

By Senator Hays

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1 A bill to be entitled
2 An act relating to hurricane mitigation; transferring
3 responsibility for the public model for hurricane loss
4 projection from the Office of Insurance Regulation to
5 the Division of Emergency Management; amending s.
6 215.559, F.S.; revising provisions relating to the
7 Hurricane Loss Mitigation Program; deleting provisions
8 specifying how program funds are to be spent,
9 including the Manufactured Housing and Mobile Home
10 Mitigation and Enhancement Program, and the Florida
11 International University International Hurricane
12 Research Center; deleting reports prepared by
13 Tallahassee Community College and a report prepared by
14 the division; specifying program components, including
15 responsibility for the public model for hurricane loss
16 projections, which includes the charging of an access
17 fee, the development of a mitigation database,
18 mitigation credits and inspections, mitigation grants,
19 mitigation outreach, and mitigation research;
20 authorizing the division to leverage program funding;
21 repealing s. 627.06281, F.S., relating to the public
22 hurricane loss projection model; transferring
23 provisions of that section to ss. 212.559 and
24 627.06292, F.S.; amending s. 627.0629, F.S.; revising
25 factors that must be considered or included in the
26 rate filings for residential property insurance;
27 reordering and amending s. 627.06292, F.S.; revising
28 provisions relating to the public model for hurricane
29 loss projections; conforming a cross-reference;

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30 amending s. 627.351, F.S.; conforming a cross-
31 reference; deleting obsolete provisions; providing an
32 effective date.

33
34 Be It Enacted by the Legislature of the State of Florida:

35
36 Section 1. Responsibility for the public hurricane loss
37 projection model currently located in the Office of Insurance
38 Regulation of the Department of Financial Services is
39 transferred to the Division of Emergency Management in the
40 Executive Office of the Governor by a type two transfer, as
41 provided in s. 20.06(2), Florida Statutes.

42 Section 2. Section 215.559, Florida Statutes, is amended to
43 read:

44 (Substantial rewording of section. See
45 s. 215.559, F.S., for present text.)

46 215.559 Hurricane Loss Mitigation Program.—A Hurricane Loss
47 Mitigation Program is established in the Division of Emergency
48 Management.

49 (1) ANNUAL APPROPRIATION.—The \$10 million annual
50 appropriation authorized under s. 215.555(7) from the Florida
51 Hurricane Catastrophe Fund shall be used for the purposes
52 specified in that subsection and to coordinate and centralize
53 mitigation efforts in this state in accordance with the program
54 established in this section. Of that amount:

55 (a) Seven million dollars shall be used for mitigation
56 programs to improve the hazard resistance of residential
57 property in this state, including loans, subsidies, grants,
58 demonstration projects, and direct assistance; educating state

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59 residents concerning hazard risk and risk reduction or
60 mitigation; hurricane mitigation research; and other efforts to
61 prevent or reduce losses or reduce the cost of rebuilding after
62 a disaster.

63 (b) Three million dollars shall be used to retrofit
64 existing facilities used as public hurricane shelters. The
65 division shall annually prioritize the use of these funds for
66 projects included in the annual report of the Shelter Retrofit
67 Report prepared in accordance with s. 252.385(3). The division
68 shall give funding priority to projects in regional planning
69 council regions that have shelter deficits and to projects that
70 maximize the use of state funds.

71 (2) ADVISORY COUNCIL.—An advisory council is created to
72 provide advice and assistance to the division regarding
73 administration of the public hurricane model, the mitigation
74 database, and the development of appropriate standards for
75 mitigation credits.

76 (a) The advisory council is composed of:

77 1. The director of the Division of Emergency Management, or
78 his or her designee.

79 2. A representative from the Office of Insurance
80 Regulation.

81 3. The chief executive officer of Citizens Property
82 Insurance Corporation, or his or her designee.

83 4. The Insurance Consumer Advocate, or his or her designee.

84 5. The lead scientist from the team that runs the public
85 hurricane loss projection model, or his or her designee.

86 6. Three representatives from educational institutions with
87 programs dedicated to mitigation research or testing, selected

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88 by the director of the Division of Emergency Management.

89 7. A representative of property insurers recommended by the
90 Chief Financial Officer.

91 8. A representative of reinsurers recommended by the Chief
92 Financial Officer.

93 9. A representative designated by the Florida Building
94 Commission.

95 10. A representative designated by the Building Officials
96 Association of Florida.

97 11. The chief executive officer of the Institute for
98 Business and Home Safety, or his or her designee.

99 12. The chief executive officer of the Federal Alliance for
100 Safe Homes, Inc., or his or her designee.

101 13. A real estate professional recommended by Florida
102 Realtors.

103 (b) Beginning the first fiscal year after July 1, 2013,
104 members of the advisory council serve 2-year terms. Members
105 serve without compensation, but are entitled to reimbursement as
106 provided in s. 112.061 for per diem and travel expenses incurred
107 in the performance of their official duties. All members of the
108 advisory council shall sign the same code of ethics form used by
109 the Executive Office of the Governor.

110 (3) PROGRAM COMPONENTS.—The division shall develop and
111 administer a comprehensive and coordinated program for hurricane
112 damage mitigation which includes:

113 (a) Hurricane loss projection model.—The division is
114 responsible for the supervision and administration of the public
115 model for hurricane loss projections developed, maintained, and
116 updated by the Florida International University center

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117 established pursuant to s. 627.06292.

118 1. A property insurer may have access to and use the public
119 model, including all assumptions and factors and all detailed
120 loss results, for the purpose of calculating rate indications in
121 a rate filing and for analytical purposes, including any
122 analysis or evaluation of the model required under actuarial
123 standards of practice.

124 2. The division may charge a fee for private sector access
125 to and use of the public model, which may not exceed the
126 reasonable costs associated with the operation and maintenance
127 of the model by the division. Such fees do not apply to access
128 and use of the model by the Office of Insurance Regulation.

129 (b) Mitigation database.—The division shall develop a
130 centralized public database that contains information regarding
131 the inspection and mitigation of residential property throughout
132 the state. The purpose of this database is to accurately collect
133 all information regarding the construction and mitigation
134 features for each property. The mitigation database may contain,
135 but is not limited to, the elements of the loss and exposure
136 data reported for the hurricane loss projection model under s.
137 627.06292, with the exception of proprietary information
138 submitted by insurers relating to reserves for future payments.

139 (c) Mitigation credits and inspections.—The division, in
140 consultation with the council, shall establish mitigation
141 features eligible for mitigation credit to be published yearly
142 and used for hurricane mitigation inspection forms adopted
143 pursuant to s. 627.711. Using the hurricane loss projection
144 model, methodology shall be developed to incorporate appropriate
145 standards for mitigation credits into any model approved by the

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146 Florida Commission on Hurricane Loss Projection Methodology
147 under s. 627.0628. The methodology established shall be applied
148 in the commission's review of the public model.

149 (d) Mitigation grants.—Financial grants shall be used to
150 encourage property owners to retrofit their properties to make
151 them less vulnerable to hurricane damage. The division shall
152 establish objective, reasonable criteria for prioritizing grant
153 applications in accordance with the division's standard
154 operating procedures as set forth in state and federal law.

155 (e) Mitigation outreach.—The division shall conduct
156 outreach to stakeholders interested in mitigation in order to
157 promote a better understanding of risk and the reduction of risk
158 in the form of mitigation practices and policies.

159 (f) Mitigation research.—The division shall research
160 mitigation practices and products in order to better inform the
161 public and the division's mitigation initiatives.

162 (4) FUNDING.—Moneys provided to the division under this
163 section are intended to supplement, not supplant, the division's
164 other funding sources. The division may seek out and leverage
165 local, state, federal, or private funds to enhance financial
166 resources for mitigation initiatives.

167 Section 3. Section 627.06281, Florida Statutes, is
168 repealed.

169 Section 4. Subsection (1) of section 627.0629, Florida
170 Statutes, is amended to read:

171 627.0629 Residential property insurance; rate filings.—

172 (1) It is the intent of the Legislature that insurers
173 provide savings to consumers who install or implement windstorm
174 damage mitigation techniques, alterations, or solutions to their

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175 properties to prevent windstorm losses. Therefore, a rate filing
176 for residential property insurance must include actuarially
177 reasonable discounts, credits, or other rate differentials, or
178 appropriate reductions in deductibles, for properties on which
179 fixtures or construction techniques demonstrated to reduce the
180 amount of loss in a windstorm have been installed or
181 implemented. ~~The fixtures or construction techniques must~~
182 ~~include, but are not limited to, fixtures or construction~~
183 ~~techniques that enhance roof strength, roof covering~~
184 ~~performance, roof-to-wall strength, wall-to-floor-to-foundation~~
185 ~~strength, opening protection, and window, door, and skylight~~
186 ~~strength. Credits, discounts, or other rate differentials, or~~
187 ~~appropriate reductions in deductibles, for fixtures and~~
188 ~~construction techniques that meet the minimum requirements of~~
189 ~~the Florida Building Code must be included in the rate filing.~~
190 The hurricane loss projection model established pursuant to s.
191 627.06292 shall be used to establish the appropriate methodology
192 for determining such ~~office shall determine the~~ discounts,
193 credits, other rate differentials, and appropriate reductions in
194 deductibles that reflect the full actuarial value of such
195 revaluation, which may be used by insurers in rate filings.

196 Section 5. Section 627.06292, Florida Statutes, is
197 reordered and amended to read:

198 627.06292 Public model for hurricane loss projections;
199 annual report ~~Reports of hurricane loss data and associated~~
200 ~~exposure data; public records exemption.~~ The Florida
201 International University center is established to conduct
202 hurricane research and study hurricane mitigation for the
203 purposes of developing, maintaining, and updating a public model

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204 for hurricane loss projections.

205 (1) Within 30 days after receipt of a written request for
206 loss data and associated exposure data from the Division of
207 Emergency Management, property insurers and licensed rating and
208 advisory organizations that compile property insurance loss data
209 shall provide loss data and associated exposure data, including
210 data related to property insurance policies, to the center. The
211 loss data and associated exposure data provided may be provided
212 electronically.

213 (2) The public model shall be submitted to the Florida
214 Commission on Hurricane Loss Projection Methodology for review
215 under s. 627.0628. The Office of Insurance Regulation may
216 continue to use the model for its review of rate filings
217 pursuant to ss. 627.062 and 627.351 until such time as the
218 Florida Commission on Hurricane Loss Projection Methodology
219 determines that the public model is not accurate or reliable
220 pursuant to the same process and standards as the commission
221 uses for the review of other hurricane loss projection models.

222 (5)~~(1)~~ Reports of hurricane loss data and associated
223 exposure data that are specific to a particular insurance
224 company, as reported by an insurer or a licensed rating
225 organization to the ~~office or to a center~~ pursuant to this
226 section ~~at a state university pursuant to s. 627.06281~~, are
227 exempt from s. 119.07(1) and s. 24(a), Art. I of the State
228 Constitution.

229 (4)~~(2)~~ For the purposes of this section, the term "loss
230 data and associated exposure data" means the type, age, wind
231 mitigation features, and location of each property insured; the
232 amount and type of coverage written on each of those properties;

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233 the amount, date, and type of damage paid for by the insurer on
234 each property; and the amount of any reserves held by an insurer
235 for future payments or expenses on damages associated with the
236 date or dates of occurrence of hurricanes.

237 (3) Annually by ~~On October 1, 2011, and on each~~ October 1
238 ~~thereafter,~~ the Florida International University center ~~that~~
239 ~~develops, maintains, and updates the public model for hurricane~~
240 ~~loss projections~~ shall publish a report summarizing loss data
241 and associated exposure data collected from residential property
242 insurers and licensed rating and advisory organizations. The
243 ~~Florida International University~~ center shall submit the report
244 ~~annually,~~ on or before October 1, to the Governor, the President
245 of the Senate, and the Speaker of the House of Representatives.

246 (a) Such report must include a summary of the data supplied
247 by residential property insurers and licensed rating and
248 advisory organizations from September 1 of the prior year to
249 August 31 of the current year, and ~~must include~~ the following
250 information:

- 251 1. The total amount of insurance written by county.
- 252 2. The number of property insurance policies by county.
- 253 3. The number of property insurance policies by county and
254 by construction type.
- 255 4. The number of property insurance policies by county and
256 by decade of construction.
- 257 5. The number of property insurance policies by county and
258 by deductible amount.
- 259 6. The number of property insurance policies by county and
260 by wind mitigation features if ~~when~~ the information is supplied
261 by the residential property insurer or licensed rating and

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262 advisory organization.

263 7. The total amount of hurricane losses by county and by
264 decade of construction.

265 8. The total amount of hurricane losses by county and by
266 deductible amount.

267 9. The total amount of hurricane losses by county and by
268 wind mitigation features if ~~when~~ the information is supplied by
269 the residential property insurer or licensed rating and advisory
270 organization.

271 (b) Separate compilations of the data obtained shall be
272 presented in order to use the public model for calculating rate
273 indications and to update, validate, or calibrate the public
274 model. Additional detail and a description of the operation and
275 maintenance of the public model may be included in the report.

276 (c) The report may not contain any information that
277 identifies a specific insurer or policyholder.

278 Section 6. Paragraph (n) of subsection (6) of section
279 627.351, Florida Statutes, is amended to read:

280 627.351 Insurance risk apportionment plans.—

281 (6) CITIZENS PROPERTY INSURANCE CORPORATION.—

282 (n)~~1~~. Rates for coverage provided by the corporation must
283 be actuarially sound and subject to s. 627.062, except as
284 otherwise provided in this paragraph.

285 1. The corporation shall file its recommended rates with
286 the office at least annually. The corporation shall provide any
287 additional information regarding the rates which the office
288 requires. The office shall consider the recommendations of the
289 board and issue a final order establishing the rates for the
290 corporation within 45 days after the recommended rates are

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291 filed. The corporation may not pursue an administrative
292 challenge or judicial review of the final order of the office.

293 ~~2. In addition to the rates otherwise determined pursuant~~
294 ~~to this paragraph,~~ The corporation shall also impose and collect
295 an amount equal to the premium tax provided in s. 624.509 to
296 augment the financial resources of the corporation.

297 3. After the public hurricane loss-projection model under
298 s. 627.06292 ~~s. 627.06281~~ has been found to be accurate and
299 reliable by the Florida Commission on Hurricane Loss Projection
300 Methodology, the model must ~~shall~~ serve as the minimum benchmark
301 for determining the windstorm portion of the corporation's
302 rates. This subparagraph does not require or allow the
303 corporation to adopt rates lower than the rates otherwise
304 required or allowed by this paragraph.

305 4. The rate filings for the corporation which were approved
306 by the office and took effect January 1, 2007, are rescinded,
307 except for those rates that were lowered. As soon as possible,
308 the corporation shall begin using the lower rates that were in
309 effect on December 31, 2006, and provide refunds to
310 policyholders who paid higher rates as a result of that rate
311 filing. The rates in effect on December 31, 2006, remain in
312 effect for the 2007 and 2008 calendar years except for any rate
313 change that results in a lower rate. The next rate change that
314 may increase rates shall take effect pursuant to a new rate
315 filing recommended by the corporation and established by the
316 office, subject to this paragraph.

317 5. Beginning on July 15, 2009, and annually thereafter, the
318 corporation shall ~~must~~ make a recommended actuarially sound rate
319 filing for each personal and commercial line of business it

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320 writes, ~~to be effective no earlier than January 1, 2010.~~

321 6. ~~Beginning on or after January 1, 2010, and~~

322 Notwithstanding the board's recommended rates and the office's
323 final order regarding the corporation's filed rates under
324 subparagraph 1., the corporation shall annually implement a rate
325 increase that ~~which~~, except for sinkhole coverage, does not
326 exceed 10 percent for any single policy issued by the
327 corporation, excluding coverage changes and surcharges.

328 7. The corporation may also implement an increase to
329 reflect the effect on the corporation of the cash buildup factor
330 pursuant to s. 215.555(5)(b).

331 8. The corporation's implementation of rates as prescribed
332 in subparagraph 6. shall cease for any line of business written
333 by the corporation upon the corporation's implementation of
334 actuarially sound rates. Thereafter, the corporation shall
335 annually make a recommended actuarially sound rate filing for
336 each commercial and personal line of business the corporation
337 writes.

338 Section 7. This act shall take effect July 1, 2013.