 efforts to procure catastrophe reinsurance at reasonable rates,
 1762 to cover its projected 100-year probable maximum loss as
 1763 determined by the board of governors.

1764 11. Must provide that in the event of regular deficit
 1765 assessments under sub-subparagraph (b)3.a. or sub-subparagraph
 1766 (b)3.b., in the personal lines account, the commercial lines
 1767 residential account, or the high-risk account, the corporation
 1768 shall levy upon corporation policyholders in its next rate
 1769 filing, or by a separate rate filing solely for this purpose, a
 1770 Citizens policyholder surcharge arising from a regular
 1771 assessment in such account in a percentage equal to the total
 1772 amount of such regular assessments divided by the aggregate
 1773 statewide direct written premium for subject lines of business
 1774 for the prior calendar year. For purposes of calculating the
 1775 Citizens policyholder surcharge to be levied under this
 1776 subparagraph, the total amount of the regular assessment to
 1777 which this surcharge is related shall be determined as set forth
 1778 in subparagraph (b)3., without deducting the estimated Citizens
 1779 policyholder surcharge. Citizens policyholder surcharges under
 1780 this subparagraph are not considered premium and are not subject
 1781 to commissions, fees, or premium taxes; however, failure to pay
 1782 a market equalization surcharge shall be treated as failure to
 1783 pay premium.

1784 12. The policies issued by the corporation must provide
 1785 that, if the corporation or the market assistance plan obtains
 1786 an offer from an authorized insurer to cover the risk at its
 1787 approved rates, the risk is no longer eligible for renewal
 1788 through the corporation.

1789 13. Corporation policies and applications must include a
 1790 notice that the corporation policy could, under this section, be
 1791 replaced with a policy issued by an authorized insurer that does
 1792 not provide coverage identical to the coverage provided by the
 1793 corporation. The notice shall also specify that acceptance of
 1794 corporation coverage creates a conclusive presumption that the
 1795 applicant or policyholder is aware of this potential.

1796 14. May establish, subject to approval by the office,
 1797 different eligibility requirements and operational procedures
 1798 for any line or type of coverage for any specified county or
 1799 area if the board determines that such changes to the
 1800 eligibility requirements and operational procedures are
 1801 justified due to the voluntary market being sufficiently stable
 1802 and competitive in such area or for such line or type of
 1803 coverage and that consumers who, in good faith, are unable to
 1804 obtain insurance through the voluntary market through ordinary
 1805 methods would continue to have access to coverage from the
 1806 corporation. When coverage is sought in connection with a real
 1807 property transfer, such requirements and procedures shall not
 1808 provide for an effective date of coverage later than the date of
 1809 the closing of the transfer as established by the transferor,
 1810 the transferee, and, if applicable, the lender.

1811 15. Must provide that, with respect to the high-risk
1812 account, any assessable insurer with a surplus as to
1813 policyholders of \$25 million or less writing 25 percent or more
1814 of its total countrywide property insurance premiums in this
1815 state may petition the office, within the first 90 days of each
1816 calendar year, to qualify as a limited apportionment company. A
1817 regular assessment levied by the corporation on a limited
1818 apportionment company for a deficit incurred by the corporation
1819 for the high-risk account in 2006 or thereafter may be paid to
1820 the corporation on a monthly basis as the assessments are
1821 collected by the limited apportionment company from its insureds
1822 pursuant to s. 627.3512, but the regular assessment must be paid
1823 in full within 12 months after being levied by the corporation.
1824 A limited apportionment company shall collect from its
1825 policyholders any emergency assessment imposed under sub-
1826 subparagraph (b)3.d. The plan shall provide that, if the office
1827 determines that any regular assessment will result in an
1828 impairment of the surplus of a limited apportionment company,
1829 the office may direct that all or part of such assessment be
1830 deferred as provided in subparagraph (p)~~(g)~~4. However, there
1831 shall be no limitation or deferment of an emergency assessment
1832 to be collected from policyholders under sub-subparagraph
1833 (b)3.d.

1834 16. Must provide that the corporation appoint as its
1835 licensed agents only those agents who also hold an appointment
1836 as defined in s. 626.015(3) with an insurer who at the time of
1837 the agent's initial appointment by the corporation is authorized
1838 to write and is actually writing personal lines residential

1839 property coverage, or commercial residential property coverage,
 1840 ~~or commercial nonresidential property coverage~~ within the state.

1841 17. Must provide, by July 1, 2007, a premium payment plan
 1842 option to its policyholders which allows for monthly, quarterly,
 1843 and semiannual payment of premiums.

1844 18. Must provide, effective June 1, 2007, that the
 1845 corporation contract with each insurer providing the non-wind
 1846 coverage for risks insured by the corporation in the high-risk
 1847 account, requiring that the insurer provide claims adjusting
 1848 services for the wind coverage provided by the corporation for
 1849 such risks. An insurer is required to enter into this contract
 1850 as a condition of providing non-wind coverage for a risk that is
 1851 insured by the corporation in the high-risk account unless the
 1852 board finds, after a hearing, that the insurer is not capable of
 1853 providing adjusting services at an acceptable level of quality
 1854 to corporation policyholders. The terms and conditions of such
 1855 contracts must be substantially the same as the contracts that
 1856 the corporation executed with insurers under the "adjust-your-
 1857 own" program in 2006, except as may be mutually agreed to by the
 1858 parties and except for such changes that the board determines
 1859 are necessary to ensure that claims are adjusted appropriately.
 1860 The corporation shall provide a process for neutral arbitration
 1861 of any dispute between the corporation and the insurer regarding
 1862 the terms of the contract. The corporation shall review and
 1863 monitor the performance of insurers under these contracts.

1864 19. Must limit coverage on mobile homes or manufactured
 1865 homes built prior to 1994 to actual cash value of the dwelling
 1866 rather than replacement costs of the dwelling.

1867 (d)1. All prospective employees for senior management
1868 positions, as defined by the plan of operation, are subject to
1869 background checks as a prerequisite for employment. The office
1870 shall conduct background checks on such prospective employees
1871 pursuant to ss. 624.34, 624.404(3), and 628.261.

1872 2. On or before July 1 of each year, employees of the
1873 corporation are required to sign and submit a statement
1874 attesting that they do not have a conflict of interest, as
1875 defined in part III of chapter 112. As a condition of
1876 employment, all prospective employees are required to sign and
1877 submit to the corporation a conflict-of-interest statement.

1878 3. Senior managers and members of the board of governors
1879 are subject to the provisions of part III of chapter 112,
1880 including, but not limited to, the code of ethics and public
1881 disclosure and reporting of financial interests, pursuant to s.
1882 112.3145. Senior managers and board members are also required to
1883 file such disclosures with the Office of Insurance Regulation.
1884 The executive director of the corporation or his or her designee
1885 shall notify each newly appointed and existing appointed member
1886 of the board of governors and senior managers of their duty to
1887 comply with the reporting requirements of part III of chapter
1888 112. At least quarterly, the executive director or his or her
1889 designee shall submit to the Commission on Ethics a list of
1890 names of the senior managers and members of the board of
1891 governors who are subject to the public disclosure requirements
1892 under s. 112.3145.

1893 4. Notwithstanding s. 112.3148 or s. 112.3149, or any
1894 other provision of law, an employee or board member may not

1895 knowingly accept, directly or indirectly, any gift or
 1896 expenditure from a person or entity, or an employee or
 1897 representative of such person or entity, that has a contractual
 1898 relationship with the corporation or who is under consideration
 1899 for a contract. An employee or board member who fails to comply
 1900 with this subparagraph is subject to penalties provided under
 1901 ss. 112.317 and 112.3173.

1902 5. Any senior manager of the corporation who is employed
 1903 on or after January 1, 2007, regardless of the date of hire, who
 1904 subsequently retires or terminates employment is prohibited from
 1905 representing another person or entity before the corporation for
 1906 2 years after retirement or termination of employment from the
 1907 corporation.

1908 6. Any employee of the corporation who is employed on or
 1909 after January 1, 2007, regardless of the date of hire, who
 1910 subsequently retires or terminates employment is prohibited from
 1911 having any employment or contractual relationship for 2 years
 1912 with an insurer that has received a take-out bonus from the
 1913 corporation.

1914 (e) Purchases that equal or exceed \$2,500, but are less
 1915 than \$25,000, shall be made by receipt of written quotes,
 1916 written record of telephone quotes, or informal bids, whenever
 1917 practical. The procurement of goods or services valued at or
 1918 over \$25,000 shall be subject to competitive solicitation,
 1919 except in situations where the goods or services are provided by
 1920 a sole source or are deemed an emergency purchase; the services
 1921 are exempted from competitive solicitation requirements under s.
 1922 287.057(5)(f); or the procurement of services is subject to s.

1923 627.3513. Justification for the sole-sourcing or emergency
 1924 procurement must be documented. Contracts for goods or services
 1925 valued at or over \$100,000 are subject to approval by the board.

1926 (f) The board shall determine whether it is more cost-
 1927 effective and in the best interests of the corporation to use
 1928 legal services provided by in-house attorneys employed by the
 1929 corporation rather than contracting with outside counsel. In
 1930 making such determination, the board shall document its findings
 1931 and shall consider: the expertise needed; whether time
 1932 commitments exceed in-house staff resources; whether local
 1933 representation is needed; the travel, lodging and other costs
 1934 associated with in-house representation; and such other factors
 1935 that the board determines are relevant.

1936 (g) The corporation may not retain a lobbyist to represent
 1937 it before the legislative branch or executive branch. However,
 1938 full-time employees of the corporation may register as lobbyists
 1939 and represent the corporation before the legislative branch or
 1940 executive branch.

1941 (h)1. The Office of the Internal Auditor is established
 1942 within the corporation to provide a central point for
 1943 coordination of and responsibility for activities that promote
 1944 accountability, integrity, and efficiency to the policyholders
 1945 and to the taxpayers of this state. The internal auditor shall
 1946 be appointed by the board of governors, shall report to and be
 1947 under the general supervision of the board of governors, and is
 1948 not subject to supervision by any employee of the corporation.
 1949 Administrative staff and support shall be provided by the
 1950 corporation. The internal auditor shall be appointed without

1951 regard to political affiliation. It is the duty and
 1952 responsibility of the internal auditor to:

1953 a. Provide direction for, supervise, conduct, and
 1954 coordinate audits, investigations, and management reviews
 1955 relating to the programs and operations of the corporation.

1956 b. Conduct, supervise, or coordinate other activities
 1957 carried out or financed by the corporation for the purpose of
 1958 promoting efficiency in the administration of, or preventing and
 1959 detecting fraud, abuse, and mismanagement in, its programs and
 1960 operations.

1961 c. Submit final audit reports, reviews, or investigative
 1962 reports to the board of governors, the executive director, the
 1963 members of the Financial Services Commission, and the President
 1964 of the Senate and the Speaker of the House of Representatives.

1965 d. Keep the board of governors informed concerning fraud,
 1966 abuses, and internal control deficiencies relating to programs
 1967 and operations administered or financed by the corporation,
 1968 recommend corrective action, and report on the progress made in
 1969 implementing corrective action.

1970 e. Report expeditiously to the Department of Law
 1971 Enforcement or other law enforcement agencies, as appropriate,
 1972 whenever the internal auditor has reasonable grounds to believe
 1973 there has been a violation of criminal law.

1974 2. On or before February 15, the internal auditor shall
 1975 prepare an annual report evaluating the effectiveness of the
 1976 internal controls of the corporation and providing
 1977 recommendations for corrective action, if necessary, and
 1978 summarizing the audits, reviews, and investigations conducted by

1979 the office during the preceding fiscal year. The final report
 1980 shall be furnished to the board of governors and the executive
 1981 director, the President of the Senate, the Speaker of the House
 1982 of Representatives, and the Financial Services Commission.

1983 (i) All records of the corporation, except as otherwise
 1984 provided by law, are subject to the record retention
 1985 requirements of s. 119.021.

1986 (j)1. The corporation shall establish and maintain a unit
 1987 or division to investigate possible fraudulent claims by
 1988 insureds or by persons making claims for services or repairs
 1989 against policies held by insureds; or it may contract with
 1990 others to investigate possible fraudulent claims for services or
 1991 repairs against policies held by the corporation pursuant to s.
 1992 626.9891. The corporation must comply with reporting
 1993 requirements of s. 626.9891. An employee of the corporation
 1994 shall notify the Division of Insurance Fraud within 48 hours
 1995 after having information that would lead a reasonable person to
 1996 suspect that fraud may have been committed by any employee of
 1997 the corporation.

1998 2. The corporation shall establish a unit or division
 1999 responsible for receiving and responding to consumer complaints,
 2000 which unit or division is the sole responsibility of a senior
 2001 manager of the corporation.

2002 (k) The office shall conduct a comprehensive market
 2003 conduct examination of the corporation every 2 years to
 2004 determine compliance with its plan of operation and internal
 2005 operations procedures. The first market conduct examination
 2006 report shall be submitted to the President of the Senate and the

2007 Speaker of the House of Representatives no later than February
 2008 1, 2009. Subsequent reports shall be submitted on or before
 2009 February 1 every 2 years thereafter.

2010 (1) The Auditor General shall conduct an operational audit
 2011 of the corporation every 3 years to evaluate management's
 2012 performance in administering laws, policies, and procedures
 2013 governing the operations of the corporation in an efficient and
 2014 effective manner. The scope of the review shall include, but is
 2015 not limited to, evaluating claims handling, customer service,
 2016 take-out programs and bonuses, financing arrangements,
 2017 procurement of goods and services, internal controls, and the
 2018 internal audit function. The initial audit must be completed by
 2019 February 1, 2009.

2020 (m)1.a. Rates for coverage provided by the corporation
 2021 shall be actuarially adequate ~~sound and not competitive with~~
 2022 ~~approved rates charged in the admitted voluntary market, so that~~
 2023 ~~the corporation functions as a residual market mechanism to~~
 2024 ~~provide insurance only when the insurance cannot be procured in~~
 2025 ~~the voluntary market.~~ Rates shall include an appropriate
 2026 catastrophe loading factor that reflects the actual catastrophic
 2027 exposure of the corporation. For policies in the personal lines
 2028 account and the commercial lines account issued or renewed on or
 2029 after March 1, 2007, a rate is deemed inadequate if the rate,
 2030 including investment income, is not sufficient to provide for
 2031 the procurement of coverage under the Florida Hurricane
 2032 Catastrophe Fund ~~and private reinsurance costs, whether or not~~
 2033 ~~reinsurance is procured,~~ and to pay all claims and expenses
 2034 reasonably expected to result from a 100-year probable maximum

2035 loss event without resort to any regular or emergency
 2036 assessments, long-term debt, state revenues, or other funding
 2037 sources. For policies in the high-risk account issued or renewed
 2038 on or after January 1, 2008 ~~March 1, 2007~~, a rate is deemed
 2039 inadequate if the rate, including investment income, is not
 2040 sufficient to provide for the procurement of coverage under the
 2041 Florida Hurricane Catastrophe Fund ~~and private reinsurance~~
 2042 ~~costs, whether or not reinsurance is procured~~, and to pay all
 2043 claims and expenses reasonably expected to result from a 50-year
 2044 ~~70-year~~ probable maximum loss event without ~~with~~ resort to any
 2045 regular or emergency assessments, long-term debt, state
 2046 revenues, or other funding sources. For policies in the high-
 2047 risk account issued or renewed in ~~2008 and~~ 2009, 2010, 2011,
 2048 2012, and 2013, the rate must be based upon a 60-year, 70-year,
 2049 80-year, 90-year, an 85-year and 100-year probable maximum loss
 2050 event, respectively.

2051 b. It is the intent of the Legislature to reaffirm the
 2052 requirement of rate adequacy in the residual market. Recognizing
 2053 that rates may comply with the intent expressed in sub-
 2054 subparagraph a. and yet be inadequate and recognizing the public
 2055 need to limit subsidies within the residual market, it is the
 2056 further intent of the Legislature to establish statutory
 2057 standards for rate adequacy. Such standards are intended to
 2058 supplement the standard specified in s. 627.062(2)(e)3.,
 2059 providing that rates are inadequate if they are clearly
 2060 insufficient to sustain projected losses and expenses in the
 2061 class of business to which they apply.

2062 ~~2. For each county, the average rates of the corporation~~
 2063 ~~for each line of business for personal lines residential~~
 2064 ~~policies excluding rates for wind only policies shall be no~~
 2065 ~~lower than the average rates charged by the insurer that had the~~
 2066 ~~highest average rate in that county among the 20 insurers with~~
 2067 ~~the greatest total direct written premium in the state for that~~
 2068 ~~line of business in the preceding year, except that with respect~~
 2069 ~~to mobile home coverages, the average rates of the corporation~~
 2070 ~~shall be no lower than the average rates charged by the insurer~~
 2071 ~~that had the highest average rate in that county among the 5~~
 2072 ~~insurers with the greatest total written premium for mobile home~~
 2073 ~~owner's policies in the state in the preceding year.~~

2074 ~~2.3.~~ Rates for personal lines residential wind-only
 2075 policies must be actuarially adequate ~~sound and not competitive~~
 2076 ~~with approved rates charged by authorized insurers.~~ If the
 2077 filing under this subparagraph is made at least 90 days before
 2078 the proposed effective date and the filing is not implemented
 2079 during the office's review of the filing and any proceeding and
 2080 judicial review, such filing shall be considered a "file and
 2081 use" filing. In such case, the office shall finalize its review
 2082 by issuance of a notice of intent to approve or a notice of
 2083 intent to disapprove within 90 days after receipt of the filing.
 2084 The notice of intent to approve and the notice of intent to
 2085 disapprove constitute agency action for purposes of the
 2086 Administrative Procedure Act. Requests for supporting
 2087 information, requests for mathematical or mechanical
 2088 corrections, or notification to the insurer by the office of its
 2089 preliminary findings shall not toll the 90-day period during any

2090 such proceedings and subsequent judicial review. The rate shall
 2091 be deemed approved if the office does not issue a notice of
 2092 intent to approve or a notice of intent to disapprove within 90
 2093 days after receipt of the filing. Corporation rate manuals shall
 2094 include a rate surcharge for seasonal occupancy. ~~To ensure that~~
 2095 ~~personal lines residential wind only rates are not competitive~~
 2096 ~~with approved rates charged by authorized insurers, the~~
 2097 ~~corporation, in conjunction with the office, shall develop a~~
 2098 ~~wind only ratemaking methodology, which methodology shall be~~
 2099 ~~contained in each rate filing made by the corporation with the~~
 2100 ~~office. If the office determines that the wind only rates or~~
 2101 ~~rating factors filed by the corporation fail to comply with the~~
 2102 ~~wind only ratemaking methodology provided for in this~~
 2103 ~~subsection, it shall so notify the corporation and require the~~
 2104 ~~corporation to amend its rates or rating factors to come into~~
 2105 ~~compliance within 90 days of notice from the office.~~

2106 ~~4. The requirements of this paragraph that rates not be~~
 2107 ~~competitive with approved rates charged by authorized insurers~~
 2108 ~~do not apply in a county or area for which the office determines~~
 2109 ~~that no authorized insurer is offering coverage. The corporation~~
 2110 ~~shall amend its rates or rating factors for the affected county~~
 2111 ~~or area in conjunction with its next rate filing after such~~
 2112 ~~determination is made.~~

2113 ~~5. For the purposes of establishing a pilot program to~~
 2114 ~~evaluate issues relating to the availability and affordability~~
 2115 ~~of insurance in an area where historically there has been little~~
 2116 ~~market competition, the provisions of subparagraph 2. do not~~
 2117 ~~apply to coverage provided by the corporation in Monroe County~~

2118 ~~if the office determines that a reasonable degree of competition~~
 2119 ~~does not exist for personal lines residential policies. The~~
 2120 ~~provisions of subparagraph 3. do not apply to coverage provided~~
 2121 ~~by the corporation in Monroe County if the office determines~~
 2122 ~~that a reasonable degree of competition does not exist for~~
 2123 ~~personal lines residential policies in the area of that county~~
 2124 ~~which is eligible for wind only coverage. In this county, the~~
 2125 ~~rates for personal lines residential coverage shall be~~
 2126 ~~actuarially sound and not excessive, inadequate, or unfairly~~
 2127 ~~discriminatory and are subject to the other provisions of the~~
 2128 ~~paragraph and s. 627.062. The commission shall adopt rules~~
 2129 ~~establishing the criteria for determining whether a reasonable~~
 2130 ~~degree of competition exists for personal lines residential~~
 2131 ~~policies in Monroe County. By March 1, 2006, the office shall~~
 2132 ~~submit a report to the Legislature providing an evaluation of~~
 2133 ~~the implementation of the pilot program affecting Monroe County.~~

2134 ~~6. Rates for commercial lines coverage shall not be~~
 2135 ~~subject to the requirements of subparagraph 2., but shall be~~
 2136 ~~subject to all other requirements of this paragraph and s.~~
 2137 ~~627.062.~~

2138 ~~3.7.~~ Nothing in this paragraph shall require or allow the
 2139 corporation to adopt a rate that is inadequate under s. 627.062.

2140 ~~4.8.~~ The corporation shall certify to the office at least
 2141 twice annually that its personal lines rates comply with the
 2142 requirements of subparagraphs 1. and, 2., ~~and 3.~~ If any
 2143 adjustment in the rates or rating factors of the corporation is
 2144 necessary to ensure such compliance, the corporation shall make
 2145 and implement such adjustments and file its revised rates and

2146 rating factors with the office. If the office thereafter
 2147 determines that the revised rates and rating factors fail to
 2148 comply with the provisions of subparagraphs 1. and, 2., ~~and 3.,~~
 2149 it shall notify the corporation and require the corporation to
 2150 amend its rates or rating factors in conjunction with its next
 2151 rate filing. ~~The office must notify the corporation by~~
 2152 ~~electronic means of any rate filing it approves for any insurer~~
 2153 ~~among the insurers referred to in subparagraph 2.~~

2154 5.9. In addition to the rates otherwise determined
 2155 pursuant to this paragraph, the corporation shall impose and
 2156 collect an amount equal to the premium tax provided for in s.
 2157 624.509 to augment the financial resources of the corporation.

2158 6.10. The corporation shall develop a notice to
 2159 policyholders or applicants that the rates of Citizens Property
 2160 Insurance Corporation are intended to be higher than the rates
 2161 of any admitted carrier and providing other information the
 2162 corporation deems necessary to assist consumers in finding other
 2163 voluntary admitted insurers willing to insure their property.

2164 7.11. After the public hurricane loss-projection model
 2165 under s. 627.06281 has been found to be accurate and reliable by
 2166 the Florida Commission on Hurricane Loss Projection Methodology,
 2167 that model shall serve as the minimum benchmark for determining
 2168 the windstorm portion of the corporation's rates. This
 2169 subparagraph does not require or allow the corporation to adopt
 2170 rates lower than the rates otherwise required or allowed by this
 2171 paragraph.

2172 8. Except as provided in subparagraph 9., the rate filings
 2173 for the corporation which were approved by the office and which

2174 took effect January 1, 2007, are rescinded. As soon as possible,
 2175 the corporation shall begin using the rates that were in effect
 2176 on December 31, 2006, and shall provide refunds to policyholders
 2177 who have paid higher rates as a result of those rate filings.
 2178 The rates in effect on December 31, 2006, shall remain in effect
 2179 for the 2007 calendar year. The next rate change shall take
 2180 effect January 1, 2008, pursuant to a new rate filing
 2181 recommended by the corporation and approved by the office,
 2182 subject to the requirements of this paragraph.

2183 9. Through December 31, 2007, the corporation shall use
 2184 the lower territorial rates for the hurricane portion of the
 2185 rates for high-risk account homeowners (HO3) policies approved
 2186 for use by the office in Monroe County beginning January 1,
 2187 2007. Nothing in subparagraph 8. is intended to prevent the
 2188 corporation from implementing prior to January 1, 2008, rates
 2189 pursuant to subparagraph 1. that are lower than rates in effect
 2190 on December 31, 2006, including by territory, coverage, and
 2191 mitigation factors and other discounts. Prior to January 1,
 2192 2008, such lower rates shall be determined to meet the
 2193 requirements of subparagraph 1. by comparing such lower rates to
 2194 the rates in effect on December 31, 2006.

2195 (n) If coverage in an account is deactivated pursuant to
 2196 paragraph (o)~~(f)~~, coverage through the corporation shall be
 2197 reactivated by order of the office only under one of the
 2198 following circumstances:

2199 1. If the market assistance plan receives a minimum of 100
 2200 applications for coverage within a 3-month period, or 200
 2201 applications for coverage within a 1-year period or less for

2202 residential coverage, unless the market assistance plan provides
 2203 a quotation from admitted carriers at their filed rates for at
 2204 least 90 percent of such applicants. Any market assistance plan
 2205 application that is rejected because an individual risk is so
 2206 hazardous as to be uninsurable using the criteria specified in
 2207 subparagraph (c) 9.8 shall not be included in the minimum
 2208 percentage calculation provided herein. In the event that there
 2209 is a legal or administrative challenge to a determination by the
 2210 office that the conditions of this subparagraph have been met
 2211 for eligibility for coverage in the corporation, any eligible
 2212 risk may obtain coverage during the pendency of such challenge.

2213 2. In response to a state of emergency declared by the
 2214 Governor under s. 252.36, the office may activate coverage by
 2215 order for the period of the emergency upon a finding by the
 2216 office that the emergency significantly affects the availability
 2217 of residential property insurance.

2218 (o)1. The corporation shall file with the office quarterly
 2219 statements of financial condition, an annual statement of
 2220 financial condition, and audited financial statements in the
 2221 manner prescribed by law. In addition, the corporation shall
 2222 report to the office monthly on the types, premium, exposure,
 2223 and distribution by county of its policies in force, and shall
 2224 submit other reports as the office requires to carry out its
 2225 oversight of the corporation.

2226 2. The activities of the corporation shall be reviewed at
 2227 least annually by the office to determine whether coverage shall
 2228 be deactivated in an account on the basis that the conditions
 2229 giving rise to its activation no longer exist.

2230 (p)1. The corporation shall certify to the office its
2231 needs for annual assessments as to a particular calendar year,
2232 and for any interim assessments that it deems to be necessary to
2233 sustain operations as to a particular year pending the receipt
2234 of annual assessments. Upon verification, the office shall
2235 approve such certification, and the corporation shall levy such
2236 annual or interim assessments. Such assessments shall be
2237 prorated as provided in paragraph (b). The corporation shall
2238 take all reasonable and prudent steps necessary to collect the
2239 amount of assessment due from each assessable insurer,
2240 including, if prudent, filing suit to collect such assessment.
2241 If the corporation is unable to collect an assessment from any
2242 assessable insurer, the uncollected assessments shall be levied
2243 as an additional assessment against the assessable insurers and
2244 any assessable insurer required to pay an additional assessment
2245 as a result of such failure to pay shall have a cause of action
2246 against such nonpaying assessable insurer. Assessments shall be
2247 included as an appropriate factor in the making of rates. The
2248 failure of a surplus lines agent to collect and remit any
2249 regular or emergency assessment levied by the corporation is
2250 considered to be a violation of s. 626.936 and subjects the
2251 surplus lines agent to the penalties provided in that section.

2252 2. The governing body of any unit of local government, any
2253 residents of which are insured by the corporation, may issue
2254 bonds as defined in s. 125.013 or s. 166.101 from time to time
2255 to fund an assistance program, in conjunction with the
2256 corporation, for the purpose of defraying deficits of the
2257 corporation. In order to avoid needless and indiscriminate

2258 proliferation, duplication, and fragmentation of such assistance
2259 programs, any unit of local government, any residents of which
2260 are insured by the corporation, may provide for the payment of
2261 losses, regardless of whether or not the losses occurred within
2262 or outside of the territorial jurisdiction of the local
2263 government. Revenue bonds under this subparagraph may not be
2264 issued until validated pursuant to chapter 75, unless a state of
2265 emergency is declared by executive order or proclamation of the
2266 Governor pursuant to s. 252.36 making such findings as are
2267 necessary to determine that it is in the best interests of, and
2268 necessary for, the protection of the public health, safety, and
2269 general welfare of residents of this state and declaring it an
2270 essential public purpose to permit certain municipalities or
2271 counties to issue such bonds as will permit relief to claimants
2272 and policyholders of the corporation. Any such unit of local
2273 government may enter into such contracts with the corporation
2274 and with any other entity created pursuant to this subsection as
2275 are necessary to carry out this paragraph. Any bonds issued
2276 under this subparagraph shall be payable from and secured by
2277 moneys received by the corporation from emergency assessments
2278 under sub-subparagraph (b)3.d., and assigned and pledged to or
2279 on behalf of the unit of local government for the benefit of the
2280 holders of such bonds. The funds, credit, property, and taxing
2281 power of the state or of the unit of local government shall not
2282 be pledged for the payment of such bonds. If any of the bonds
2283 remain unsold 60 days after issuance, the office shall require
2284 all insurers subject to assessment to purchase the bonds, which
2285 shall be treated as admitted assets; each insurer shall be

2286 required to purchase that percentage of the unsold portion of
2287 the bond issue that equals the insurer's relative share of
2288 assessment liability under this subsection. An insurer shall not
2289 be required to purchase the bonds to the extent that the office
2290 determines that the purchase would endanger or impair the
2291 solvency of the insurer.

2292 3.a. The corporation shall adopt one or more programs
2293 subject to approval by the office for the reduction of both new
2294 and renewal writings in the corporation. Beginning January 1,
2295 2008, any program the corporation adopts for the payment of
2296 bonuses to an insurer for each risk the insurer removes from the
2297 corporation shall comply with s. 627.3511(2) and may not exceed
2298 the amount referenced in s. 627.3511(2) for each risk removed.
2299 The corporation may consider any prudent and not unfairly
2300 discriminatory approach to reducing corporation writings, and
2301 may adopt a credit against assessment liability or other
2302 liability that provides an incentive for insurers to take risks
2303 out of the corporation and to keep risks out of the corporation
2304 by maintaining or increasing voluntary writings in counties or
2305 areas in which corporation risks are highly concentrated and a
2306 program to provide a formula under which an insurer voluntarily
2307 taking risks out of the corporation by maintaining or increasing
2308 voluntary writings will be relieved wholly or partially from
2309 assessments under sub-subparagraphs (b)3.a. and b. However, any
2310 "take-out bonus" or payment to an insurer must be conditioned on
2311 the property being insured for at least 5 years by the insurer,
2312 unless canceled or nonrenewed by the policyholder. If the policy
2313 is canceled or nonrenewed by the policyholder before the end of

2314 the 5-year period, the amount of the take-out bonus must be
2315 prorated for the time period the policy was insured. When the
2316 corporation enters into a contractual agreement for a take-out
2317 plan, the producing agent of record of the corporation policy is
2318 entitled to retain any unearned commission on such policy, and
2319 the insurer shall either:

2320 (I) Pay to the producing agent of record of the policy,
2321 for the first year, an amount which is the greater of the
2322 insurer's usual and customary commission for the type of policy
2323 written or a policy fee equal to the usual and customary
2324 commission of the corporation; or

2325 (II) Offer to allow the producing agent of record of the
2326 policy to continue servicing the policy for a period of not less
2327 than 1 year and offer to pay the agent the insurer's usual and
2328 customary commission for the type of policy written. If the
2329 producing agent is unwilling or unable to accept appointment by
2330 the new insurer, the new insurer shall pay the agent in
2331 accordance with sub-sub-subparagraph (I).

2332 b. Any credit or exemption from regular assessments
2333 adopted under this subparagraph shall last no longer than the 3
2334 years following the cancellation or expiration of the policy by
2335 the corporation. With the approval of the office, the board may
2336 extend such credits for an additional year if the insurer
2337 guarantees an additional year of renewability for all policies
2338 removed from the corporation, or for 2 additional years if the
2339 insurer guarantees 2 additional years of renewability for all
2340 policies so removed.

2341 c. There shall be no credit, limitation, exemption, or
2342 deferment from emergency assessments to be collected from
2343 policyholders pursuant to sub-subparagraph (b)3.d.

2344 4. The plan shall provide for the deferment, in whole or
2345 in part, of the assessment of an assessable insurer, other than
2346 an emergency assessment collected from policyholders pursuant to
2347 sub-subparagraph (b)3.d., if the office finds that payment of
2348 the assessment would endanger or impair the solvency of the
2349 insurer. In the event an assessment against an assessable
2350 insurer is deferred in whole or in part, the amount by which
2351 such assessment is deferred may be assessed against the other
2352 assessable insurers in a manner consistent with the basis for
2353 assessments set forth in paragraph (b).

2354 5. Effective July 1, 2007, in order to evaluate the costs
2355 and benefits of approved take-out plans, if the corporation pays
2356 a bonus or other payment to an insurer for an approved take-out
2357 plan, it shall maintain a record of the address or such other
2358 identifying information on the property or risk removed in order
2359 to track if and when the property or risk is later insured by
2360 the corporation.

2361 (q) Nothing in this subsection shall be construed to
2362 preclude the issuance of residential property insurance coverage
2363 pursuant to part VIII of chapter 626.

2364 (r) There shall be no liability on the part of, and no
2365 cause of action of any nature shall arise against, any
2366 assessable insurer or its agents or employees, the corporation
2367 or its agents or employees, members of the board of governors or
2368 their respective designees at a board meeting, corporation

2369 committee members, or the office or its representatives, for any
 2370 action taken by them in the performance of their duties or
 2371 responsibilities under this subsection. Such immunity does not
 2372 apply to:

- 2373 1. Any of the foregoing persons or entities for any
 2374 willful tort;
- 2375 2. The corporation or its producing agents for breach of
 2376 any contract or agreement pertaining to insurance coverage;
- 2377 3. The corporation with respect to issuance or payment of
 2378 debt; or
- 2379 4. Any assessable insurer with respect to any action to
 2380 enforce an assessable insurer's obligations to the corporation
 2381 under this subsection.

2382 (s) For the purposes of s. 199.183(1), the corporation
 2383 shall be considered a political subdivision of the state and
 2384 shall be exempt from the corporate income tax. The premiums,
 2385 assessments, investment income, and other revenue of the
 2386 corporation are funds received for providing property insurance
 2387 coverage as required by this subsection, paying claims for
 2388 Florida citizens insured by the corporation, securing and
 2389 repaying debt obligations issued by the corporation, and
 2390 conducting all other activities of the corporation, and shall
 2391 not be considered taxes, fees, licenses, or charges for services
 2392 imposed by the Legislature on individuals, businesses, or
 2393 agencies outside state government. Bonds and other debt
 2394 obligations issued by or on behalf of the corporation are not to
 2395 be considered "state bonds" within the meaning of s. 215.58(8).
 2396 The corporation is not subject to the procurement provisions of

2397 chapter 287, and policies and decisions of the corporation
2398 relating to incurring debt, levying of assessments and the sale,
2399 issuance, continuation, terms and claims under corporation
2400 policies, and all services relating thereto, are not subject to
2401 the provisions of chapter 120. The corporation is not required
2402 to obtain or to hold a certificate of authority issued by the
2403 office, nor is it required to participate as a member insurer of
2404 the Florida Insurance Guaranty Association. However, the
2405 corporation is required to pay, in the same manner as an
2406 authorized insurer, assessments pledged by the Florida Insurance
2407 Guaranty Association to secure bonds issued or other
2408 indebtedness incurred to pay covered claims arising from insurer
2409 insolvencies caused by, or proximately related to, hurricane
2410 losses. It is the intent of the Legislature that the tax
2411 exemptions provided in this paragraph will augment the financial
2412 resources of the corporation to better enable the corporation to
2413 fulfill its public purposes. Any debt obligations issued by the
2414 corporation, their transfer, and the income therefrom, including
2415 any profit made on the sale thereof, shall at all times be free
2416 from taxation of every kind by the state and any political
2417 subdivision or local unit or other instrumentality thereof;
2418 however, this exemption does not apply to any tax imposed by
2419 chapter 220 on interest, income, or profits on debt obligations
2420 owned by corporations other than the corporation.

2421 (t) Upon a determination by the office that the conditions
2422 giving rise to the establishment and activation of the
2423 corporation no longer exist, the corporation is dissolved. Upon
2424 dissolution, the assets of the corporation shall be applied

2425 first to pay all debts, liabilities, and obligations of the
 2426 corporation, including the establishment of reasonable reserves
 2427 for any contingent liabilities or obligations, and all remaining
 2428 assets of the corporation shall become property of the state and
 2429 shall be deposited in the Florida Hurricane Catastrophe Fund.
 2430 However, no dissolution shall take effect as long as the
 2431 corporation has bonds or other financial obligations outstanding
 2432 unless adequate provision has been made for the payment of the
 2433 bonds or other financial obligations pursuant to the documents
 2434 authorizing the issuance of the bonds or other financial
 2435 obligations.

2436 (u)1. Effective July 1, 2002, policies of the Residential
 2437 Property and Casualty Joint Underwriting Association shall
 2438 become policies of the corporation. All obligations, rights,
 2439 assets and liabilities of the Residential Property and Casualty
 2440 Joint Underwriting Association, including bonds, note and debt
 2441 obligations, and the financing documents pertaining to them
 2442 become those of the corporation as of July 1, 2002. The
 2443 corporation is not required to issue endorsements or
 2444 certificates of assumption to insureds during the remaining term
 2445 of in-force transferred policies.

2446 2. Effective July 1, 2002, policies of the Florida
 2447 Windstorm Underwriting Association are transferred to the
 2448 corporation and shall become policies of the corporation. All
 2449 obligations, rights, assets, and liabilities of the Florida
 2450 Windstorm Underwriting Association, including bonds, note and
 2451 debt obligations, and the financing documents pertaining to them
 2452 are transferred to and assumed by the corporation on July 1,

2453 2002. The corporation is not required to issue endorsements or
2454 certificates of assumption to insureds during the remaining term
2455 of in-force transferred policies.

2456 3. The Florida Windstorm Underwriting Association and the
2457 Residential Property and Casualty Joint Underwriting Association
2458 shall take all actions as may be proper to further evidence the
2459 transfers and shall provide the documents and instruments of
2460 further assurance as may reasonably be requested by the
2461 corporation for that purpose. The corporation shall execute
2462 assumptions and instruments as the trustees or other parties to
2463 the financing documents of the Florida Windstorm Underwriting
2464 Association or the Residential Property and Casualty Joint
2465 Underwriting Association may reasonably request to further
2466 evidence the transfers and assumptions, which transfers and
2467 assumptions, however, are effective on the date provided under
2468 this paragraph whether or not, and regardless of the date on
2469 which, the assumptions or instruments are executed by the
2470 corporation. Subject to the relevant financing documents
2471 pertaining to their outstanding bonds, notes, indebtedness, or
2472 other financing obligations, the moneys, investments,
2473 receivables, choses in action, and other intangibles of the
2474 Florida Windstorm Underwriting Association shall be credited to
2475 the high-risk account of the corporation, and those of the
2476 personal lines residential coverage account and the commercial
2477 lines residential coverage account of the Residential Property
2478 and Casualty Joint Underwriting Association shall be credited to
2479 the personal lines account and the commercial lines account,
2480 respectively, of the corporation.

2481 4. Effective July 1, 2002, a new applicant for property
2482 insurance coverage who would otherwise have been eligible for
2483 coverage in the Florida Windstorm Underwriting Association is
2484 eligible for coverage from the corporation as provided in this
2485 subsection.

2486 5. The transfer of all policies, obligations, rights,
2487 assets, and liabilities from the Florida Windstorm Underwriting
2488 Association to the corporation and the renaming of the
2489 Residential Property and Casualty Joint Underwriting Association
2490 as the corporation shall in no way affect the coverage with
2491 respect to covered policies as defined in s. 215.555(2)(c)
2492 provided to these entities by the Florida Hurricane Catastrophe
2493 Fund. The coverage provided by the Florida Hurricane Catastrophe
2494 Fund to the Florida Windstorm Underwriting Association based on
2495 its exposures as of June 30, 2002, and each June 30 thereafter
2496 shall be redesignated as coverage for the high-risk account of
2497 the corporation. Notwithstanding any other provision of law, the
2498 coverage provided by the Florida Hurricane Catastrophe Fund to
2499 the Residential Property and Casualty Joint Underwriting
2500 Association based on its exposures as of June 30, 2002, and each
2501 June 30 thereafter shall be transferred to the personal lines
2502 account and the commercial lines account of the corporation.
2503 Notwithstanding any other provision of law, the high-risk
2504 account shall be treated, for all Florida Hurricane Catastrophe
2505 Fund purposes, as if it were a separate participating insurer
2506 with its own exposures, reimbursement premium, and loss
2507 reimbursement. Likewise, the personal lines and commercial lines
2508 accounts shall be viewed together, for all Florida Hurricane

2509 Catastrophe Fund purposes, as if the two accounts were one and
 2510 represent a single, separate participating insurer with its own
 2511 exposures, reimbursement premium, and loss reimbursement. The
 2512 coverage provided by the Florida Hurricane Catastrophe Fund to
 2513 the corporation shall constitute and operate as a full transfer
 2514 of coverage from the Florida Windstorm Underwriting Association
 2515 and Residential Property and Casualty Joint Underwriting to the
 2516 corporation.

2517 (v) Notwithstanding any other provision of law:

2518 1. The pledge or sale of, the lien upon, and the security
 2519 interest in any rights, revenues, or other assets of the
 2520 corporation created or purported to be created pursuant to any
 2521 financing documents to secure any bonds or other indebtedness of
 2522 the corporation shall be and remain valid and enforceable,
 2523 notwithstanding the commencement of and during the continuation
 2524 of, and after, any rehabilitation, insolvency, liquidation,
 2525 bankruptcy, receivership, conservatorship, reorganization, or
 2526 similar proceeding against the corporation under the laws of
 2527 this state.

2528 2. No such proceeding shall relieve the corporation of its
 2529 obligation, or otherwise affect its ability to perform its
 2530 obligation, to continue to collect, or levy and collect,
 2531 assessments, market equalization or other surcharges under
 2532 subparagraph (c)~~11.10~~, or any other rights, revenues, or other
 2533 assets of the corporation pledged pursuant to any financing
 2534 documents.

2535 3. Each such pledge or sale of, lien upon, and security
 2536 interest in, including the priority of such pledge, lien, or

2537 security interest, any such assessments, market equalization or
 2538 other surcharges, or other rights, revenues, or other assets
 2539 which are collected, or levied and collected, after the
 2540 commencement of and during the pendency of, or after, any such
 2541 proceeding shall continue unaffected by such proceeding. As used
 2542 in this subsection, the term "financing documents" means any
 2543 agreement or agreements, instrument or instruments, or other
 2544 document or documents now existing or hereafter created
 2545 evidencing any bonds or other indebtedness of the corporation or
 2546 pursuant to which any such bonds or other indebtedness has been
 2547 or may be issued and pursuant to which any rights, revenues, or
 2548 other assets of the corporation are pledged or sold to secure
 2549 the repayment of such bonds or indebtedness, together with the
 2550 payment of interest on such bonds or such indebtedness, or the
 2551 payment of any other obligation or financial product, as defined
 2552 in the plan of operation of the corporation related to such
 2553 bonds or indebtedness.

2554 4. Any such pledge or sale of assessments, revenues,
 2555 contract rights, or other rights or assets of the corporation
 2556 shall constitute a lien and security interest, or sale, as the
 2557 case may be, that is immediately effective and attaches to such
 2558 assessments, revenues, or contract rights or other rights or
 2559 assets, whether or not imposed or collected at the time the
 2560 pledge or sale is made. Any such pledge or sale is effective,
 2561 valid, binding, and enforceable against the corporation or other
 2562 entity making such pledge or sale, and valid and binding against
 2563 and superior to any competing claims or obligations owed to any
 2564 other person or entity, including policyholders in this state,

2565 asserting rights in any such assessments, revenues, or contract
2566 rights or other rights or assets to the extent set forth in and
2567 in accordance with the terms of the pledge or sale contained in
2568 the applicable financing documents, whether or not any such
2569 person or entity has notice of such pledge or sale and without
2570 the need for any physical delivery, recordation, filing, or
2571 other action.

2572 5. As long as the corporation has any bonds outstanding,
2573 the corporation may not file a voluntary petition under chapter
2574 9 of the federal Bankruptcy Code or such corresponding chapter
2575 or sections as may be in effect, from time to time, and a public
2576 officer or any organization, entity, or other person may not
2577 authorize the corporation to be or become a debtor under chapter
2578 9 of the federal Bankruptcy Code or such corresponding chapter
2579 or sections as may be in effect, from time to time, during any
2580 such period.

2581 6. If ordered by a court of competent jurisdiction, the
2582 corporation may assume policies or otherwise provide coverage
2583 for policyholders of an insurer placed in liquidation under
2584 chapter 631, under such forms, rates, terms, and conditions as
2585 the corporation deems appropriate, subject to approval by the
2586 office.

2587 (w)1. The following records of the corporation are
2588 confidential and exempt from the provisions of s. 119.07(1) and
2589 s. 24(a), Art. I of the State Constitution:

2590 a. Underwriting files, except that a policyholder or an
2591 applicant shall have access to his or her own underwriting
2592 files.

2593 b. Claims files, until termination of all litigation and
2594 settlement of all claims arising out of the same incident,
2595 although portions of the claims files may remain exempt, as
2596 otherwise provided by law. Confidential and exempt claims file
2597 records may be released to other governmental agencies upon
2598 written request and demonstration of need; such records held by
2599 the receiving agency remain confidential and exempt as provided
2600 for herein.

2601 c. Records obtained or generated by an internal auditor
2602 pursuant to a routine audit, until the audit is completed, or if
2603 the audit is conducted as part of an investigation, until the
2604 investigation is closed or ceases to be active. An investigation
2605 is considered "active" while the investigation is being
2606 conducted with a reasonable, good faith belief that it could
2607 lead to the filing of administrative, civil, or criminal
2608 proceedings.

2609 d. Matters reasonably encompassed in privileged attorney-
2610 client communications.

2611 e. Proprietary information licensed to the corporation
2612 under contract and the contract provides for the confidentiality
2613 of such proprietary information.

2614 f. All information relating to the medical condition or
2615 medical status of a corporation employee which is not relevant
2616 to the employee's capacity to perform his or her duties, except
2617 as otherwise provided in this paragraph. Information which is
2618 exempt shall include, but is not limited to, information
2619 relating to workers' compensation, insurance benefits, and
2620 retirement or disability benefits.

2621 g. Upon an employee's entrance into the employee
 2622 assistance program, a program to assist any employee who has a
 2623 behavioral or medical disorder, substance abuse problem, or
 2624 emotional difficulty which affects the employee's job
 2625 performance, all records relative to that participation shall be
 2626 confidential and exempt from the provisions of s. 119.07(1) and
 2627 s. 24(a), Art. I of the State Constitution, except as otherwise
 2628 provided in s. 112.0455(11).

2629 h. Information relating to negotiations for financing,
 2630 reinsurance, depopulation, or contractual services, until the
 2631 conclusion of the negotiations.

2632 i. Minutes of closed meetings regarding underwriting
 2633 files, and minutes of closed meetings regarding an open claims
 2634 file until termination of all litigation and settlement of all
 2635 claims with regard to that claim, except that information
 2636 otherwise confidential or exempt by law will be redacted.

2637
 2638 When an authorized insurer is considering underwriting a risk
 2639 insured by the corporation, relevant underwriting files and
 2640 confidential claims files may be released to the insurer
 2641 provided the insurer agrees in writing, notarized and under
 2642 oath, to maintain the confidentiality of such files. When a file
 2643 is transferred to an insurer that file is no longer a public
 2644 record because it is not held by an agency subject to the
 2645 provisions of the public records law. Underwriting files and
 2646 confidential claims files may also be released to staff of and
 2647 the board of governors of the market assistance plan established
 2648 pursuant to s. 627.3515, who must retain the confidentiality of

2649 such files, except such files may be released to authorized
2650 insurers that are considering assuming the risks to which the
2651 files apply, provided the insurer agrees in writing, notarized
2652 and under oath, to maintain the confidentiality of such files.
2653 Finally, the corporation or the board or staff of the market
2654 assistance plan may make the following information obtained from
2655 underwriting files and confidential claims files available to
2656 licensed general lines insurance agents: name, address, and
2657 telephone number of the residential property owner or insured;
2658 location of the risk; rating information; loss history; and
2659 policy type. The receiving licensed general lines insurance
2660 agent must retain the confidentiality of the information
2661 received.

2662 2. Portions of meetings of the corporation are exempt from
2663 the provisions of s. 286.011 and s. 24(b), Art. I of the State
2664 Constitution wherein confidential underwriting files or
2665 confidential open claims files are discussed. All portions of
2666 corporation meetings which are closed to the public shall be
2667 recorded by a court reporter. The court reporter shall record
2668 the times of commencement and termination of the meeting, all
2669 discussion and proceedings, the names of all persons present at
2670 any time, and the names of all persons speaking. No portion of
2671 any closed meeting shall be off the record. Subject to the
2672 provisions hereof and s. 119.07(1)(b)-(d), the court reporter's
2673 notes of any closed meeting shall be retained by the corporation
2674 for a minimum of 5 years. A copy of the transcript, less any
2675 exempt matters, of any closed meeting wherein claims are

2676 discussed shall become public as to individual claims after
2677 settlement of the claim.

2678 (x) It is the intent of the Legislature that the
2679 amendments to this subsection enacted in 2002 should, over time,
2680 reduce the probable maximum windstorm losses in the residual
2681 markets and should reduce the potential assessments to be levied
2682 on property insurers and policyholders statewide. In furtherance
2683 of this intent:

2684 1. The board shall, on or before February 1 of each year,
2685 provide a report to the President of the Senate and the Speaker
2686 of the House of Representatives showing the reduction or
2687 increase in the 100-year probable maximum loss attributable to
2688 wind-only coverages and the quota share program under this
2689 subsection combined, as compared to the benchmark 100-year
2690 probable maximum loss of the Florida Windstorm Underwriting
2691 Association. For purposes of this paragraph, the benchmark 100-
2692 year probable maximum loss of the Florida Windstorm Underwriting
2693 Association shall be the calculation dated February 2001 and
2694 based on November 30, 2000, exposures. In order to ensure
2695 comparability of data, the board shall use the same methods for
2696 calculating its probable maximum loss as were used to calculate
2697 the benchmark probable maximum loss.

2698 2. Beginning February 1, 2010, if the report under
2699 subparagraph 1. for any year indicates that the 100-year
2700 probable maximum loss attributable to wind-only coverages and
2701 the quota share program combined does not reflect a reduction of
2702 at least 25 percent from the benchmark, the board shall reduce
2703 the boundaries of the high-risk area eligible for wind-only

2704 coverages under this subsection in a manner calculated to reduce
 2705 such probable maximum loss to an amount at least 25 percent
 2706 below the benchmark.

2707 3. Beginning February 1, 2015, if the report under
 2708 subparagraph 1. for any year indicates that the 100-year
 2709 probable maximum loss attributable to wind-only coverages and
 2710 the quota share program combined does not reflect a reduction of
 2711 at least 50 percent from the benchmark, the boundaries of the
 2712 high-risk area eligible for wind-only coverages under this
 2713 subsection shall be reduced by the elimination of any area that
 2714 is not seaward of a line 1,000 feet inland from the Intracoastal
 2715 Waterway.

2716 (y) In enacting the provisions of this section, the
 2717 Legislature recognizes that both the Florida Windstorm
 2718 Underwriting Association and the Residential Property and
 2719 Casualty Joint Underwriting Association have entered into
 2720 financing arrangements that obligate each entity to service its
 2721 debts and maintain the capacity to repay funds secured under
 2722 these financing arrangements. It is the intent of the
 2723 Legislature that nothing in this section be construed to
 2724 compromise, diminish, or interfere with the rights of creditors
 2725 under such financing arrangements. It is further the intent of
 2726 the Legislature to preserve the obligations of the Florida
 2727 Windstorm Underwriting Association and Residential Property and
 2728 Casualty Joint Underwriting Association with regard to
 2729 outstanding financing arrangements, with such obligations
 2730 passing entirely and unchanged to the corporation and,
 2731 specifically, to the applicable account of the corporation. So

2732 long as any bonds, notes, indebtedness, or other financing
2733 obligations of the Florida Windstorm Underwriting Association or
2734 the Residential Property and Casualty Joint Underwriting
2735 Association are outstanding, under the terms of the financing
2736 documents pertaining to them, the governing board of the
2737 corporation shall have and shall exercise the authority to levy,
2738 charge, collect, and receive all premiums, assessments,
2739 surcharges, charges, revenues, and receipts that the
2740 associations had authority to levy, charge, collect, or receive
2741 under the provisions of subsection (2) and this subsection,
2742 respectively, as they existed on January 1, 2002, to provide
2743 moneys, without exercise of the authority provided by this
2744 subsection, in at least the amounts, and by the times, as would
2745 be provided under those former provisions of subsection (2) or
2746 this subsection, respectively, so that the value, amount, and
2747 collectability of any assets, revenues, or revenue source
2748 pledged or committed to, or any lien thereon securing such
2749 outstanding bonds, notes, indebtedness, or other financing
2750 obligations will not be diminished, impaired, or adversely
2751 affected by the amendments made by this act and to permit
2752 compliance with all provisions of financing documents pertaining
2753 to such bonds, notes, indebtedness, or other financing
2754 obligations, or the security or credit enhancement for them, and
2755 any reference in this subsection to bonds, notes, indebtedness,
2756 financing obligations, or similar obligations, of the
2757 corporation shall include like instruments or contracts of the
2758 Florida Windstorm Underwriting Association and the Residential
2759 Property and Casualty Joint Underwriting Association to the

2760 extent not inconsistent with the provisions of the financing
2761 documents pertaining to them.

2762 (z) The corporation shall not require the securing of
2763 flood insurance as a condition of coverage if the insured or
2764 applicant executes a form approved by the office affirming that
2765 flood insurance is not provided by the corporation and that if
2766 flood insurance is not secured by the applicant or insured in
2767 addition to coverage by the corporation, the risk will not be
2768 covered for flood damage. A corporation policyholder electing
2769 not to secure flood insurance and executing a form as provided
2770 herein making a claim for water damage against the corporation
2771 shall have the burden of proving the damage was not caused by
2772 flooding. Notwithstanding other provisions of this subsection,
2773 the corporation may deny coverage to an applicant or insured who
2774 refuses to execute the form described herein.

2775 (aa) A salaried employee of the corporation who performs
2776 policy administration services subsequent to the effectuation of
2777 a corporation policy is not required to be licensed as an agent
2778 under the provisions of s. 626.112.

2779 (bb) By February 1, 2007, the corporation shall submit a
2780 report to the President of the Senate, the Speaker of the House
2781 of Representatives, the minority party leaders of the Senate and
2782 the House of Representatives, and the chairs of the standing
2783 committees of the Senate and the House of Representatives having
2784 jurisdiction over matters relating to property and casualty
2785 insurance. In preparing the report, the corporation shall
2786 consult with the Office of Insurance Regulation, the Department
2787 of Financial Services, and any other party the corporation

2788 determines appropriate. The report must include all findings and
 2789 recommendations on the feasibility of requiring authorized
 2790 insurers that issue and service personal and commercial
 2791 residential policies ~~and commercial nonresidential policies~~ that
 2792 provide coverage for basic property perils except for the peril
 2793 of wind to issue and service for a fee personal and commercial
 2794 residential policies ~~and commercial nonresidential policies~~
 2795 providing coverage for the peril of wind issued by the
 2796 corporation. The report must include:

2797 1. The expense savings to the corporation of issuing and
 2798 servicing such policies as determined by a cost-benefit
 2799 analysis.

2800 2. The expenses and liability to authorized insurers
 2801 associated with issuing and servicing such policies.

2802 3. The effect on service to policyholders of the
 2803 corporation relating to issuing and servicing such policies.

2804 4. The effect on the producing agent of the corporation of
 2805 issuing and servicing such policies.

2806 5. Recommendations as to the amount of the fee which
 2807 should be paid to authorized insurers for issuing and servicing
 2808 such policies.

2809 6. The effect that issuing and servicing such policies
 2810 will have on the corporation's number of policies, total insured
 2811 value, and probable maximum loss.

2812 (cc) There shall be no liability on the part of, and no
 2813 cause of action of any nature shall arise against, producing
 2814 agents of record of the corporation or employees of such agents
 2815 for insolvency of any take-out insurer.

2816 (dd)1. For policies subject to nonrenewal as a result of
 2817 the risk being no longer eligible for coverage due to being
 2818 valued at \$1 million or more, the corporation shall, directly or
 2819 through the market assistance plan, make information from
 2820 confidential underwriting and claims files of policyholders
 2821 available only to licensed general lines agents who register
 2822 with the corporation to receive such information according to
 2823 the following procedures:

2824 2. By August 1, 2006, the corporation shall provide such
 2825 policyholders who are not eligible for renewal the opportunity
 2826 to request in writing, within 30 days after the notification is
 2827 sent, that information from their confidential underwriting and
 2828 claims files not be released to licensed general lines agents
 2829 registered pursuant to this paragraph.

2830 3. By August 1, 2006, the corporation shall make available
 2831 to licensed general lines agents the registration procedures to
 2832 be used to obtain confidential information from underwriting and
 2833 claims files for such policies not eligible for renewal. As a
 2834 condition of registration, the corporation shall require the
 2835 licensed general lines agent to attest that the agent has the
 2836 experience and relationships with authorized or surplus lines
 2837 carriers to attempt to offer replacement coverage for such
 2838 policies.

2839 4. By September 1, 2006, the corporation shall make
 2840 available through a secured website to licensed general lines
 2841 agents registered pursuant to this paragraph application,
 2842 rating, loss history, mitigation, and policy type information
 2843 relating to such policies not eligible for renewal and for which

2844 the policyholder has not requested the corporation withhold such
2845 information. The registered licensed general lines agent may use
2846 such information to contact and assist the policyholder in
2847 securing replacement policies, and the agent may disclose to the
2848 policyholder that such information was obtained from the
2849 corporation.

2850 (ee) Effective June 1, 2007, all commercial nonresidential
2851 policies issued by the corporation as of May 31, 2007, shall
2852 become policies of the Property and Casualty Joint Underwriting
2853 Association created pursuant to subsection (5).

2854 Section 11. The Department of Financial Services shall
2855 review how insurance agent commissions for the placement and
2856 renewal of property insurance policies in Citizens Property
2857 Insurance Corporation are established and applied and shall make
2858 recommendations, based on industry best practices, for standards
2859 to ensure that agent commissions are justified on a market basis
2860 based on the nature and amount of work performed by the agents.
2861 The department shall report its findings and recommendations to
2862 the Governor, the President of the Senate, and the Speaker of
2863 the House of Representatives by July 1, 2007.

2864 Section 12. Task Force on Citizens Property Insurance
2865 Claims Handling and Resolution.--

2866 (1) TASK FORCE CREATED.--There is created the Task Force
2867 on Citizens Property Insurance Claims Handling and Resolution.

2868 (2) ADMINISTRATION.--The task force shall be
2869 administratively housed within the Office of the Chief Financial
2870 Officer but shall operate independently of any state officer or
2871 agency. The Office of the Chief Financial Officer shall provide

2872 such administrative support as the task force deems necessary to
 2873 accomplish its mission and shall provide necessary funding for
 2874 the task force within its existing resources. The Executive
 2875 Office of the Governor, the Department of Financial Services,
 2876 and the Office of Insurance Regulation shall provide substantive
 2877 staff support for the task force.

2878 (3) MEMBERSHIP.--The members of the task force shall be
 2879 appointed as follows:

2880 (a) The Governor shall appoint one member who is a
 2881 representative of insurance consumers.

2882 (b) The Chief Financial Officer shall appoint one member
 2883 who has expertise in claims handling.

2884 (c) The President of the Senate shall appoint one member.

2885 (d) The Speaker of the House of Representatives shall
 2886 appoint one member.

2887 (e) The Commissioner of Insurance Regulation, or his or
 2888 her designee, shall serve as an ex officio voting member of the
 2889 task force.

2890 (f) The Insurance Consumer Advocate, or his or her
 2891 designee, shall serve as an ex officio voting member of the task
 2892 force.

2893 (g) The Executive Director of Citizens Property Insurance
 2894 Corporation, or his or her designee, shall serve as an ex
 2895 officio voting member of the task force.

2896
 2897 Members of the task force shall serve without compensation but
 2898 are entitled to receive reimbursement for per diem and travel
 2899 expenses as provided in s. 112.061, Florida Statutes.

2900 (4) PURPOSE AND INTENT.--The Legislature recognizes that
 2901 policyholders and applicants of Citizens Property Insurance
 2902 Corporation should receive the highest possible level of service
 2903 and treatment. This level should never be less than the private
 2904 market. The Legislature further recognizes that Citizens
 2905 Property Insurance Corporation's service standards should be no
 2906 less than those applied to insurers in the voluntary market with
 2907 respect to responsiveness, timeliness, customer courtesy, and
 2908 overall dealings with policyholders and applicants. The purpose
 2909 of the task force is to make recommendations to the legislative
 2910 and executive branches of this state's government relating to
 2911 the handling, service, and resolution of claims by Citizens
 2912 Property Insurance Corporation that are sufficient to ensure
 2913 that all Citizens' policyholders and applicants in this state
 2914 are able to obtain appropriate handling, service, and resolution
 2915 of claims, as further described in this section.

2916 (5) SPECIFIC ISSUES.--The task force shall conduct such
 2917 research and hearings as it deems necessary to achieve the
 2918 purposes specified in subsection (4) and shall develop
 2919 information on relevant issues, including, but not limited to,
 2920 the following:

2921 (a) How Citizens Property Insurance Corporation can
 2922 improve its customer service.

2923 (b) How Citizens Property Insurance Corporation can
 2924 improve its adjuster response time after a hurricane.

2925 (c) How Citizens Property Insurance Corporation can
 2926 efficiently use its available adjusting sources for claims.

2927 (d) How Citizens Property Insurance Corporation can

2928 improve the time it takes to conduct damage assessments.
 2929 (e) How Citizens Property Insurance Corporation can
 2930 dispose of and settle claims remaining from the 2004 and 2005
 2931 hurricane seasons and can improve the time it takes to dispose
 2932 of and settle claims remaining from the 2004 and 2005 hurricane
 2933 seasons.
 2934 (f) How Citizens Property Insurance Corporation can
 2935 improve the time it takes to dispose of and settle claims.
 2936 (g) Whether Citizens Property Insurance Corporation has
 2937 hired an adequate level of permanent claims and adjusting staff
 2938 in addition to outsourcing its claims-adjusting functions to
 2939 independent adjusting firms.
 2940 (6) REPORTS AND RECOMMENDATIONS.--By July 1, 2007, the
 2941 task force shall provide a report containing recommendations
 2942 regarding the process Citizens Property Insurance Corporation
 2943 should use to dispose of the claims remaining open from the 2004
 2944 and 2005 hurricane seasons. By July 1, 2008, the task force
 2945 shall provide a report containing findings relating to the
 2946 issues identified in subsection (5) and recommendations
 2947 consistent with the purposes of this section and also consistent
 2948 with such findings. The report shall include recommendations
 2949 regarding the process Citizens Property Insurance Corporation
 2950 should use to dispose of claims. The task force shall submit the
 2951 reports to the Governor, the Chief Financial Officer, the
 2952 President of the Senate, and the Speaker of the House of
 2953 Representatives. The task force may also submit such interim
 2954 reports as it deems appropriate.
 2955 (7) ADDITIONAL ACTIVITIES.--The task force shall monitor

2956 the implementation of the provisions of chapter 2006-12, Laws of
 2957 Florida, relating to the creation of the Office of Internal
 2958 Auditor in Citizens Property Insurance Corporation and shall
 2959 make such additional recommendations as it deems appropriate for
 2960 further legislative action during the 2006-2008 legislative
 2961 biennium.

2962 (8) EXPIRATION.--The task force shall expire at the end of
 2963 the 2006-2008 legislative biennium.

2964 Section 13. Notwithstanding the provisions of s.
 2965 627.351(6), Florida Statutes, the existing board of governors of
 2966 Citizens Property Insurance Corporation appointed under s.
 2967 627.351(6)(c)4.a., Florida Statutes, is abolished effective
 2968 March 1, 2007. By March 2, 2007, pursuant to s.
 2969 627.351(6)(c)4.a., Florida Statutes, each appointing officer
 2970 shall appoint new members or reappoint existing members of the
 2971 board of governors of the corporation for the unexpired portions
 2972 of the terms of the existing board of governors.

2973 Section 14. Paragraph (e) of subsection (3) and subsection
 2974 (4) of section 631.57, Florida Statutes, are amended to read:

2975 631.57 Powers and duties of the association.--

2976 (3)

2977 (e)1.a. In addition to assessments otherwise authorized in
 2978 paragraph (a) and to the extent necessary to secure the funds
 2979 for the account specified in s. 631.55(2)(c) for the direct
 2980 payment of covered claims of insolvent homeowners insurers and
 2981 to pay the reasonable costs to administer such claims, or to
 2982 retire indebtedness, including, without limitation, the
 2983 principal, redemption premium, if any, and interest on, and

2984 related costs of issuance of, bonds issued under s. 631.695 and
 2985 the funding of any reserves and other payments required under
 2986 the bond resolution or trust indenture pursuant to which such
 2987 bonds have been issued, the office, upon certification of the
 2988 board of directors, shall levy emergency assessments upon
 2989 insurers holding a certificate of authority. The emergency
 2990 assessments payable under this paragraph by any insurer shall
 2991 not exceed in any single year more than 2 percent of that
 2992 insurer's direct written premiums, net of refunds, in this state
 2993 during the preceding calendar year for the kinds of insurance
 2994 within the account specified in s. 631.55(2)(c).

2995 b. Any emergency assessments authorized under this
 2996 paragraph shall be levied by the office upon insurers referred
 2997 to in sub-subparagraph a., upon certification as to the need for
 2998 such assessments by the board of directors. In the event the
 2999 board of directors participates in the issuance of bonds in
 3000 accordance with s. 631.695, emergency assessments shall be
 3001 levied, in each year that bonds issued under s. 631.695 and
 3002 secured by such emergency assessments are outstanding, in such
 3003 amounts up to such 2-percent limit as required in order to
 3004 provide for the full and timely payment of the principal of,
 3005 redemption premium, if any, and interest on, and related costs
 3006 of issuance of, such bonds. The emergency assessments provided
 3007 for in this paragraph are assigned and pledged to the
 3008 municipality, county, or legal entity issuing bonds under s.
 3009 631.695 for the benefit of the holders of such bonds, in order
 3010 to enable such municipality, county, or legal entity to provide
 3011 for the payment of the principal of, redemption premium, if any,

3012 and interest on such bonds, the cost of issuance of such bonds,
 3013 and the funding of any reserves and other payments required
 3014 under the bond resolution or trust indenture pursuant to which
 3015 such bonds have been issued, without the necessity of any
 3016 further action by the association, the office, or any other
 3017 party. To the extent bonds are issued under s. 631.695 and the
 3018 association determines to secure such bonds by a pledge of
 3019 revenues received from the emergency assessments, such bonds,
 3020 upon such pledge of revenues, shall be secured by and payable
 3021 from the proceeds of such emergency assessments, and the
 3022 proceeds of emergency assessments levied under this paragraph
 3023 shall be remitted directly to and administered by the trustee or
 3024 custodian appointed for such bonds.

3025 c. Emergency assessments under this paragraph may be
 3026 payable in a single payment or, at the option of the
 3027 association, may be payable in 12 monthly installments with the
 3028 first installment being due and payable at the end of the month
 3029 after an emergency assessment is levied and subsequent
 3030 installments being due not later than the end of each succeeding
 3031 month.

3032 d. If emergency assessments are imposed, the report
 3033 required by s. 631.695(7) shall include an analysis of the
 3034 revenues generated from the emergency assessments imposed under
 3035 this paragraph.

3036 e. If emergency assessments are imposed, the references in
 3037 sub-subparagraph (1)(a)3.b. and s. 631.695(2) and (7) to
 3038 assessments levied under paragraph (a) shall include emergency
 3039 assessments imposed under this paragraph.

3040 2. In order to ensure that insurers paying emergency
3041 assessments levied under this paragraph continue to charge rates
3042 that are neither inadequate nor excessive, within 90 days after
3043 being notified of such assessments, each insurer that is to be
3044 assessed pursuant to this paragraph shall submit a rate filing
3045 for coverage included within the account specified in s.
3046 631.55(2)(c) and for which rates are required to be filed under
3047 s. 627.062. If the filing reflects a rate change that, as a
3048 percentage, is equal to the difference between the rate of such
3049 assessment and the rate of the previous year's assessment under
3050 this paragraph, the filing shall consist of a certification so
3051 stating and shall be deemed approved when made. Any rate change
3052 of a different percentage shall be subject to the standards and
3053 procedures of s. 627.062.

3054 3. In the event the board of directors participates in the
3055 issuance of bonds in accordance with s. 631.695, an annual
3056 assessment under this paragraph shall continue while the bonds
3057 issued with respect to which the assessment was imposed are
3058 outstanding, including any bonds the proceeds of which were used
3059 to refund bonds issued pursuant to s. 631.695, unless adequate
3060 provision has been made for the payment of the bonds in the
3061 documents authorizing the issuance of such bonds.

3062 4. Emergency assessments under this paragraph are not
3063 premium and are not subject to the premium tax, to any fees, or
3064 to any commissions. An insurer is liable for all emergency
3065 assessments that the insurer collects and shall treat the
3066 failure of an insured to pay an emergency assessment as a

3067 failure to pay the premium. An insurer is not liable for
 3068 uncollectible emergency assessments.

3069 (4) The department may exempt any insurer from any regular
 3070 or emergency ~~an~~ assessment if an assessment would result in such
 3071 insurer's financial statement reflecting an amount of capital or
 3072 surplus less than the sum of the minimum amount required by any
 3073 jurisdiction in which the insurer is authorized to transact
 3074 insurance.

3075 Section 15. It is the intent of the Legislature that the
 3076 amendments to s. 631.57, Florida Statutes, by s. 34, chapter
 3077 2006-12, Laws of Florida, authorized the Florida Insurance
 3078 Guaranty Association to certify, and the Office of Insurance
 3079 Regulation to levy, an emergency assessment of up to 2 percent
 3080 to directly pay the covered claims out of the account specified
 3081 in s. 631.55(2)(c), Florida Statutes, or use such emergency
 3082 assessment proceeds to retire the indebtedness and costs of
 3083 bonds issued to pay such claims and reasonable claims
 3084 administration costs.

3085 Section 16. Subsections (1) and (2) of section 627.706,
 3086 Florida Statutes, are amended to read:

3087 627.706 Sinkhole insurance; definitions.--

3088 (1) Every insurer authorized to transact property
 3089 insurance in this state shall make available coverage for
 3090 insurable ~~sinkhole~~ losses on any structure, including contents
 3091 of personal property contained therein, resulting from a
 3092 catastrophic ground cover collapse ~~to the extent provided in the~~
 3093 ~~form to which the sinkhole coverage attaches.~~ A policy for
 3094 residential property insurance may include a deductible amount

3095 applicable to sinkhole losses equal to 1 percent, 2 percent, 5
 3096 percent, or 10 percent of the policy dwelling limits, with
 3097 appropriate premium discounts offered with each deductible
 3098 amount.

3099 (2) As used in ss. 627.706-627.7074, and as used in
 3100 connection with any policy providing coverage for ~~sinkhole~~
 3101 losses resulting from a catastrophic ground cover collapse:

3102 (a) "Catastrophic ground cover collapse" means geological
 3103 activity that, within a period of 7 days or less, results in the
 3104 collapse of the ground cover that renders the insured structure
 3105 uninhabitable. The term "catastrophic ground cover collapse"
 3106 does not include ground cover subsidence caused when, during a
 3107 period exceeding 7 days, the upper surface of limestone is
 3108 dissolved away and the ground cover slowly subsides to occupy
 3109 the space once occupied by limestone.

3110 (b) "Sinkhole Loss" means structural damage to a structure
 3111 or ~~the~~ building, including the foundation, caused by a
 3112 catastrophic ground cover collapse or sinkhole activity.
 3113 Contents coverage shall apply only if there is structural damage
 3114 to a structure or ~~the~~ building caused by a catastrophic ground
 3115 cover collapse or sinkhole activity. Structural damage
 3116 consisting merely of the settling or cracking of a foundation,
 3117 structure, or building does not constitute a loss resulting from
 3118 a catastrophic ground cover collapse or sinkhole activity.

3119 (c) ~~(d)~~ "Professional engineer" means a person, as defined
 3120 in s. 471.005, who has a bachelor's degree or higher in
 3121 engineering with a specialty in the geotechnical engineering
 3122 field. A professional engineer must have geotechnical experience

3123 and expertise in the identification of sinkhole activity as well
 3124 as other potential causes of damage to the structure.

3125 (d)~~(e)~~ "Professional geologist" means a person, as defined
 3126 by s. 492.102, who has a bachelor's degree or higher in geology
 3127 or related earth science with expertise in the geology of
 3128 Florida. A professional geologist must have geological
 3129 experience and expertise in the identification of sinkhole
 3130 activity as well as other potential geologic causes of damage to
 3131 the structure.

3132 (e)~~(a)~~ "Sinkhole" means a depression in the ground cover,
 3133 visible to the naked eye, ~~landform~~ created by subsidence of
 3134 soil, sediment, or rock as underlying strata are dissolved by
 3135 groundwater. A sinkhole may form by collapse into subterranean
 3136 voids created by dissolution of limestone or dolostone or by
 3137 subsidence as these strata are dissolved.

3138 (f)~~(e)~~ "Sinkhole activity" means settlement or systematic
 3139 weakening of the earth supporting such property only when such
 3140 settlement or systematic weakening results from movement or
 3141 raveling of soils, sediments, or rock materials into
 3142 subterranean voids created by the effect of water on a limestone
 3143 or similar rock formation.

3144 (g) "Uninhabitable" means condemned and ordered vacated by
 3145 the governmental agency charged with making such findings and
 3146 issuing such orders in the county in which the insured structure
 3147 is located.

3148 Section 17. Insurers offering policies of sinkhole
 3149 insurance shall inform policyholders in bold type of not less
 3150 than 14 points that the policyholder will not have sinkhole

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3151 coverage other than coverage for catastrophic ground cover
3152 collapse that results in the property being condemned and
3153 uninhabitable. In addition to coverage for such catastrophic
3154 loss, insurers shall offer sinkhole insurance coverage to
3155 policyholders for less than catastrophic loss and shall provide
3156 notice to policyholders of the availability of the additional
3157 coverage for an additional premium and the types of damage
3158 covered under the additional coverage.

3159 Section 18. This act shall take effect upon becoming a
3160 law.