

1 A bill to be entitled
2 An act relating to residential property insurance;
3 amending s. 627.062, F.S.; authorizing an insurer to use a
4 rate for residential property insurance that differs from
5 its otherwise filed rate after a specified date under
6 certain circumstances; requiring such rates to be filed
7 with the Office of Insurance Regulation; specifying the
8 maximum difference between rates; limiting the percentage
9 rate increase as to any individual policyholder;
10 preserving the authority of the office to disapprove a
11 rate for inadequacy or discrimination; providing a future
12 revision that requires the inclusion of a statement in
13 certain rate filings relating to the insurer's current or
14 future ability to cover a specified probable maximum loss,
15 requires certification by an insurer relating to the
16 insurer's ability to actually cover a specified probable
17 maximum loss, voids certain rates if an insurer fails to
18 maintain sufficient funds or coverages to cover a
19 specified probable maximum loss, and requires refunds and
20 credits to insureds if an insurer fails to maintain
21 sufficient funds or coverages to cover a specified
22 probable maximum loss; amending s. 627.351, F.S.;
23 requiring insurance agents to obtain a signed
24 acknowledgment from an applicant for coverage and certain
25 policyholders relating to surcharges and assessments
26 potentially being imposed under a Citizens Property
27 Insurance Corporation policy; requiring Citizens Property
28 Insurance Corporation to maintain signed acknowledgments

29 for a specified time; specifying that a signed
 30 acknowledgment creates an evidentiary presumption relating
 31 to an insured's liability for surcharges and assessments;
 32 creating s. 627.7031, F.S.; specifying circumstances under
 33 which an insurer may offer or renew residential property
 34 insurance policies subject to the amendments to s.
 35 627.062, F.S., contained in this act; prohibiting such
 36 insurers from procuring coverage under the temporary
 37 increase in coverage limits option; requiring specific
 38 notices to applicant or insured; requiring Citizens
 39 Property Insurance Corporation premium estimates and
 40 signed acknowledgments; specifying ineligible types of
 41 policies; providing a future revision requiring an insurer
 42 to have certain resources to cover a specified probable
 43 maximum loss in order to offer or renew policies at
 44 certain rates; providing effective dates.

45
 46 Be It Enacted by the Legislature of the State of Florida:

47
 48 Section 1. Paragraph (1) is added to subsection (2) of
 49 section 627.062, Florida Statutes, to read:

50 627.062 Rate standards.—

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

52 (1)1. On or after January 1, 2012, an insurer complying
 53 with the requirements of s. 627.7031 may use a rate for
 54 residential property insurance when providing residential
 55 coverage, as described in s. 627.4025, different from the
 56 otherwise applicable filed rate as provided in this paragraph.

57 2. Policies subject to this paragraph may not be counted
58 in the calculation under s. 627.171(2).

59 3. Such rates shall be filed with the office as a separate
60 filing. The initial rates used by an insurer under this
61 paragraph may not provide for rates that represent more than a
62 15-percent statewide average rate increase over the most
63 recently filed and approved rate. A rate filing under this
64 paragraph submitted in any year after the implementation of such
65 initial rates may not provide for rates that represent more than
66 a 15-percent statewide average rate increase in a year over the
67 rates in effect under this paragraph at the time of the filing.
68 A rate filing under this paragraph may not provide for a
69 percentage rate increase as to any individual policyholder that
70 exceeds 2 times the statewide average rate increase provided for
71 in the filing.

72 4. This paragraph does not affect the authority of the
73 office to disapprove a rate as inadequate or to disapprove a
74 rate filing for charging any insured or applicant a higher
75 premium solely because of the insured's or applicant's race,
76 color, creed, marital status, sex, or national origin. Upon
77 finding that an insurer has used any such factor in charging an
78 insured or applicant a higher premium, the office may direct the
79 insurer to make a new filing for a new rate that does not use
80 such factor.

81
82 The provisions of this subsection shall not apply to workers'
83 compensation and employer's liability insurance and to motor
84 vehicle insurance.

85 Section 2. Effective January 1, 2015, paragraph (1) of
 86 subsection (2) of section 627.062, Florida Statutes, as created
 87 by this act, is amended to read:

88 627.062 Rate standards.—

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

90 (1)1. On or after January 1, 2012, an insurer complying
 91 with the requirements of s. 627.7031 may use a rate for
 92 residential property insurance when providing residential
 93 coverage, as described in s. 627.4025, different from the
 94 otherwise applicable filed rate as provided in this paragraph.

95 2. Policies subject to this paragraph may not be counted
 96 in the calculation under s. 627.171(2).

97 3. Such rates shall be filed with the office as a separate
 98 filing. The initial rates used by an insurer under this
 99 paragraph may not provide for rates that represent more than a
 100 15-percent statewide average rate increase over the most
 101 recently filed and approved rate. A rate filing under this
 102 paragraph submitted in any year after the implementation of such
 103 initial rates may not provide for rates that represent more than
 104 a 15-percent statewide average rate increase in a year over the
 105 rates in effect under this paragraph at the time of the filing.
 106 A rate filing under this paragraph may not provide for a
 107 percentage rate increase as to any individual policyholder that
 108 exceeds 2 times the statewide average rate increase provided for
 109 in the filing.

110 4.a. A filing under this paragraph must include a
 111 statement that the insurer has in place, or intends to have in
 112 place as of the effective date of the rates, a combination of

HB 885

2011

113 surplus, Florida Hurricane Catastrophe Fund coverage,
114 reinsurance, and reinsurance equivalents sufficient to cover the
115 insurer's 100-year probable maximum seasonal hurricane loss as
116 described in s. 627.7031.

117 b. No later than the last day of July of a year in which
118 the rates are in effect, the insurer must provide its
119 certification to the office demonstrating that it in fact has in
120 place a combination of surplus, Florida Hurricane Catastrophe
121 Fund Coverage, reinsurance, and reinsurance equivalents
122 sufficient to cover the insurer's 100-year probable maximum
123 seasonal hurricane loss as described in s. 627.7031.

124 c. If the insurer fails to maintain the required
125 combination of surplus, Florida Hurricane Catastrophe Fund
126 Coverage, reinsurance, and reinsurance equivalents, the subject
127 rate filing under this paragraph is void and shall be replaced
128 by the insurer's rates in effect under this paragraph at the
129 time of the filing, retroactive to the effective date of the
130 subject rate filing under this paragraph. In such circumstances,
131 the office shall order the insurer to return to each insured the
132 difference between the premium calculated according to the rate
133 filing under this paragraph and the premium under the rates in
134 effect under this paragraph at the time of the subject filing,
135 which may, in the discretion of the insurer, be in the form of
136 either a refund or a credit. Nothing in this sub-subparagraph
137 precludes the insurer from making another filing under this
138 paragraph, but such filing may not take effect before June 1 of
139 the following year.

140 5.4. This paragraph does not affect the authority of the
 141 office to disapprove a rate as inadequate or to disapprove a
 142 rate filing for charging any insured or applicant a higher
 143 premium solely because of the insured's or applicant's race,
 144 color, creed, marital status, sex, or national origin. Upon
 145 finding that an insurer has used any such factor in charging an
 146 insured or applicant a higher premium, the office may direct the
 147 insurer to make a new filing for a new rate that does not use
 148 such factor.

149
 150 The provisions of this subsection shall not apply to workers'
 151 compensation and employer's liability insurance and to motor
 152 vehicle insurance.

153 Section 3. Paragraph (c) of subsection (6) of section
 154 627.351, Florida Statutes, is amended to read:

155 627.351 Insurance risk apportionment plans.—

156 (6) CITIZENS PROPERTY INSURANCE CORPORATION.—

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

158 1. Must provide for adoption of residential property and
 159 casualty insurance policy forms and commercial residential and
 160 nonresidential property insurance forms, which forms must be
 161 approved by the office prior to use. The corporation shall adopt
 162 the following policy forms:

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

167 b. Basic personal lines policy forms that are policies

HB 885

2011

168 similar to an HO-8 policy or a dwelling fire policy that provide
169 coverage meeting the requirements of the secondary mortgage
170 market, but which coverage is more limited than the coverage
171 under a standard policy.

172 c. Commercial lines residential and nonresidential policy
173 forms that are generally similar to the basic perils of full
174 coverage obtainable for commercial residential structures and
175 commercial nonresidential structures in the admitted voluntary
176 market.

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

182 e. Commercial lines nonresidential property insurance
183 forms that cover the peril of wind only. The forms are
184 applicable only to nonresidential properties located in areas
185 eligible for coverage under the high-risk account referred to in
186 sub-subparagraph (b)2.a.

187 f. The corporation may adopt variations of the policy
188 forms listed in sub-subparagraphs a.-e. that contain more
189 restrictive coverage.

190 2.a. Must provide that the corporation adopt a program in
191 which the corporation and authorized insurers enter into quota
192 share primary insurance agreements for hurricane coverage, as
193 defined in s. 627.4025(2)(a), for eligible risks, and adopt
194 property insurance forms for eligible risks which cover the
195 peril of wind only. As used in this subsection, the term:

HB 885

2011

196 (I) "Quota share primary insurance" means an arrangement
197 in which the primary hurricane coverage of an eligible risk is
198 provided in specified percentages by the corporation and an
199 authorized insurer. The corporation and authorized insurer are
200 each solely responsible for a specified percentage of hurricane
201 coverage of an eligible risk as set forth in a quota share
202 primary insurance agreement between the corporation and an
203 authorized insurer and the insurance contract. The
204 responsibility of the corporation or authorized insurer to pay
205 its specified percentage of hurricane losses of an eligible
206 risk, as set forth in the quota share primary insurance
207 agreement, may not be altered by the inability of the other
208 party to the agreement to pay its specified percentage of
209 hurricane losses. Eligible risks that are provided hurricane
210 coverage through a quota share primary insurance arrangement
211 must be provided policy forms that set forth the obligations of
212 the corporation and authorized insurer under the arrangement,
213 clearly specify the percentages of quota share primary insurance
214 provided by the corporation and authorized insurer, and
215 conspicuously and clearly state that neither the authorized
216 insurer nor the corporation may be held responsible beyond its
217 specified percentage of coverage of hurricane losses.

218 (II) "Eligible risks" means personal lines residential and
219 commercial lines residential risks that meet the underwriting
220 criteria of the corporation and are located in areas that were
221 eligible for coverage by the Florida Windstorm Underwriting
222 Association on January 1, 2002.

223 b. The corporation may enter into quota share primary

224 insurance agreements with authorized insurers at corporation
225 coverage levels of 90 percent and 50 percent.

226 c. If the corporation determines that additional coverage
227 levels are necessary to maximize participation in quota share
228 primary insurance agreements by authorized insurers, the
229 corporation may establish additional coverage levels. However,
230 the corporation's quota share primary insurance coverage level
231 may not exceed 90 percent.

232 d. Any quota share primary insurance agreement entered
233 into between an authorized insurer and the corporation must
234 provide for a uniform specified percentage of coverage of
235 hurricane losses, by county or territory as set forth by the
236 corporation board, for all eligible risks of the authorized
237 insurer covered under the quota share primary insurance
238 agreement.

239 e. Any quota share primary insurance agreement entered
240 into between an authorized insurer and the corporation is
241 subject to review and approval by the office. However, such
242 agreement shall be authorized only as to insurance contracts
243 entered into between an authorized insurer and an insured who is
244 already insured by the corporation for wind coverage.

245 f. For all eligible risks covered under quota share
246 primary insurance agreements, the exposure and coverage levels
247 for both the corporation and authorized insurers shall be
248 reported by the corporation to the Florida Hurricane Catastrophe
249 Fund. For all policies of eligible risks covered under quota
250 share primary insurance agreements, the corporation and the
251 authorized insurer shall maintain complete and accurate records

HB 885

2011

252 | for the purpose of exposure and loss reimbursement audits as
253 | required by Florida Hurricane Catastrophe Fund rules. The
254 | corporation and the authorized insurer shall each maintain
255 | duplicate copies of policy declaration pages and supporting
256 | claims documents.

257 | g. The corporation board shall establish in its plan of
258 | operation standards for quota share agreements which ensure that
259 | there is no discriminatory application among insurers as to the
260 | terms of quota share agreements, pricing of quota share
261 | agreements, incentive provisions if any, and consideration paid
262 | for servicing policies or adjusting claims.

263 | h. The quota share primary insurance agreement between the
264 | corporation and an authorized insurer must set forth the
265 | specific terms under which coverage is provided, including, but
266 | not limited to, the sale and servicing of policies issued under
267 | the agreement by the insurance agent of the authorized insurer
268 | producing the business, the reporting of information concerning
269 | eligible risks, the payment of premium to the corporation, and
270 | arrangements for the adjustment and payment of hurricane claims
271 | incurred on eligible risks by the claims adjuster and personnel
272 | of the authorized insurer. Entering into a quota sharing
273 | insurance agreement between the corporation and an authorized
274 | insurer shall be voluntary and at the discretion of the
275 | authorized insurer.

276 | 3. May provide that the corporation may employ or
277 | otherwise contract with individuals or other entities to provide
278 | administrative or professional services that may be appropriate
279 | to effectuate the plan. The corporation shall have the power to

HB 885

2011

280 borrow funds, by issuing bonds or by incurring other
281 indebtedness, and shall have other powers reasonably necessary
282 to effectuate the requirements of this subsection, including,
283 without limitation, the power to issue bonds and incur other
284 indebtedness in order to refinance outstanding bonds or other
285 indebtedness. The corporation may, but is not required to, seek
286 judicial validation of its bonds or other indebtedness under
287 chapter 75. The corporation may issue bonds or incur other
288 indebtedness, or have bonds issued on its behalf by a unit of
289 local government pursuant to subparagraph (q)2., in the absence
290 of a hurricane or other weather-related event, upon a
291 determination by the corporation, subject to approval by the
292 office, that such action would enable it to efficiently meet the
293 financial obligations of the corporation and that such
294 financings are reasonably necessary to effectuate the
295 requirements of this subsection. The corporation is authorized
296 to take all actions needed to facilitate tax-free status for any
297 such bonds or indebtedness, including formation of trusts or
298 other affiliated entities. The corporation shall have the
299 authority to pledge assessments, projected recoveries from the
300 Florida Hurricane Catastrophe Fund, other reinsurance
301 recoverables, market equalization and other surcharges, and
302 other funds available to the corporation as security for bonds
303 or other indebtedness. In recognition of s. 10, Art. I of the
304 State Constitution, prohibiting the impairment of obligations of
305 contracts, it is the intent of the Legislature that no action be
306 taken whose purpose is to impair any bond indenture or financing
307 agreement or any revenue source committed by contract to such

HB 885

2011

308 | bond or other indebtedness.

309 | 4.a. Must require that the corporation operate subject to
310 | the supervision and approval of a board of governors consisting
311 | of eight individuals who are residents of this state, from
312 | different geographical areas of this state. The Governor, the
313 | Chief Financial Officer, the President of the Senate, and the
314 | Speaker of the House of Representatives shall each appoint two
315 | members of the board. At least one of the two members appointed
316 | by each appointing officer must have demonstrated expertise in
317 | insurance. The Chief Financial Officer shall designate one of
318 | the appointees as chair. All board members serve at the pleasure
319 | of the appointing officer. All members of the board of governors
320 | are subject to removal at will by the officers who appointed
321 | them. All board members, including the chair, must be appointed
322 | to serve for 3-year terms beginning annually on a date
323 | designated by the plan. However, for the first term beginning on
324 | or after July 1, 2009, each appointing officer shall appoint one
325 | member of the board for a 2-year term and one member for a 3-
326 | year term. Any board vacancy shall be filled for the unexpired
327 | term by the appointing officer. The Chief Financial Officer
328 | shall appoint a technical advisory group to provide information
329 | and advice to the board of governors in connection with the
330 | board's duties under this subsection. The executive director and
331 | senior managers of the corporation shall be engaged by the board
332 | and serve at the pleasure of the board. Any executive director
333 | appointed on or after July 1, 2006, is subject to confirmation
334 | by the Senate. The executive director is responsible for
335 | employing other staff as the corporation may require, subject to

HB 885

2011

336 review and concurrence by the board.

337 b. The board shall create a Market Accountability Advisory
338 Committee to assist the corporation in developing awareness of
339 its rates and its customer and agent service levels in
340 relationship to the voluntary market insurers writing similar
341 coverage. The members of the advisory committee shall consist of
342 the following 11 persons, one of whom must be elected chair by
343 the members of the committee: four representatives, one
344 appointed by the Florida Association of Insurance Agents, one by
345 the Florida Association of Insurance and Financial Advisors, one
346 by the Professional Insurance Agents of Florida, and one by the
347 Latin American Association of Insurance Agencies; three
348 representatives appointed by the insurers with the three highest
349 voluntary market share of residential property insurance
350 business in the state; one representative from the Office of
351 Insurance Regulation; one consumer appointed by the board who is
352 insured by the corporation at the time of appointment to the
353 committee; one representative appointed by the Florida
354 Association of Realtors; and one representative appointed by the
355 Florida Bankers Association. All members must serve for 3-year
356 terms and may serve for consecutive terms. The committee shall
357 report to the corporation at each board meeting on insurance
358 market issues which may include rates and rate competition with
359 the voluntary market; service, including policy issuance, claims
360 processing, and general responsiveness to policyholders,
361 applicants, and agents; and matters relating to depopulation.

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

HB 885

2011

364 a. Subject to the provisions of s. 627.3517, with respect
365 to personal lines residential risks, if the risk is offered
366 coverage from an authorized insurer at the insurer's approved
367 rate under either a standard policy including wind coverage or,
368 if consistent with the insurer's underwriting rules as filed
369 with the office, a basic policy including wind coverage, for a
370 new application to the corporation for coverage, the risk is not
371 eligible for any policy issued by the corporation unless the
372 premium for coverage from the authorized insurer is more than 15
373 percent greater than the premium for comparable coverage from
374 the corporation. If the risk is not able to obtain any such
375 offer, the risk is eligible for either a standard policy
376 including wind coverage or a basic policy including wind
377 coverage issued by the corporation; however, if the risk could
378 not be insured under a standard policy including wind coverage
379 regardless of market conditions, the risk shall be eligible for
380 a basic policy including wind coverage unless rejected under
381 subparagraph 8. However, with regard to a policyholder of the
382 corporation or a policyholder removed from the corporation
383 through an assumption agreement until the end of the assumption
384 period, the policyholder remains eligible for coverage from the
385 corporation regardless of any offer of coverage from an
386 authorized insurer or surplus lines insurer. The corporation
387 shall determine the type of policy to be provided on the basis
388 of objective standards specified in the underwriting manual and
389 based on generally accepted underwriting practices.

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

HB 885

2011

392 mechanism established by the corporation before a policy is
393 issued to the risk by the corporation or during the first 30
394 days of coverage by the corporation, and the producing agent who
395 submitted the application to the plan or to the corporation is
396 not currently appointed by the insurer, the insurer shall:

397 (A) Pay to the producing agent of record of the policy,
398 for the first year, an amount that is the greater of the
399 insurer's usual and customary commission for the type of policy
400 written or a fee equal to the usual and customary commission of
401 the corporation; or

402 (B) Offer to allow the producing agent of record of the
403 policy to continue servicing the policy for a period of not less
404 than 1 year and offer to pay the agent the greater of the
405 insurer's or the corporation's usual and customary commission
406 for the type of policy written.

407
408 If the producing agent is unwilling or unable to accept
409 appointment, the new insurer shall pay the agent in accordance
410 with sub-sub-sub-subparagraph (A).

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

415 (A) Pay to the producing agent of record of the
416 corporation policy, for the first year, an amount that is the
417 greater of the insurer's usual and customary commission for the
418 type of policy written or a fee equal to the usual and customary
419 commission of the corporation; or

HB 885

2011

420 (B) Offer to allow the producing agent of record of the
421 corporation policy to continue servicing the policy for a period
422 of not less than 1 year and offer to pay the agent the greater
423 of the insurer's or the corporation's usual and customary
424 commission for the type of policy written.

425

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

429 b. With respect to commercial lines residential risks, for
430 a new application to the corporation for coverage, if the risk
431 is offered coverage under a policy including wind coverage from
432 an authorized insurer at its approved rate, the risk is not
433 eligible for any policy issued by the corporation unless the
434 premium for coverage from the authorized insurer is more than 15
435 percent greater than the premium for comparable coverage from
436 the corporation. If the risk is not able to obtain any such
437 offer, the risk is eligible for a policy including wind coverage
438 issued by the corporation. However, with regard to a
439 policyholder of the corporation or a policyholder removed from
440 the corporation through an assumption agreement until the end of
441 the assumption period, the policyholder remains eligible for
442 coverage from the corporation regardless of any offer of
443 coverage from an authorized insurer or surplus lines insurer.

444 (I) If the risk accepts an offer of coverage through the
445 market assistance plan or an offer of coverage through a
446 mechanism established by the corporation before a policy is
447 issued to the risk by the corporation or during the first 30

HB 885

2011

448 days of coverage by the corporation, and the producing agent who
449 submitted the application to the plan or the corporation is not
450 currently appointed by the insurer, the insurer shall:

451 (A) Pay to the producing agent of record of the policy,
452 for the first year, an amount that is the greater of the
453 insurer's usual and customary commission for the type of policy
454 written or a fee equal to the usual and customary commission of
455 the corporation; or

456 (B) Offer to allow the producing agent of record of the
457 policy to continue servicing the policy for a period of not less
458 than 1 year and offer to pay the agent the greater of the
459 insurer's or the corporation's usual and customary commission
460 for the type of policy written.

461
462 If the producing agent is unwilling or unable to accept
463 appointment, the new insurer shall pay the agent in accordance
464 with sub-sub-sub-subparagraph (A).

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

469 (A) Pay to the producing agent of record of the
470 corporation policy, for the first year, an amount that is the
471 greater of the insurer's usual and customary commission for the
472 type of policy written or a fee equal to the usual and customary
473 commission of the corporation; or

474 (B) Offer to allow the producing agent of record of the
475 corporation policy to continue servicing the policy for a period

HB 885

2011

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

479

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

483 c. For purposes of determining comparable coverage under
484 sub-subparagraphs a. and b., the comparison shall be based on
485 those forms and coverages that are reasonably comparable. The
486 corporation may rely on a determination of comparable coverage
487 and premium made by the producing agent who submits the
488 application to the corporation, made in the agent's capacity as
489 the corporation's agent. A comparison may be made solely of the
490 premium with respect to the main building or structure only on
491 the following basis: the same coverage A or other building
492 limits; the same percentage hurricane deductible that applies on
493 an annual basis or that applies to each hurricane for commercial
494 residential property; the same percentage of ordinance and law
495 coverage, if the same limit is offered by both the corporation
496 and the authorized insurer; the same mitigation credits, to the
497 extent the same types of credits are offered both by the
498 corporation and the authorized insurer; the same method for loss
499 payment, such as replacement cost or actual cash value, if the
500 same method is offered both by the corporation and the
501 authorized insurer in accordance with underwriting rules; and
502 any other form or coverage that is reasonably comparable as
503 determined by the board. If an application is submitted to the

HB 885

2011

504 corporation for wind-only coverage in the high-risk account, the
505 premium for the corporation's wind-only policy plus the premium
506 for the ex-wind policy that is offered by an authorized insurer
507 to the applicant shall be compared to the premium for multiperil
508 coverage offered by an authorized insurer, subject to the
509 standards for comparison specified in this subparagraph. If the
510 corporation or the applicant requests from the authorized
511 insurer a breakdown of the premium of the offer by types of
512 coverage so that a comparison may be made by the corporation or
513 its agent and the authorized insurer refuses or is unable to
514 provide such information, the corporation may treat the offer as
515 not being an offer of coverage from an authorized insurer at the
516 insurer's approved rate.

517 6. Must include rules for classifications of risks and
518 rates therefor.

519 7. Must provide that if premium and investment income for
520 an account attributable to a particular calendar year are in
521 excess of projected losses and expenses for the account
522 attributable to that year, such excess shall be held in surplus
523 in the account. Such surplus shall be available to defray
524 deficits in that account as to future years and shall be used
525 for that purpose prior to assessing assessable insurers and
526 assessable insureds as to any calendar year.

527 8. Must provide objective criteria and procedures to be
528 uniformly applied for all applicants in determining whether an
529 individual risk is so hazardous as to be uninsurable. In making
530 this determination and in establishing the criteria and
531 procedures, the following shall be considered:

HB 885

2011

532 a. Whether the likelihood of a loss for the individual
533 risk is substantially higher than for other risks of the same
534 class; and

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

537

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

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

545 10. The policies issued by the corporation must provide
546 that, if the corporation or the market assistance plan obtains
547 an offer from an authorized insurer to cover the risk at its
548 approved rates, the risk is no longer eligible for renewal
549 through the corporation, except as otherwise provided in this
550 subsection.

551 11. Corporation policies and applications must include a
552 notice that the corporation policy could, under this section, be
553 replaced with a policy issued by an authorized insurer that does
554 not provide coverage identical to the coverage provided by the
555 corporation. The notice shall also specify that acceptance of
556 corporation coverage creates a conclusive presumption that the
557 applicant or policyholder is aware of this potential.

558 12. May establish, subject to approval by the office,
559 different eligibility requirements and operational procedures

HB 885

2011

560 for any line or type of coverage for any specified county or
561 area if the board determines that such changes to the
562 eligibility requirements and operational procedures are
563 justified due to the voluntary market being sufficiently stable
564 and competitive in such area or for such line or type of
565 coverage and that consumers who, in good faith, are unable to
566 obtain insurance through the voluntary market through ordinary
567 methods would continue to have access to coverage from the
568 corporation. When coverage is sought in connection with a real
569 property transfer, such requirements and procedures shall not
570 provide for an effective date of coverage later than the date of
571 the closing of the transfer as established by the transferor,
572 the transferee, and, if applicable, the lender.

573 13. Must provide that, with respect to the high-risk
574 account, any assessable insurer with a surplus as to
575 policyholders of \$25 million or less writing 25 percent or more
576 of its total countrywide property insurance premiums in this
577 state may petition the office, within the first 90 days of each
578 calendar year, to qualify as a limited apportionment company. A
579 regular assessment levied by the corporation on a limited
580 apportionment company for a deficit incurred by the corporation
581 for the high-risk account in 2006 or thereafter may be paid to
582 the corporation on a monthly basis as the assessments are
583 collected by the limited apportionment company from its insureds
584 pursuant to s. 627.3512, but the regular assessment must be paid
585 in full within 12 months after being levied by the corporation.
586 A limited apportionment company shall collect from its
587 policyholders any emergency assessment imposed under sub-

HB 885

2011

588 | subparagraph (b)3.d. The plan shall provide that, if the office
589 | determines that any regular assessment will result in an
590 | impairment of the surplus of a limited apportionment company,
591 | the office may direct that all or part of such assessment be
592 | deferred as provided in subparagraph (q)4. However, there shall
593 | be no limitation or deferment of an emergency assessment to be
594 | collected from policyholders under sub-subparagraph (b)3.d.

595 | 14. Must provide that the corporation appoint as its
596 | licensed agents only those agents who also hold an appointment
597 | as defined in s. 626.015(3) with an insurer who at the time of
598 | the agent's initial appointment by the corporation is authorized
599 | to write and is actually writing personal lines residential
600 | property coverage, commercial residential property coverage, or
601 | commercial nonresidential property coverage within the state.

602 | 15. Must provide, by July 1, 2007, a premium payment plan
603 | option to its policyholders which allows at a minimum for
604 | quarterly and semiannual payment of premiums. A monthly payment
605 | plan may, but is not required to, be offered.

606 | 16. Must limit coverage on mobile homes or manufactured
607 | homes built prior to 1994 to actual cash value of the dwelling
608 | rather than replacement costs of the dwelling.

609 | 17. May provide such limits of coverage as the board
610 | determines, consistent with the requirements of this subsection.

611 | 18. May require commercial property to meet specified
612 | hurricane mitigation construction features as a condition of
613 | eligibility for coverage.

614 | 19.a. Must require an agent to obtain from any applicant
615 | for coverage the following acknowledgment, signed by the

HB 885

2011

616 applicant, and must require the agent of record to obtain the
617 following acknowledgment from each policyholder of the
618 corporation, signed by the policyholder, before the policy's
619 first renewal after the effective date of this subparagraph:

620
621 ACKNOWLEDGMENT OF POTENTIAL SURCHARGE AND ASSESSMENT

622 LIABILITY:

623 1. I UNDERSTAND, AS A CITIZENS PROPERTY
624 INSURANCE CORPORATION POLICYHOLDER, THAT IF THE
625 CORPORATION SUSTAINS A DEFICIT AS A RESULT OF
626 HURRICANE LOSSES OR FOR ANY OTHER REASON, MY POLICY
627 COULD BE SUBJECT TO CITIZENS POLICYHOLDER SURCHARGES,
628 WHICH WOULD BE DUE AND PAYABLE UPON RENEWAL,
629 CANCELLATION, OR TERMINATION OF THE POLICY.

630 2. I UNDERSTAND THAT THE SURCHARGES COULD BE AS
631 HIGH AS 15 PERCENT OF MY PREMIUM FOR DEFICITS IN EACH
632 OF THREE CITIZENS ACCOUNTS, OR A DIFFERENT AMOUNT AS
633 ESTABLISHED BY THE FLORIDA LEGISLATURE.

634 3. I ALSO UNDERSTAND THAT I MAY BE SUBJECT TO
635 EMERGENCY ASSESSMENTS TO THE SAME EXTENT AS
636 POLICYHOLDERS OF OTHER INSURANCE COMPANIES.

637
638 b. The corporation must permanently maintain a signed copy
639 of the signed acknowledgment required by this subparagraph, and
640 the agent may also retain a copy.

641 c. The signed acknowledgment form creates a conclusive
642 presumption that the policyholder understood and accepted his or
643 her potential surcharge and assessment liability as a Citizens

HB 885

2011

644 Property Insurance Corporation policyholder.

645 Section 4. Section 627.7031, Florida Statutes, is created
646 to read:

647 627.7031 Residential property insurance option.—

648 (1) An insurer holding a certificate of authority to write
649 property insurance in this state may offer or renew residential
650 property insurance policies at rates established in accordance
651 with s. 627.062(2)(1), subject to all of the requirements and
652 prohibitions of this section.

653 (2) An insurer offering or renewing policies at rates
654 established in accordance with s. 627.062(2)(1) may not purchase
655 coverage from the Florida Hurricane Catastrophe Fund under the
656 temporary increase in coverage limit option under s.
657 215.555(17).

658 (3)(a) Before the effective date of a newly issued policy
659 at rates established in accordance with s. 627.062(2)(1) or
660 before the effective date of a renewal policy at rates
661 established in accordance with s. 627.062(2)(1), the applicant
662 or insured must be given the following notice, printed in at
663 least 12-point boldfaced type:

664
665 THE RATE FOR THIS POLICY IS NOT SUBJECT TO FULL RATE
666 REGULATION BY THE FLORIDA OFFICE OF INSURANCE
667 REGULATION AND MAY BE HIGHER THAN RATES APPROVED BY
668 THAT OFFICE. A RESIDENTIAL PROPERTY POLICY SUBJECT TO
669 FULL RATE REGULATION REQUIREMENTS MAY BE AVAILABLE
670 FROM THIS INSURER, ANOTHER INSURER, OR CITIZENS
671 PROPERTY INSURANCE CORPORATION. PLEASE DISCUSS YOUR

HB 885

2011

672 POLICY OPTIONS WITH AN INSURANCE AGENT WHO CAN PROVIDE
673 A CITIZENS QUOTE. YOU MAY WISH TO VIEW THE OFFICE OF
674 INSURANCE REGULATION'S WEBSITE AT
675 WWW.SHOPANDCOMPARERATES.COM FOR MORE INFORMATION ABOUT
676 CHOICES AVAILABLE TO YOU.

677
678 (b) For policies renewed at a rate established in
679 accordance with s. 627.062(2)(1), the notice described in
680 paragraph (a) must be furnished in writing at the same time as
681 the renewal notice on a document separate from the renewal
682 notice, but may be contained within the same mailing as the
683 renewal notice.

684 (4) Before the effective date of a newly issued policy at
685 rates established in accordance with s. 627.062(2)(1) or before
686 the effective date of the first renewal at rates established in
687 accordance with s. 627.062(2)(1) of a policy originally issued
688 before the effective date of this section, the applicant or
689 insured must:

690 (a) Be provided or offered, for comparison purposes, an
691 estimate of the premium for a policy from Citizens Property
692 Insurance Corporation reflecting substantially similar
693 coverages, limits, and deductibles to the extent available.

694 (b) Provide the insurer or agent with a signed copy of the
695 following acknowledgment form, which must be retained by the
696 insurer or agent for at least 3 years. If the acknowledgment
697 form is signed by the insured or if the insured remits payment
698 in the amount of the rate established in accordance with s.
699 627.062(2)(1) after being mailed, otherwise provided, or offered

700 the comparison specified in paragraph (a), an insurer renewing a
 701 policy at such rate shall be deemed to comply with this section,
 702 and it is presumed that the insured has been informed and
 703 understands the information contained in the comparison and
 704 acknowledgment forms:

705
 706 ACKNOWLEDGMENT:

707 1. I HAVE REVIEWED THE REQUIRED DISCLOSURES AND
 708 THE REQUIRED PREMIUM COMPARISON.

709 2. I UNDERSTAND THAT THE RATE FOR THIS
 710 RESIDENTIAL PROPERTY INSURANCE POLICY IS NOT SUBJECT
 711 TO FULL RATE REGULATION BY THE FLORIDA OFFICE OF
 712 INSURANCE REGULATION AND MAY BE HIGHER THAN RATES
 713 APPROVED BY THAT OFFICE.

714 3. I UNDERSTAND THAT A RESIDENTIAL PROPERTY
 715 INSURANCE POLICY SUBJECT TO FULL RATE REGULATION
 716 REQUIREMENTS MAY BE AVAILABLE FROM CITIZENS PROPERTY
 717 INSURANCE CORPORATION.

718 4. I UNDERSTAND THAT THE FLORIDA OFFICE OF
 719 INSURANCE REGULATION'S WEBSITE
 720 WWW.SHOPANDCOMPARERATES.COM CONTAINS RESIDENTIAL
 721 PROPERTY INSURANCE RATE COMPARISON INFORMATION.

722
 723 (5) The following types of residential property insurance
 724 policies are not eligible for rates established in accordance
 725 with s. 627.062(2)(1) and are not subject to the other
 726 provisions of this section:

727 (a) Residential property insurance policies that exclude

728 coverage for the perils of windstorm or hurricane.

729 (b) Residential property insurance policies subject to a
 730 consent decree, agreement, understanding, or other arrangement
 731 between the insurer and the office relating to rates or premiums
 732 for policies removed from Citizens Property Insurance Corp.

733 Section 5. Effective January 1, 2015, section 627.7031,
 734 Florida Statutes, as created by this act, is amended to read:

735 627.7031 Residential property insurance option.—

736 (1) An insurer holding a certificate of authority to write
 737 property insurance in this state may offer or renew residential
 738 property insurance policies at rates established in accordance
 739 with s. 627.062(2)(1), subject to all of the requirements and
 740 prohibitions of this section.

741 (2) An insurer may offer or renew policies at rates
 742 established in accordance with s. 627.062(2)(1) only if the
 743 insurer has in place a combination of surplus, Florida Hurricane
 744 Catastrophe Fund coverage, reinsurance, and reinsurance
 745 equivalents sufficient to cover the insurer's 100-year probable
 746 maximum hurricane loss for residential property as determined on
 747 a seasonal, rather than a single-event, basis. The insurer shall
 748 determine its probable maximum loss using one or more models
 749 that meet the standards of the Florida Commission on Hurricane
 750 Loss Projection Methodology.

751 (3)~~(2)~~ An insurer offering or renewing policies at rates
 752 established in accordance with s. 627.062(2)(1) may not purchase
 753 coverage from the Florida Hurricane Catastrophe Fund under the
 754 temporary increase in coverage limit option under s.
 755 215.555(17).

HB 885

2011

756 (4)~~(3)~~ (a) Before the effective date of a newly issued
757 policy at rates established in accordance with s. 627.062(2)(1)
758 or before the effective date of a renewal policy at rates
759 established in accordance with s. 627.062(2)(1), the applicant
760 or insured must be given the following notice, printed in at
761 least 12-point boldfaced type:

762
763 THE RATE FOR THIS POLICY IS NOT SUBJECT TO FULL RATE
764 REGULATION BY THE FLORIDA OFFICE OF INSURANCE
765 REGULATION AND MAY BE HIGHER THAN RATES APPROVED BY
766 THAT OFFICE. A RESIDENTIAL PROPERTY POLICY SUBJECT TO
767 FULL RATE REGULATION REQUIREMENTS MAY BE AVAILABLE
768 FROM THIS INSURER, ANOTHER INSURER, OR CITIZENS
769 PROPERTY INSURANCE CORPORATION. PLEASE DISCUSS YOUR
770 POLICY OPTIONS WITH AN INSURANCE AGENT WHO CAN PROVIDE
771 A CITIZENS QUOTE. YOU MAY WISH TO VIEW THE OFFICE OF
772 INSURANCE REGULATION'S WEBSITE AT
773 WWW.SHOPANDCOMPARERATES.COM FOR MORE INFORMATION ABOUT
774 CHOICES AVAILABLE TO YOU.

775
776 (b) For policies renewed at a rate established in
777 accordance with s. 627.062(2)(1), the notice described in
778 paragraph (a) must be furnished in writing at the same time as
779 the renewal notice on a document separate from the renewal
780 notice, but may be contained within the same mailing as the
781 renewal notice.

782 (5)~~(4)~~ Before the effective date of a newly issued policy
783 at rates established in accordance with s. 627.062(2)(1) or

HB 885

2011

784 before the effective date of the first renewal at rates
785 established in accordance with s. 627.062(2)(1) of a policy
786 originally issued before the effective date of this section, the
787 applicant or insured must:

788 (a) Be provided or offered, for comparison purposes, an
789 estimate of the premium for a policy from Citizens Property
790 Insurance Corporation reflecting substantially similar
791 coverages, limits, and deductibles to the extent available.

792 (b) Provide the insurer or agent with a signed copy of the
793 following acknowledgment form, which must be retained by the
794 insurer or agent for at least 3 years. If the acknowledgment
795 form is signed by the insured or if the insured remits payment
796 in the amount of the rate established in accordance with s.
797 627.062(2)(1) after being mailed, otherwise provided, or offered
798 the comparison specified in paragraph (a), an insurer renewing a
799 policy at such rate shall be deemed to comply with this section,
800 and it is presumed that the insured has been informed and
801 understands the information contained in the comparison and
802 acknowledgment forms:

803

804 ACKNOWLEDGMENT:

805 1. I HAVE REVIEWED THE REQUIRED DISCLOSURES AND
806 THE REQUIRED PREMIUM COMPARISON.

807 2. I UNDERSTAND THAT THE RATE FOR THIS
808 RESIDENTIAL PROPERTY INSURANCE POLICY IS NOT SUBJECT
809 TO FULL RATE REGULATION BY THE FLORIDA OFFICE OF
810 INSURANCE REGULATION AND MAY BE HIGHER THAN RATES
811 APPROVED BY THAT OFFICE.

812 3. I UNDERSTAND THAT A RESIDENTIAL PROPERTY
 813 INSURANCE POLICY SUBJECT TO FULL RATE REGULATION
 814 REQUIREMENTS MAY BE AVAILABLE FROM CITIZENS PROPERTY
 815 INSURANCE CORPORATION.

816 4. I UNDERSTAND THAT THE FLORIDA OFFICE OF
 817 INSURANCE REGULATION'S WEBSITE
 818 WWW.SHOPANDCOMPARERATES.COM CONTAINS RESIDENTIAL
 819 PROPERTY INSURANCE RATE COMPARISON INFORMATION.

820
 821 ~~(6)~~⁽⁵⁾ The following types of residential property
 822 insurance policies are not eligible for rates established in
 823 accordance with s. 627.062(2)(1) and are not subject to the
 824 other provisions of this section:

825 (a) Residential property insurance policies that exclude
 826 coverage for the perils of windstorm or hurricane.

827 (b) Residential property insurance policies subject to a
 828 consent decree, agreement, understanding, or other arrangement
 829 between the insurer and the office relating to rates or premiums
 830 for policies removed from Citizens Property Insurance Corp.

831 Section 6. Except as otherwise expressly provided in this
 832 act, this act shall take effect upon becoming a law.