

Central Provisions of Strike-all Amendment to SB 2860

Citizens Reforms: Providing rate relief, reprioritizing deficit assessments, revising eligibility, and instilling accountability

- **Extends the Citizens Property Insurance Corporation (Citizens) rate freeze to Jan. 1, 2010** (the freeze has been in effect since Jan. 1, 2007).
- **Revises the required assessment process for deficits in each of Citizens' three accounts to:**
 - 1) First require an up to 15% premium surcharge for 12 months on all Citizens policies, then
 - 2) If necessary, levy a regular assessment on insurers that can be passed to policyholders of up to 6% of premium for most lines of property and casualty insurance or 8% of the total deficit, whichever is greater, and then
 - 3) If necessary, issues bond up to 10% of premium for most lines of property and casualty insurance or 10% of the deficit, whichever is greater.

The assessment approach in current law may result in an inequitable distribution of the assessment burden, particularly on non-homestead properties in Citizens.

- Provides that **homes with a dwelling replacement cost of \$2 million or more** or condo units with a \$2 million or more contents policy **are ineligible for Citizens** coverage by 1/1/09.
- **Deletes the current law that requires that new properties constructed within 2,500 feet of the coast after Jan. 1, 2009 to meet "Code Plus" requirements** in order to be eligible for Citizens. Current law would still require any new home to meet the Florida Building Code, including the windborne debris protection requirements that apply in the windborne debris region.
- **Creates a task force to review how to return Citizens to an insurer of last resort.**

Creating Consumer Protections

- **Increases fines for unfair insurance trade practices or violations of the insurance code** from \$2,500 to \$5,000 for non-willful violations and from \$20,000 to \$40,000 for willful violations.
- **Extends the suspension of "use and file" for one year.** Therefore, insurers must use the "file and use" option that prevents instituting a rate increase before receiving OIR approval.
- **Repeals the arbitration option** that insurers may choose instead of an administrative hearing to appeal a rate disapproval.
- **Increases the period required for notice of nonrenewal** of a personal or commercial residential policy from 100 days to 180 days if the policy has been written for 5 years or more.
- **Requires an insurer to notify OIR 90 days before non-renewing more than 10,000 policies within a one-year period.**

- **Requires residential homebuyers to be informed of the windstorm mitigation rating** of the home by January 1, 2011 (by January 1, 2010 for Citizens homes in the wind-borne debris region that are insured for \$500K or more).
- Requires OIR to develop a proposed method for insurers to **establish windstorm mitigation premium discounts based on the uniform home grading scale** by Feb. 1, 2011.
- Authorizes OIR to **require an insurer to file its claims handling practices and procedures as a public record** based on findings of a market conduct examination.
- Specifies the process for claiming, labeling, certifying, and potentially disclosing documents that may be considered trade secrets to **prevent unfair use of trade secret exemptions**.
- **Deletes current requirement for OIR to approve a profit factor** that is commensurate with risk, thereby restoring pre-2006 law that required OIR to consider “a reasonable margin for profit and contingencies” for rate approval.
- **Provides that it is an unfair trade practice and creates a cause of action** if an insurance company receives notice of a residential property claim, determines the benefits due on the claim, and agrees to coverage of the claim and does not pay the undisputed amounts of the claim within 90 days, with limited exceptions including an act of God, impossibility of performance, or the conduct of the insured, such as fraud or failure to cooperate.

Rebuilding the Private Market

- **Transfers \$250 million from Citizens to the Capital Build-Up Incentive Program** to expand private coverage options and prevents Citizens from raising rates to compensate for the transferred funds.
- **Allows an insurer to offer a multiline discount** if the policyholder has wind-only coverage with Citizens or a takeout insurer provided the same insurance agent services both policies.
- **Requires transparency in the OIR ratemaking process** by requiring OIR to provide ratemaking information on the internet and requiring OIR’s actuary to certify the truthfulness of the rate recommendation. Exempts the application of work-product and attorney-client privilege exemptions to communications with and records of OIR attorneys, with limited exceptions.
- **Creates an expedited hearing process for rate filings** that requires a hearing to be held within 30 days of the request for the hearing and requires that OIR must enter a final order within 30 days after the recommended order.
- Requires that **projected hurricane losses must be estimated using a model or method found to be accurate or reliable** by the Florida Commission on Hurricane Loss Projection Methodology.
- **Allows insurance companies to use the public hurricane model for a fee** to help them better predict what rates might be accepted by OIR, thereby streamlining the process.