

Committee Substitute for Senate Bill No. 2498

An act relating to hurricane preparedness and insurance; amending s. 163.01, F.S.; correcting a cross-reference; amending s. 215.555, F.S.; revising certain reimbursement contract requirements; deleting an expiration provision relating to obtaining coverage for liquidated insurers; delaying repeal of an exemption of medical malpractice insurance premiums from emergency assessments; revising criteria, requirements, and limitations on temporary emergency options for additional coverage under the Florida Hurricane Catastrophe Fund; amending s. 215.5595, F.S.; providing that domestic and other insurers writing only manufactured housing policies are eligible to receive a surplus note in a specified amount; revising prioritization of certain insurers in receiving funds; providing a definition; amending s. 624.407, F.S.; revising an insurer criterion for capital funds requirements for new insurers; amending s. 626.914, F.S.; revising the definition of the term “diligent effort”; amending s. 626.916, F.S.; providing requirements for insurance coverage eligible for export for residential property risks; requiring that the insured be notified that coverage may be available from Citizens Property Insurance Corporation; amending s. 626.9201, F.S.; revising requirements concerning cancellation for nonpayment of premium of policies providing coverage for property, casualty, surety, or marine insurance; defining the term “nonpayment of premium”; providing that certain contracts or contractual obligations concerning such coverage are void under specified conditions; requiring the refund of certain premiums received by an insurer; amending s. 627.0613, F.S.; limiting application of certain annual report card preparation powers of the consumer advocate to personal residential property insurers; amending s. 627.062, F.S.; specifying application of certain “file and use” requirements to property insurance only; excluding certain motor vehicle coverages; providing that certain interest paid by an insurer may not be included in rate base or used to justify a rate or rate change; amending s. 627.0655, F.S.; revising criteria for certain inclusion of discounts in certain premiums; amending s. 627.351, F.S.; revising legislative findings to provide a finding that the lack of affordable property insurance threatens the public health, safety, and welfare and threatens the economic health of the state; revising provisions for determining eligibility for coverage under Citizens Property Insurance Corporation; limiting application of the term “subject lines of business” to deficit assessments; revising a provision for determining eligibility of a risk for coverage; providing requirements for determining comparable coverage; specifying the sections of ch. 112, F.S., relating to the code of ethics for political subdivisions of the state, which apply to employees, senior managers, and members of the board of the corporation; revising requirements relating to senior management employees and members of the board of governors; amending s. 627.3511, F.S.; correcting a cross-reference; amending s. 627.3515, F.S.; revising criteria for an electronic database for a business plan; amending s. 627.3517, F.S.;

deleting a provision specifying nonapplication for a certain period; amending s. 627.4035, F.S.; revising a premium payment plan option provision for certain insurers; amending s. 627.4133, F.S.; specifying requirements for notices of nonrenewal and renewal of property insurance policies; authorizing the Financial Services Commission to adopt rules; amending s. 627.701, F.S.; revising requirements for deductibles for certain personal lines residential property insurance policies; amending s. 627.70131, F.S.; revising provisions relating to when an insurer must pay a claim; providing conditions under which interest must be paid; providing a definition; providing for nonapplication to certain claims; amending s. 627.712, F.S.; limiting application of certain residential windstorm coverage requirements to property insurance policies; specifying separate coverage exclusion statements for policyholders that are natural persons and other than natural persons; specifying a period of application of certain exclusions; providing for implementation of changes to certain exclusions; amending s. 627.7277, F.S.; deleting certain notice of renewal premium requirements; deleting authority of the commission to adopt rules; amending s. 631.52, F.S.; expanding an exception to application to self-insurance of provisions relating to Florida Insurance Guaranty of Payments; amending s. 631.57, F.S.; revising certain emergency assessment provisions relating to insurers rendered insolvent by the effects of hurricanes; amending s. 631.695, F.S.; deleting provisions limiting application of certain revenue bond issuance authority to certain counties; creating s. 1004.647, F.S.; creating the Florida Catastrophic Storm Risk Management Center at Florida State University; providing purposes; providing responsibilities of the center; prohibiting issuance of new certificates of authority to certain insurers; requiring rate filings of certain insurers to include certain parent company profits information; providing that the internal design option of the Florida Building Code remains in effect until a specified date for a building permit application made before that date, notwithstanding provisions of ch. 2007-1, Laws of Florida; providing for effect and for retroactive application; applying the act to any actions taken with respect to a building permit affected by such prior act; creating the Citizens Property Insurance Corporation Mission Review Task Force; providing purposes; requiring a report; providing report requirements; providing for appointment of members; providing responsibilities; specifying service without compensation; providing for reimbursement of per diem and travel expenses; providing meeting requirements; requiring the corporation to assist the task force; providing for the expiration of the task force; requiring the Department of Financial Services to provide information, facilities, and assistance to the task force necessary to carry out its purposes; providing an appropriation; providing effective dates.

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

Section 1. Paragraph (h) of subsection (7) of section 163.01, Florida Statutes, as amended by chapter 2007-1, Laws of Florida, is amended to read:

163.01 Florida Interlocal Cooperation Act of 1969.—

(7)

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

2. Any such separate legal entity shall have all the powers that are provided by the interlocal agreement under which the entity is created or that are necessary to finance, operate, or manage the alliance's property insurance coverage program. Proceeds of bonds, notes, or other obligations issued by such an entity may be loaned to any one or more eligible entities. Such eligible entities are authorized to enter into loan agreements with any separate legal entity created pursuant to this paragraph for the purpose of obtaining moneys with which to finance property insurance coverage or claims. Obligations of any eligible entity pursuant to a loan agreement as described in this paragraph may be validated as provided in chapter 75.

3. Any bonds, notes, or other obligations to be issued or incurred by a separate legal entity created pursuant to this paragraph shall be authorized by resolution of the governing body of such entity and bear the date or dates; mature at the time or times, not exceeding 30 years from their respective dates; bear interest at the rate or rates, which may be fixed or vary at such time or times and in accordance with a specified formula or method of determination; be payable at the time or times; be in the denomination; be in the form; carry the registration privileges; be executed in the manner; be payable from the sources and in the medium of payment and at the place; and be subject to redemption, including redemption prior to maturity, as the resolution may provide. The bonds, notes, or other obligations may be sold at public or private sale for such price as the governing body of the separate legal entity shall determine. The bonds may be secured by such credit enhancement, if any, as the governing body of the separate legal entity deems appropriate. The bonds may be secured by an indenture of trust or trust agreement. In addition, the governing body of the separate legal entity may delegate, to such officer or official of such entity as the governing body may select, the power to determine the time; manner of sale, public or private; maturities; rate or rates of interest, which may be fixed or may vary at such time or times and in accordance with a specified formula or method of determination; and other terms and conditions as may be deemed appropriate by the officer or official so designated by the governing body of such

separate legal entity. However, the amounts and maturities of such bonds, the interest rate or rates, and the purchase price of such bonds shall be within the limits prescribed by the governing body of such separate legal entity in its resolution delegating to such officer or official the power to authorize the issuance and sale of such bonds.

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

5. The accomplishment of the authorized purposes of a separate legal entity created under this paragraph is deemed in all respects for the benefit, increase of the commerce and prosperity, and improvement of the health and living conditions of the people of this state. Inasmuch as the separate legal entity performs essential public functions in accomplishing its purposes, the separate legal entity is not required to pay any taxes or assessments of any kind upon any property acquired or used by the entity for such purposes or upon any revenues at any time received by the entity. The bonds, notes, and other obligations of such separate legal entity, the transfer of and income from such bonds, notes, and other obligations, including any profits made on the sale of such bonds, notes, and other obligations, are at all times free from taxation of any kind of the state or by any political subdivision or other agency or instrumentality of the state. The exemption granted in this paragraph does not apply to any tax imposed by chapter 220 on interest, income, or profits on debt obligations owned by corporations.

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

Section 2. Paragraph (b) of subsection (4), paragraph (e) of subsection (5), paragraph (b) of subsection (6), and subsection (16) of section 215.555, Florida Statutes, as amended by chapter 2007-1, Laws of Florida, are amended to read:

215.555 Florida Hurricane Catastrophe Fund.—

(4) REIMBURSEMENT CONTRACTS.—

(b)1. The contract shall contain a promise by the board to reimburse the insurer for 45 percent, 75 percent, or 90 percent of its losses from each covered event in excess of the insurer's retention, plus 5 percent of the reimbursed losses to cover loss adjustment expenses.

2. The insurer must elect one of the percentage coverage levels specified in this paragraph and may, upon renewal of a reimbursement contract, elect a lower percentage coverage level if no revenue bonds issued under subsection (6) after a covered event are outstanding, or elect a higher percentage coverage level, regardless of whether or not revenue bonds are outstanding. All members of an insurer group must elect the same percentage coverage level. Any joint underwriting association, risk apportionment plan, or other entity created under s. 627.351 must elect the 90-percent coverage level.

3. The contract shall provide that reimbursement amounts shall not be reduced by reinsurance paid or payable to the insurer from other sources.

4. Notwithstanding any other provision contained in this section, the board shall make available to insurers that purchased coverage provided by this subparagraph ~~participated~~ in 2006, insurers qualifying as limited apportionment companies under s. 627.351(6)(c) ~~which began writing property insurance in 2007~~, and insurers that were approved to participate in 2006 or that are approved in 2007 for the Insurance Capital Build-Up Incentive Program pursuant to s. 215.5595, a contract or contract addendum that provides an additional amount of reimbursement coverage of up to \$10 million. The premium to be charged for this additional reimbursement coverage shall be 50 percent of the additional reimbursement coverage provided, which shall include one prepaid reinstatement. The minimum retention level that an eligible participating insurer must retain associated with this additional coverage layer is 30 percent of the insurer's surplus as of December 31, 2006. This coverage shall be in addition to all other coverage that may be provided under this section. The coverage provided by the fund under this subparagraph ~~subsection~~ shall be in addition to the claims-paying capacity as defined in subparagraph (c)1., but only with respect to those insurers that select the additional coverage option and meet the requirements of this subparagraph ~~subsection~~. The claims-paying capacity with respect to all other participating insurers and limited apportionment companies that do not select the additional coverage option shall be limited to their reimbursement premium's proportionate share of the actual claims-paying capacity otherwise defined in subparagraph (c)1. and as provided for under the terms of the reimbursement contract. Coverage provided in the reimbursement contract will not be affected by the additional premiums paid by participating insurers exercising the additional coverage option allowed in this subparagraph. This subparagraph expires on May 31, 2008.

(5) REIMBURSEMENT PREMIUMS.—

(e) If Citizens Property Insurance Corporation assumes or otherwise provides coverage for policies of an insurer placed in liquidation under chapter 631 pursuant to s. 627.351(6), the corporation may, pursuant to conditions mutually agreed to between the corporation and the State Board of Administration, obtain coverage for such policies under its contract with the fund or accept an assignment of the liquidated insurer's contract with the fund. If Citizens Property Insurance Corporation elects to cover these policies under the corporation's contract with the fund, it shall notify the board of its insured values with respect to such policies within a specified time mutually agreed to between the corporation and the board, after such assumption or

other coverage transaction, and the fund shall treat such policies as having been in effect as of June 30 of that year. In the event of an assignment, the fund shall apply that contract to such policies and treat Citizens Property Insurance Corporation as if the corporation were the liquidated insurer for the remaining term of the contract, and the corporation shall have all rights and duties of the liquidated insurer beginning on the date it provides coverage for such policies, but the corporation is not subject to any preexisting rights, liabilities, or duties of the liquidated insurer. The assignment, including any unresolved issues between the liquidated insurer and Citizens Property Insurance Corporation under the contract, shall be provided for in the liquidation order or otherwise determined by the court. However, if a covered event occurs before the effective date of the assignment, the corporation may not obtain coverage for such policies under its contract with the fund and shall accept an assignment of the liquidated insurer's contract as provided in this paragraph. ~~This paragraph expires on June 1, 2007.~~

(6) REVENUE BONDS.—

(b) Emergency assessments.—

1. If the board determines that the amount of revenue produced under subsection (5) is insufficient to fund the obligations, costs, and expenses of the fund and the corporation, including repayment of revenue bonds and that portion of the debt service coverage not met by reimbursement premiums, the board shall direct the Office of Insurance Regulation to levy, by order, an emergency assessment on direct premiums for all property and casualty lines of business in this state, including property and casualty business of surplus lines insurers regulated under part VIII of chapter 626, but not including any workers' compensation premiums or medical malpractice premiums. As used in this subsection, the term "property and casualty business" includes all lines of business identified on Form 2, Exhibit of Premiums and Losses, in the annual statement required of authorized insurers by s. 624.424 and any rule adopted under this section, except for those lines identified as accident and health insurance and except for policies written under the National Flood Insurance Program. The assessment shall be specified as a percentage of direct written premium and is subject to annual adjustments by the board in order to meet debt obligations. The same percentage shall apply to all policies in lines of business subject to the assessment issued or renewed during the 12-month period beginning on the effective date of the assessment.

2. A premium is not subject to an annual assessment under this paragraph in excess of 6 percent of premium with respect to obligations arising out of losses attributable to any one contract year, and a premium is not subject to an aggregate annual assessment under this paragraph in excess of 10 percent of premium. An annual assessment under this paragraph shall continue as long as the revenue bonds issued with respect to which the assessment was imposed are outstanding, including any bonds the proceeds of which were used to refund the revenue bonds, unless adequate provision has been made for the payment of the bonds under the documents authorizing issuance of the bonds.

3. Emergency assessments shall be collected from policyholders. Emergency assessments shall be remitted by insurers as a percentage of direct written premium for the preceding calendar quarter as specified in the order from the Office of Insurance Regulation. The office shall verify the accurate and timely collection and remittance of emergency assessments and shall report the information to the board in a form and at a time specified by the board. Each insurer collecting assessments shall provide the information with respect to premiums and collections as may be required by the office to enable the office to monitor and verify compliance with this paragraph.

4. With respect to assessments of surplus lines premiums, each surplus lines agent shall collect the assessment at the same time as the agent collects the surplus lines tax required by s. 626.932, and the surplus lines agent shall remit the assessment to the Florida Surplus Lines Service Office created by s. 626.921 at the same time as the agent remits the surplus lines tax to the Florida Surplus Lines Service Office. The emergency assessment on each insured procuring coverage and filing under s. 626.938 shall be remitted by the insured to the Florida Surplus Lines Service Office at the time the insured pays the surplus lines tax to the Florida Surplus Lines Service Office. The Florida Surplus Lines Service Office shall remit the collected assessments to the fund or corporation as provided in the order levied by the Office of Insurance Regulation. The Florida Surplus Lines Service Office shall verify the proper application of such emergency assessments and shall assist the board in ensuring the accurate and timely collection and remittance of assessments as required by the board. The Florida Surplus Lines Service Office shall annually calculate the aggregate written premium on property and casualty business, other than workers' compensation and medical malpractice, procured through surplus lines agents and insureds procuring coverage and filing under s. 626.938 and shall report the information to the board in a form and at a time specified by the board.

5. Any assessment authority not used for a particular contract year may be used for a subsequent contract year. If, for a subsequent contract year, the board determines that the amount of revenue produced under subsection (5) is insufficient to fund the obligations, costs, and expenses of the fund and the corporation, including repayment of revenue bonds and that portion of the debt service coverage not met by reimbursement premiums, the board shall direct the Office of Insurance Regulation to levy an emergency assessment up to an amount not exceeding the amount of unused assessment authority from a previous contract year or years, plus an additional 4 percent provided that the assessments in the aggregate do not exceed the limits specified in subparagraph 2.

6. The assessments otherwise payable to the corporation under this paragraph shall be paid to the fund unless and until the Office of Insurance Regulation and the Florida Surplus Lines Service Office have received from the corporation and the fund a notice, which shall be conclusive and upon which they may rely without further inquiry, that the corporation has issued bonds and the fund has no agreements in effect with local governments under paragraph (c). On or after the date of the notice and until the date the corporation has no bonds outstanding, the fund shall have no right, title, or

interest in or to the assessments, except as provided in the fund's agreement with the corporation.

7. Emergency assessments are not premium and are not subject to the premium tax, to the surplus lines tax, to any fees, or to any commissions. An insurer is liable for all assessments that it collects and must treat the failure of an insured to pay an assessment as a failure to pay the premium. An insurer is not liable for uncollectible assessments.

8. When an insurer is required to return an unearned premium, it shall also return any collected assessment attributable to the unearned premium. A credit adjustment to the collected assessment may be made by the insurer with regard to future remittances that are payable to the fund or corporation, but the insurer is not entitled to a refund.

9. When a surplus lines insured or an insured who has procured coverage and filed under s. 626.938 is entitled to the return of an unearned premium, the Florida Surplus Lines Service Office shall provide a credit or refund to the agent or such insured for the collected assessment attributable to the unearned premium prior to remitting the emergency assessment collected to the fund or corporation.

10. The exemption of medical malpractice insurance premiums from emergency assessments under this paragraph is repealed ~~May 31, 2010~~ May 31, 2007, and medical malpractice insurance premiums shall be subject to emergency assessments attributable to loss events occurring in the contract years commencing on ~~June 1, 2010~~ June 1, 2007.

(16) TEMPORARY EMERGENCY OPTIONS FOR ADDITIONAL COVERAGE.—

(a) Findings and intent.—

1. The Legislature finds that:

a. Because of temporary disruptions in the market for catastrophic reinsurance, many property insurers were unable to procure reinsurance for the 2006 hurricane season with an attachment point below the insurers' respective Florida Hurricane Catastrophe Fund attachment points, were unable to procure sufficient amounts of such reinsurance, or were able to procure such reinsurance only by incurring substantially higher costs than in prior years.

b. The reinsurance market problems were responsible, at least in part, for substantial premium increases to many consumers and increases in the number of policies issued by the Citizens Property Insurance Corporation.

c. It is likely that the reinsurance market disruptions will not significantly abate prior to the 2007 hurricane season.

2. It is the intent of the Legislature to create a temporary emergency program, applicable to the 2007, 2008, and 2009 hurricane seasons, to address these market disruptions and enable insurers, at their option, to procure additional coverage from the Florida Hurricane Catastrophe Fund.

(b) Applicability of other provisions of this section.—All provisions of this section and the rules adopted under this section apply to the program created by this subsection unless specifically superseded by this subsection.

(c) Optional coverage.—For the contract year commencing June 1, 2007, and ending May 31, 2008, the contract year commencing June 1, 2008, and ending May 31, 2009, and the contract year commencing June 1, 2009, and ending May 31, 2010, the board shall offer for each of such years the optional coverage as provided in this subsection.

(d) Additional definitions.—As used in this subsection, the term:

1. “TEACO options” means the temporary emergency additional coverage options created under this subsection.

2. “TEACO insurer” means an insurer that has opted to obtain coverage under the TEACO options in addition to the coverage provided to the insurer under its reimbursement contract.

3. “TEACO reimbursement premium” means the premium charged by the fund for coverage provided under the TEACO options.

4. “TEACO retention” means the amount of losses below which a TEACO insurer is not entitled to reimbursement from the fund under the TEACO option selected. A TEACO insurer’s retention options shall be calculated as follows:

a. The board shall calculate and report to each TEACO insurer the TEACO retention multiples. There shall be three TEACO retention multiples for defining coverage. Each multiple shall be calculated by dividing \$3 billion, \$4 billion, or \$5 billion by the total estimated mandatory FHCF TEACO reimbursement premium assuming all insurers selected that option. ~~Total estimated TEACO reimbursement premium for purposes of the calculation under this sub-subparagraph shall be calculated using the assumption that all insurers have selected a specific TEACO retention multiple option and have selected the 90-percent coverage level.~~

b. The TEACO retention multiples as determined under sub-subparagraph a. shall be adjusted to reflect the coverage level elected by the insurer. For insurers electing the 90-percent coverage level, the adjusted retention multiple is 100 percent of the amount determined under sub-subparagraph a. For insurers electing the 75-percent coverage level, the retention multiple is 120 percent of the amount determined under sub-subparagraph a. For insurers electing the 45-percent coverage level, the adjusted retention multiple is 200 percent of the amount determined under sub-subparagraph a.

c. An insurer shall determine its provisional TEACO retention by multiplying its estimated mandatory FHCF provisional TEACO reimbursement premium by the applicable adjusted TEACO retention multiple and shall determine its actual TEACO retention by multiplying its actual mandatory FHCF TEACO reimbursement premium by the applicable adjusted TEACO retention multiple.

d. For TEACO insurers who experience multiple covered events causing loss during the contract year, the insurer's full TEACO retention shall be applied to each of the covered events causing the two largest losses for that insurer. For other covered events resulting in losses, the TEACO option does not apply and the insurer's retention shall be one-third of the full retention as calculated under paragraph (2)(e).

5. "TEACO addendum" means an addendum to the reimbursement contract reflecting the obligations of the fund and TEACO insurers under the program created by this subsection.

6. "FHCF" means the Florida Hurricane Catastrophe Fund.

(e) TEACO addendum.—

1. The TEACO addendum shall provide for reimbursement of TEACO insurers for covered events occurring during the contract year, in exchange for the TEACO reimbursement premium paid into the fund under paragraph (f). Any insurer writing covered policies has the option of choosing to accept the TEACO addendum for any of the 3 contract years that the coverage is offered.

2. The TEACO addendum shall contain a promise by the board to reimburse the TEACO insurer for 45 percent, 75 percent, or 90 percent of its losses from each covered event in excess of the insurer's TEACO retention, plus 5 percent of the reimbursed losses to cover loss adjustment expenses. The percentage shall be the same as the coverage level selected by the insurer under paragraph (4)(b).

3. The TEACO addendum shall provide that reimbursement amounts shall not be reduced by reinsurance paid or payable to the insurer from other sources.

4. The TEACO addendum shall also provide that the obligation of the board with respect to all TEACO addenda shall not exceed an amount equal to two times the difference between the industry retention level calculated under paragraph (2)(e) and the \$3 billion, \$4 billion, or \$5 billion industry TEACO retention level options actually selected, but in no event may the board's obligation exceed the actual claims-paying capacity of the fund plus the additional capacity created in paragraph (g). If the actual claims-paying capacity and the additional capacity created under paragraph (g) fall short of the board's obligations under the reimbursement contract, each insurer's share of the fund's capacity shall be prorated based on the premium an insurer pays for its mandatory ~~normal~~ reimbursement coverage and the premium paid for its optional TEACO coverage as each such premium bears to the total premiums paid to the fund times the available capacity.

5. The priorities, schedule, and method of reimbursements under the TEACO addendum shall be the same as provided under subsection (4).

6. A TEACO insurer's maximum reimbursement for a single event shall be equal to the product of multiplying its mandatory FHCF premium by the difference between its FHCF retention multiple and its TEACO retention

~~multiple under the TEACO option selected and by the coverage selected under paragraph (4)(b), plus an additional 5 percent for loss adjustment expenses. A TEACO insurer's maximum reimbursement under the TEACO option selected for a TEACO insurer's two largest events addendum shall be twice its maximum reimbursement for a single event calculated by multiplying the insurer's share of the estimated total TEACO reimbursement premium as calculated under sub-subparagraph (d)4.a. by an amount equal to two times the difference between the industry retention level calculated under paragraph (2)(e) and the \$3 billion, \$4 billion, or \$5 billion industry TEACO retention level specified in sub-subparagraph (d)4.a. as selected by the TEACO insurer.~~

(f) TEACO reimbursement premiums.—

1. Each TEACO insurer shall pay to the fund, in the manner and at the time provided in the reimbursement contract for payment of reimbursement premiums, a TEACO reimbursement premium calculated as specified in this paragraph.

~~2. The TEACO reimbursement premiums shall be calculated based on the assumption that, if all insurers entering into reimbursement contracts under subsection (4) also accepted the TEACO option:~~

~~a. The insurer's industry TEACO reimbursement premium associated with the \$3 billion retention option shall would be equal to 85 percent of a TEACO insurer's maximum reimbursement for a single event as calculated under subparagraph (e)6. the difference between the industry retention level calculated under paragraph (2)(e) and the \$3 billion industry TEACO retention level.~~

~~b. The TEACO reimbursement premium associated with the \$4 billion retention option shall would be equal to 80 percent of a TEACO insurer's maximum reimbursement for a single event as calculated under subparagraph (e)6. the difference between the industry retention level calculated under paragraph (2)(e) and the \$4 billion industry TEACO retention level.~~

~~c. The TEACO premium associated with the \$5 billion retention option shall would be equal to 75 percent of a TEACO insurer's maximum reimbursement for a single event as calculated under subparagraph (e)6. the difference between the industry retention level calculated under paragraph (2)(e) and the \$5 billion industry TEACO retention level.~~

~~3.— Each insurer's TEACO premium shall be calculated based on its share of the total TEACO reimbursement premiums based on its coverage selection under the TEACO addendum.~~

(g) Effect on claims-paying capacity of the fund.—For the contract term commencing June 1, 2007, the contract year commencing June 1, 2008, and the contract term beginning June 1, 2009, the program created by this subsection shall increase the claims-paying capacity of the fund as provided in subparagraph (4)(c)1. by an amount equal to two times the difference between the industry retention level calculated under paragraph (2)(e) and the \$3 billion industry TEACO retention level specified in sub-subparagraph

(d)4.a. The additional capacity shall apply only to the additional coverage provided by the TEACO option and shall not otherwise affect any insurer's reimbursement from the fund.

Section 3. Paragraphs (b) and (g) of subsection (2) of section 215.5595, Florida Statutes, as amended by chapter 2007-1, Laws of Florida, are amended, and paragraph (j) is added to that subsection, to read:

215.5595 Insurance Capital Build-Up Incentive Program.—

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

(b) The insurer must contribute an amount of new capital to its surplus which is at least equal to the amount of the surplus note and must apply to the board by July 1, 2006. If an insurer applies after July 1, 2006, but before June 1, 2007, the amount of the surplus note is limited to one-half of the new capital that the insurer contributes to its surplus, except that an insurer writing only manufactured housing policies is eligible to receive a surplus note of up to \$7 million. For purposes of this section, new capital must be in the form of cash or cash equivalents as specified in s. 625.012(1).

(g) The total amount of funds available for the program is limited to the amount appropriated by the Legislature for this purpose. If the amount of surplus notes requested by insurers exceeds the amount of funds available, the board may prioritize insurers that are eligible and approved, with priority for funding given to insurers writing only manufactured housing policies, regardless of the date of application, based on the financial strength of the insurer, the viability of its proposed business plan for writing additional residential property insurance in the state, and the effect on competition in the residential property insurance market. Between insurers writing residential property insurance covering manufactured housing, priority shall be given to the insurer writing the highest percentage of its policies covering manufactured housing.

(j) As used in this section, “an insurer writing only manufactured housing policies” includes:

1. A Florida domiciled insurer that begins writing personal lines residential manufactured housing policies in Florida after March 1, 2007, and that removes a minimum of 50,000 policies from Citizens Property Insurance Corporation without accepting a bonus, provided at least 25 percent of its policies cover manufactured housing. Such an insurer may count any funds above the minimum capital and surplus requirement that were contributed into the insurer after March 1, 2007, as new capital under this section.

2. A Florida domiciled insurer that writes at least 40 percent of its policies covering manufactured housing in Florida.

Section 4. Subsection (1) of section 624.407, Florida Statutes, as amended by chapter 2007-1, Laws of Florida, is amended to read:

624.407 Capital funds required; new insurers.—

(1) To receive authority to transact any one kind or combinations of kinds of insurance, as defined in part V of this chapter, an insurer applying for its original certificate of authority in this state after the effective date of this section shall possess surplus as to policyholders not less than the greater of:

- (a) Five million dollars for a property and casualty insurer, or \$2.5 million for any other insurer;
- (b) For life insurers, 4 percent of the insurer's total liabilities;
- (c) For life and health insurers, 4 percent of the insurer's total liabilities, plus 6 percent of the insurer's liabilities relative to health insurance; or
- (d) For all insurers other than life insurers and life and health insurers, 10 percent of the insurer's total liabilities;

however, a domestic insurer that transacts residential property insurance and is a wholly owned subsidiary of an insurer ~~domiciled authorized to do business~~ in any other state shall possess surplus as to policyholders of at least \$50 million, but no insurer shall be required under this subsection to have surplus as to policyholders greater than \$100 million.

Section 5. Subsection (4) of section 626.914, Florida Statutes, is amended to read:

626.914 Definitions.—As used in this Surplus Lines Law, the term:

(4) "Diligent effort" means seeking coverage from and having been rejected by at least three authorized insurers currently writing this type of coverage and documenting these rejections. However, if the residential structure has a dwelling replacement cost of \$1 million or more, the term means seeking coverage from and having been rejected by at least one authorized insurer currently writing this type of coverage and documenting this rejection.

Section 6. Paragraph (e) is added to subsection (1) of section 626.916, Florida Statutes, to read:

626.916 Eligibility for export.—

(1) No insurance coverage shall be eligible for export unless it meets all of the following conditions:

(e) For personal residential property risks, the retail or producing agent must advise the insured in writing that coverage may be available and may be less expensive from Citizens Property Insurance Corporation. The notice must include other information that states that assessments by Citizens Property Insurance Corporation are higher and the coverage provided by Citizens Property Insurance Corporation may be less than the property's existing coverage. If the notice is signed by the insured, it is presumed that the insured has been informed and knows that policies from Citizens Prop-

erty Insurance Corporation may be less expensive, may provide less coverage, and will be accompanied by higher assessments.

Section 7. Subsection (2) of section 626.9201, Florida Statutes, is amended to read:

626.9201 Notice of cancellation or nonrenewal.—

(2) An insurer issuing a policy providing coverage for property, casualty, surety, or marine insurance shall give the named insured written notice of cancellation or termination other than nonrenewal at least 45 days prior to the effective date of the cancellation or termination, including in the written notice the reason or reasons for the cancellation or termination, except that:

(a) When cancellation is for nonpayment of premium, at least 10 days' written notice of cancellation accompanied by the reason therefor shall be given. As used in this paragraph, the term "nonpayment of premium" means the failure of the named insured to discharge when due any of his or her obligations in connection with the payment of premiums on a policy or an installment of such a premium, whether the premium or installment is payable directly to the insurer or its agent or indirectly under any plan for financing premiums or extension of credit or the failure of the named insured to maintain membership in an organization if such membership is a condition precedent to insurance coverage. The term also includes the failure of a financial institution to honor the check of an applicant for insurance which was delivered to a licensed agent for payment of a premium, even if the agent previously delivered or transferred the premium to the insurer. If a correctly dishonored check represents payment of the initial premium, the contract, and all contractual obligations are void ab initio unless the nonpayment is cured within the earlier of 5 days after actual notice by certified mail is received by the applicant or 15 days after notice is sent to the applicant by certified mail or registered mail, and, if the contract is void, any premium received by the insurer from a third party shall be refunded to that party in full; and

(b) When such cancellation or termination occurs during the first 90 days during which the insurance is in force and the insurance is canceled or terminated for reasons other than nonpayment, at least 20 days' written notice of cancellation or termination accompanied by the reason therefor shall be given except where there has been a material misstatement or misrepresentation or failure to comply with the underwriting requirements established by the insurer.

Section 8. Subsection (4) of section 627.0613, Florida Statutes, as amended by chapter 2007-1, Laws of Florida, is amended to read:

627.0613 Consumer advocate.—The Chief Financial Officer must appoint a consumer advocate who must represent the general public of the state before the department and the office. The consumer advocate must report directly to the Chief Financial Officer, but is not otherwise under the authority of the department or of any employee of the department. The consumer advocate has such powers as are necessary to carry out the duties

of the office of consumer advocate, including, but not limited to, the powers to:

(4) Prepare an annual report card for each authorized personal residential property insurer, on a form and using a letter-grade scale developed by the commission by rule, which grades each insurer based on the following factors:

(a) The number and nature of consumer complaints, as a market share ratio, received by the department against the insurer.

(b) The disposition of all complaints received by the department.

(c) The average length of time for payment of claims by the insurer.

(d) Any other factors the commission identifies as assisting policyholders in making informed choices about homeowner's insurance.

Section 9. Paragraph (a) of subsection (2) of section 627.062, Florida Statutes, as amended by chapter 2007-1, Laws of Florida, is amended, and subsection (11) is added to that section, to read:

627.062 Rate standards.—

(2) As to all such classes of insurance:

(a) Insurers or rating organizations shall establish and use rates, rating schedules, or rating manuals to allow the insurer a reasonable rate of return on such classes of insurance written in this state. A copy of rates, rating schedules, rating manuals, premium credits or discount schedules, and surcharge schedules, and changes thereto, shall be filed with the office under one of the following procedures except as provided in subparagraph 3.:

1. If the filing is made at least 90 days before the proposed effective date and the filing is not implemented during the office's review of the filing and any proceeding and judicial review, then such filing shall be considered a "file and use" filing. In such case, the office shall finalize its review by issuance of a notice of intent to approve or a notice of intent to disapprove within 90 days after receipt of the filing. The notice of intent to approve and the notice of intent to disapprove constitute agency action for purposes of the Administrative Procedure Act. Requests for supporting information, requests for mathematical or mechanical corrections, or notification to the insurer by the office of its preliminary findings shall not toll the 90-day period during any such proceedings and subsequent judicial review. The rate shall be deemed approved if the office does not issue a notice of intent to approve or a notice of intent to disapprove within 90 days after receipt of the filing.

2. If the filing is not made in accordance with the provisions of subparagraph 1., such filing shall be made as soon as practicable, but no later than 30 days after the effective date, and shall be considered a "use and file" filing. An insurer making a "use and file" filing is potentially subject to an order by the office to return to policyholders portions of rates found to be excessive, as provided in paragraph (h).

3. For all filings made or submitted after January 25, 2007, but ~~on or~~ before December 31, 2008, an insurer seeking a rate that is greater than the rate most recently approved by the office shall make a “file and use” filing. This subparagraph applies to property insurance only. For purposes of this subparagraph, motor vehicle collision and comprehensive coverages are not considered to be property coverages.

The provisions of this subsection shall not apply to workers’ compensation and employer’s liability insurance and to motor vehicle insurance.

(11) Any interest paid pursuant to s. 627.70131(5) may not be included in the insurer’s rate base and may not be used to justify a rate or rate change.

Section 10. Section 627.0655, Florida Statutes, as created by chapter 2007-1, Laws of Florida, is amended to read:

627.0655 Policyholder loss or expense-related premium discounts.—An insurer or person authorized to engage in the business of insurance in this state may include, in the premium charged an insured for any policy, contract, or certificate of insurance, a discount based on the fact that another policy, contract, or certificate of any type has been purchased by the insured from the same insurer or insurer group.

Section 11. Paragraphs (a), (b), (c), (d), (j), (m), and (r) of subsection (6) of section 627.351, Florida Statutes, as amended by chapter 2007-1, Laws of Florida, are amended, and paragraph (ff) is added to that subsection, to read:

627.351 Insurance risk apportionment plans.—

(6) CITIZENS PROPERTY INSURANCE CORPORATION.—

(a)1. It is the public purpose of this subsection to ensure the existence of an orderly market for property insurance for Floridians and Florida businesses. The Legislature finds that private insurers are unwilling or unable to provide affordable property insurance coverage in this state to the extent sought and needed. The absence of affordable property insurance threatens the public health, safety, and welfare and likewise threatens the economic health of the state. The state therefore has a compelling public interest and a public purpose to assist in assuring that property in the state is insured and that it is insured at affordable rates so as to facilitate the remediation, reconstruction, and replacement of damaged or destroyed property in order to reduce or avoid the negative effects otherwise resulting to the public health, safety, and welfare, to the economy of the state, and to the revenues of the state and local governments which are needed to provide for the public welfare. It is necessary, therefore, to provide affordable property insurance to applicants who are in good faith entitled to procure insurance through the voluntary market but are unable to do so. The Legislature intends by this subsection that affordable property insurance be provided and that it continue to be provided, as long as necessary, through Citizens Property Insurance Corporation, a government entity that is an integral part of the state,

and that is not a private insurance company. To that end, Citizens Property Insurance Corporation shall strive to increase the availability of affordable property insurance in this state, while achieving efficiencies and economies, and while providing service to policyholders, applicants, and agents which is no less than the quality generally provided in the voluntary market, for the achievement of the foregoing public purposes. Because it is essential for this government entity to have the maximum financial resources to pay claims following a catastrophic hurricane, it is the intent of the Legislature that Citizens Property Insurance Corporation continue to be an integral part of the state and that the income of the corporation be exempt from federal income taxation and that interest on the debt obligations issued by the corporation be exempt from federal income taxation. The Legislature finds that actual and threatened catastrophic losses to property in this state from hurricanes have caused insurers to be unwilling or unable to provide property insurance coverage to the extent sought and needed. It is in the public interest and a public purpose to assist in assuring that property in the state is insured so as to facilitate the remediation, reconstruction, and replacement of damaged or destroyed property in order to reduce or avoid the negative effects otherwise resulting to the public health, safety, and welfare; to the economy of the state; and to the revenues of the state and local governments needed to provide for the public welfare. It is necessary, therefore, to provide property insurance to applicants who are in good faith entitled to procure insurance through the voluntary market but are unable to do so. The Legislature intends by this subsection that property insurance be provided and that it continues, as long as necessary, through an entity organized to achieve efficiencies and economies, while providing service to policyholders, applicants, and agents that is no less than the quality generally provided in the voluntary market, all toward the achievement of the foregoing public purposes. Because it is essential for the corporation to have the maximum financial resources to pay claims following a catastrophic hurricane, it is the intent of the Legislature that the income of the corporation be exempt from federal income taxation and that interest on the debt obligations issued by the corporation be exempt from federal income taxation.

2. The Residential Property and Casualty Joint Underwriting Association originally created by this statute shall be known, as of July 1, 2002, as the Citizens Property Insurance Corporation. The corporation shall provide insurance for residential and commercial property, for applicants who are in good faith entitled, but are unable, to procure insurance through the voluntary market. The corporation shall operate pursuant to a plan of operation approved by order of the Financial Services Commission. The plan is subject to continuous review by the commission. The commission may, by order, withdraw approval of all or part of a plan if the commission determines that conditions have changed since approval was granted and that the purposes of the plan require changes in the plan. The corporation shall continue to operate pursuant to the plan of operation approved by the Office of Insurance Regulation until October 1, 2006. For the purposes of this subsection, residential coverage includes both personal lines residential coverage, which consists of the type of coverage provided by homeowner's, mobile home owner's, dwelling, tenant's, condominium unit owner's, and similar policies, and commercial lines residential coverage, which consists

of the type of coverage provided by condominium association, apartment building, and similar policies.

3. For the purposes of this subsection, the term “homestead property” means:

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

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

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

d. Tenant’s coverage;

e. Commercial lines residential property; or

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

4. For the purposes of this subsection, the term “nonhomestead property” means property that is not homestead property.

5. Effective January 1, 2009 ~~July 1, 2008~~, a personal lines residential structure that has a dwelling replacement cost of \$1 million or more, or a single condominium unit that has a combined dwelling and content replacement cost of \$1 million or more is not eligible for coverage by the corporation. Such dwellings insured by the corporation on December 31, 2008 ~~June 30, 2008~~, may continue to be covered by the corporation until the end of the policy term. However, such dwellings that are insured by the corporation and become ineligible for coverage due to the provisions of this subparagraph may reapply and obtain coverage in the high-risk account and be considered “nonhomestead property” if the property owner provides the corporation with a sworn affidavit from one or more insurance agents, on a form provided by the corporation, stating that the agents have made their best efforts to obtain coverage and that the property has been rejected for coverage by at least one authorized insurer and at least three surplus lines insurers. If such conditions are met, the dwelling may be insured by the corporation for up to 3 years, after which time the dwelling is ineligible for coverage. The office shall approve the method used by the corporation for valuing the dwelling replacement cost for the purposes of this subparagraph. If a policyholder is insured by the corporation prior to being determined to be ineligible pursuant to this subparagraph and such policyholder

files a lawsuit challenging the determination, the policyholder may remain insured by the corporation until the conclusion of the litigation.

6. For properties constructed on or after January 1, 2009, the corporation may not insure any property located within 2,500 feet landward of the coastal construction control line created pursuant to s. 161.053 unless the property meets the requirements of the code-plus building standards developed by the Florida Building Commission.

7. It is the intent of the Legislature that policyholders, applicants, and agents of the corporation receive service and treatment of the highest possible level but never less than that generally provided in the voluntary market. It also is intended that the corporation be held to service standards no less than those applied to insurers in the voluntary market by the office with respect to responsiveness, timeliness, customer courtesy, and overall dealings with policyholders, applicants, or agents of the corporation.

(b)1. All insurers authorized to write one or more subject lines of business in this state are subject to assessment by the corporation and, for the purposes of this subsection, are referred to collectively as “assessable insurers.” Insurers writing one or more subject lines of business in this state pursuant to part VIII of chapter 626 are not assessable insurers, but insureds who procure one or more subject lines of business in this state pursuant to part VIII of chapter 626 are subject to assessment by the corporation and are referred to collectively as “assessable insureds.” An authorized insurer’s assessment liability shall begin on the first day of the calendar year following the year in which the insurer was issued a certificate of authority to transact insurance for subject lines of business in this state and shall terminate 1 year after the end of the first calendar year during which the insurer no longer holds a certificate of authority to transact insurance for subject lines of business in this state.

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

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

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

(III) A high-risk account for personal residential policies and commercial residential and commercial nonresidential property policies issued by the corporation or transferred to the corporation that provide coverage for the peril of wind on risks that are located in areas eligible for coverage in the Florida Windstorm Underwriting Association as those areas were defined on January 1, 2002. Subject to the approval of a business plan by the Financial Services Commission and Legislative Budget Commission as provided in this sub-sub-paragraph, but no earlier than March 31, 2007, the corporation may offer policies that provide multiperil coverage and the corporation shall continue to offer policies that provide coverage only for the peril of wind for risks located in areas eligible for coverage in the high-risk account. In issuing multiperil coverage, the corporation may use its approved policy forms and rates for the personal lines account. An applicant or insured who is eligible to purchase a multiperil policy from the corporation may purchase a multiperil policy from an authorized insurer without prejudice to the applicant's or insured's eligibility to prospectively purchase a policy that provides coverage only for the peril of wind from the corporation. An applicant or insured who is eligible for a corporation policy that provides coverage only for the peril of wind may elect to purchase or retain such policy and also purchase or retain coverage excluding wind from an authorized insurer without prejudice to the applicant's or insured's eligibility to prospectively purchase a policy that provides multiperil coverage from the corporation. It is the goal of the Legislature that there would be an overall average savings of 10 percent or more for a policyholder who currently has a wind-only policy with the corporation, and an ex-wind policy with a voluntary insurer or the corporation, and who then obtains a multiperil policy from the corporation. It is the intent of the Legislature that the offer of multiperil coverage in the high-risk account be made and implemented in a manner that does not adversely affect the tax-exempt status of the corporation or creditworthiness of or security for currently outstanding financing obligations or credit facilities of the high-risk account, the personal lines account, or the commercial lines account. By March 1, 2007, the corporation shall prepare and submit for approval by the Financial Services Commission and Legislative Budget Commission a report detailing the corporation's business plan for issuing multiperil coverage in the high-risk account. The business plan shall be approved or disapproved within 30 days after receipt, as submitted or modified and resubmitted by the corporation. The business plan must include: the impact of such multiperil coverage on the corporation's financial resources, the impact of such multiperil coverage on the corporation's tax-exempt status, the manner in which the corporation plans to implement the processing of applications and policy forms for new and existing policyholders, the impact of such multiperil coverage on the corporation's ability to deliver customer service at the high level required by this subsection, the ability of the corporation to process claims, the ability of the corporation to quote and issue policies, the impact of such multiperil coverage on the corporation's agents, the impact of such multiperil coverage on the corporation's existing policyholders, and the impact of such multiperil coverage on rates and premium. The high-risk account must also include quota share primary insurance under subparagraph (c)2. The area eligible for coverage under the high-risk account also includes the area within Port Canaveral, which is bordered on the south by the City of Cape Canaveral,

bordered on the west by the Banana River, and bordered on the north by Federal Government property.

b. The three separate accounts must be maintained as long as financing obligations entered into by the Florida Windstorm Underwriting Association or Residential Property and Casualty Joint Underwriting Association are outstanding, in accordance with the terms of the corresponding financing documents. When the financing obligations are no longer outstanding, in accordance with the terms of the corresponding financing documents, the corporation may use a single account for all revenues, assets, liabilities, losses, and expenses of the corporation. Consistent with the requirement of this subparagraph and prudent investment policies that minimize the cost of carrying debt, the board shall exercise its best efforts to retire existing debt or to obtain approval of necessary parties to amend the terms of existing debt, so as to structure the most efficient plan to consolidate the three separate accounts into a single account. By February 1, 2007, the board shall submit a report to the Financial Services Commission, the President of the Senate, and the Speaker of the House of Representatives which includes an analysis of consolidating the accounts, the actions the board has taken to minimize the cost of carrying debt, and its recommendations for executing the most efficient plan.

c. Creditors of the Residential Property and Casualty Joint Underwriting Association and of the accounts specified in sub-sub-subparagraphs a.(I) and (II) may shall have a claim against, and recourse to, the accounts referred to in sub-sub-subparagraphs a.(I) and (II) and shall have no claim against, or recourse to, the account referred to in sub-sub-subparagraph a.(III). Creditors of the Florida Windstorm Underwriting Association shall have a claim against, and recourse to, the account referred to in sub-sub-subparagraph a.(III) and shall have no claim against, or recourse to, the accounts referred to in sub-sub-subparagraphs a.(I) and (II).

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

e. The Legislature finds that the revenues of the corporation are revenues that are necessary to meet the requirements set forth in documents authorizing the issuance of bonds under this subsection.

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

3. With respect to a deficit in an account:

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

b. When the deficit incurred in a particular calendar year exceeds 10 percent of the aggregate statewide direct written premium for the subject lines of business for the prior calendar year, the corporation shall levy

regular assessments on assessable insurers under paragraph (p) and on assessable insureds in an amount equal to the greater of 10 percent of the deficit or 10 percent of the aggregate statewide direct written premium for the subject lines of business for the prior calendar year. Any remaining deficit shall be recovered through emergency assessments under sub-paragraph d.

c. Each assessable insurer's share of the amount being assessed under sub-subparagraph a. or sub-subparagraph b. shall be in the proportion that the assessable insurer's direct written premium for the subject lines of business for the year preceding the assessment bears to the aggregate statewide direct written premium for the subject lines of business for that year. The assessment percentage applicable to each assessable insured is the ratio of the amount being assessed under sub-subparagraph a. or sub-subparagraph b. to the aggregate statewide direct written premium for the subject lines of business for the prior year. Assessments levied by the corporation on assessable insurers under sub-subparagraphs a. and b. shall be paid as required by the corporation's plan of operation and paragraph (p). Notwithstanding any other provision of this subsection, the aggregate amount of a regular assessment for a deficit incurred in a particular calendar year shall be reduced by the estimated amount to be received by the corporation from the Citizens policyholder surcharge under subparagraph (c)~~10.11~~, and the amount collected or estimated to be collected from the assessment on Citizens policyholders pursuant to sub-subparagraph i. Assessments levied by the corporation on assessable insureds under sub-subparagraphs a. and b. shall be collected by the surplus lines agent at the time the surplus lines agent collects the surplus lines tax required by s. 626.932 and shall be paid to the Florida Surplus Lines Service Office at the time the surplus lines agent pays the surplus lines tax to the Florida Surplus Lines Service Office. Upon receipt of regular assessments from surplus lines agents, the Florida Surplus Lines Service Office shall transfer the assessments directly to the corporation as determined by the corporation.

d. Upon a determination by the board of governors that a deficit in an account exceeds the amount that will be recovered through regular assessments under sub-subparagraph a. or sub-subparagraph b., the board shall levy, after verification by the office, emergency assessments, for as many years as necessary to cover the deficits, to be collected by assessable insurers and the corporation and collected from assessable insureds upon issuance or renewal of policies for subject lines of business, excluding National Flood Insurance policies. The amount of the emergency assessment collected in a particular year shall be a uniform percentage of that year's direct written premium for subject lines of business and all accounts of the corporation, excluding National Flood Insurance Program policy premiums, as annually determined by the board and verified by the office. The office shall verify the arithmetic calculations involved in the board's determination within 30 days after receipt of the information on which the determination was based. Notwithstanding any other provision of law, the corporation and each assessable insurer that writes subject lines of business shall collect emergency assessments from its policyholders without such obligation being affected by any credit, limitation, exemption, or deferment. Emergency assessments levied by the corporation on assessable insureds shall be collected by the

surplus lines agent at the time the surplus lines agent collects the surplus lines tax required by s. 626.932 and shall be paid to the Florida Surplus Lines Service Office at the time the surplus lines agent pays the surplus lines tax to the Florida Surplus Lines Service Office. The emergency assessments so collected shall be transferred directly to the corporation on a periodic basis as determined by the corporation and shall be held by the corporation solely in the applicable account. The aggregate amount of emergency assessments levied for an account under this sub-subparagraph in any calendar year may not exceed the greater of 10 percent of the amount needed to cover the original deficit, plus interest, fees, commissions, required reserves, and other costs associated with financing of the original deficit, or 10 percent of the aggregate statewide direct written premium for subject lines of business and for all accounts of the corporation for the prior year, plus interest, fees, commissions, required reserves, and other costs associated with financing the original deficit.

e. The corporation may pledge the proceeds of assessments, projected recoveries from the Florida Hurricane Catastrophe Fund, other insurance and reinsurance recoverables, policyholder surcharges and other surcharges, and other funds available to the corporation as the source of revenue for and to secure bonds issued under paragraph (p), bonds or other indebtedness issued under subparagraph (c)3., or lines of credit or other financing mechanisms issued or created under this subsection, or to retire any other debt incurred as a result of deficits or events giving rise to deficits, or in any other way that the board determines will efficiently recover such deficits. The purpose of the lines of credit or other financing mechanisms is to provide additional resources to assist the corporation in covering claims and expenses attributable to a catastrophe. As used in this subsection, the term "assessments" includes regular assessments under sub-subparagraph a., sub-subparagraph b., or subparagraph (p)1. and emergency assessments under sub-subparagraph d. Emergency assessments collected under sub-subparagraph d. are not part of an insurer's rates, are not premium, and are not subject to premium tax, fees, or commissions; however, failure to pay the emergency assessment shall be treated as failure to pay premium. The emergency assessments under sub-subparagraph d. shall continue as long as any bonds issued or other indebtedness incurred with respect to a deficit for which the assessment was imposed remain outstanding, unless adequate provision has been made for the payment of such bonds or other indebtedness pursuant to the documents governing such bonds or other indebtedness.

f. As used in this subsection for purposes of any deficit incurred on or after January 25, 2007, the term "subject lines of business" means insurance written by assessable insurers or procured by assessable insureds for all property and casualty lines of business in this state, but not including workers' compensation or medical malpractice. As used in the sub-subparagraph, the term "property and casualty lines of business" includes all lines of business identified on Form 2, Exhibit of Premiums and Losses, in the annual statement required of authorized insurers by s. 624.424 and any rule adopted under this section, except for those lines identified as accident and health insurance and except for policies written under the National Flood Insurance Program or the Federal Crop Insurance Program.

For purposes of this sub-subparagraph, the term “workers’ compensation” includes both workers’ compensation insurance and excess workers’ compensation insurance.

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

h. The Florida Surplus Lines Service Office shall verify the proper application by surplus lines agents of assessment percentages for regular assessments and emergency assessments levied under this subparagraph on assessable insureds and shall assist the corporation in ensuring the accurate, timely collection and payment of assessments by surplus lines agents as required by the corporation.

i. If a deficit is incurred in any account in 2008 or thereafter, the board of governors shall levy an immediate assessment against the premium of each nonhomestead property policyholder in all accounts of the corporation, as a uniform percentage of the premium of the policy of up to 10 percent of such premium, which funds shall be used to offset the deficit. If this assessment is insufficient to eliminate the deficit, the board of governors shall levy an additional assessment against all policyholders of the corporation, which shall be collected at the time of issuance or renewal of a policy, as a uniform percentage of the premium for the policy of up to 10 percent of such premium, which funds shall be used to further offset the deficit.

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

(c) The plan of operation of the corporation:

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

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

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

c. Commercial lines residential and nonresidential policy forms that are generally similar to the basic perils of full coverage obtainable for commer-

cial residential structures and commercial nonresidential structures in the admitted voluntary market.

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

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

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

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

(I) "Quota share primary insurance" means an arrangement in which the primary hurricane coverage of an eligible risk is provided in specified percentages by the corporation and an authorized insurer. The corporation and authorized insurer are each solely responsible for a specified percentage of hurricane coverage of an eligible risk as set forth in a quota share primary insurance agreement between the corporation and an authorized insurer and the insurance contract. The responsibility of the corporation or authorized insurer to pay its specified percentage of hurricane losses of an eligible risk, as set forth in the quota share primary insurance agreement, may not be altered by the inability of the other party to the agreement to pay its specified percentage of hurricane losses. Eligible risks that are provided hurricane coverage through a quota share primary insurance arrangement must be provided policy forms that set forth the obligations of the corporation and authorized insurer under the arrangement, clearly specify the percentages of quota share primary insurance provided by the corporation and authorized insurer, and conspicuously and clearly state that neither the authorized insurer nor the corporation may be held responsible beyond its specified percentage of coverage of hurricane losses.

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

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

c. If the corporation determines that additional coverage levels are necessary to maximize participation in quota share primary insurance agreements by authorized insurers, the corporation may establish additional cov-

erage levels. However, the corporation's quota share primary insurance coverage level may not exceed 90 percent.

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

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

f. For all eligible risks covered under quota share primary insurance agreements, the exposure and coverage levels for both the corporation and authorized insurers shall be reported by the corporation to the Florida Hurricane Catastrophe Fund. For all policies of eligible risks covered under quota share primary insurance agreements, the corporation and the authorized insurer shall maintain complete and accurate records for the purpose of exposure and loss reimbursement audits as required by Florida Hurricane Catastrophe Fund rules. The corporation and the authorized insurer shall each maintain duplicate copies of policy declaration pages and supporting claims documents.

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

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

3. May provide that the corporation may employ or otherwise contract with individuals or other entities to provide administrative or professional services that may be appropriate to effectuate the plan. The corporation shall have the power to borrow funds, by issuing bonds or by incurring other indebtedness, and shall have other powers reasonably necessary to effectuate the requirements of this subsection, including, without limitation, the power to issue bonds and incur other indebtedness in order to refinance outstanding bonds or other indebtedness. The corporation may, but is not required to, seek judicial validation of its bonds or other indebtedness under

chapter 75. The corporation may issue bonds or incur other indebtedness, or have bonds issued on its behalf by a unit of local government pursuant to subparagraph ~~(p)2.~~ ~~(g)2.~~, in the absence of a hurricane or other weather-related event, upon a determination by the corporation, subject to approval by the office, that such action would enable it to efficiently meet the financial obligations of the corporation and that such financings are reasonably necessary to effectuate the requirements of this subsection. The corporation is authorized to take all actions needed to facilitate tax-free status for any such bonds or indebtedness, including formation of trusts or other affiliated entities. The corporation shall have the authority to pledge assessments, projected recoveries from the Florida Hurricane Catastrophe Fund, other reinsurance recoverables, market equalization and other surcharges, and other funds available to the corporation as security for bonds or other indebtedness. In recognition of s. 10, Art. I of the State Constitution, prohibiting the impairment of obligations of contracts, it is the intent of the Legislature that no action be taken whose purpose is to impair any bond indenture or financing agreement or any revenue source committed by contract to such bond or other indebtedness.

4.a. Must require that the corporation operate subject to the supervision and approval of a board of governors consisting of eight individuals who are residents of this state, from different geographical areas of this state. The Governor, the Chief Financial Officer, the President of the Senate, and the Speaker of the House of Representatives shall each appoint two members of the board. At least one of the two members appointed by each appointing officer must have demonstrated expertise in insurance. The Chief Financial Officer shall designate one of the appointees as chair. All board members serve at the pleasure of the appointing officer. All members of the board of governors are subject to removal at will by the officers who appointed them. All board members, including the chair, must be appointed to serve for 3-year terms beginning annually on a date designated by the plan. Any board vacancy shall be filled for the unexpired term by the appointing officer. The Chief Financial Officer shall appoint a technical advisory group to provide information and advice to the board of governors in connection with the board's duties under this subsection. The executive director and senior managers of the corporation shall be engaged by the board and serve at the pleasure of the board. Any executive director appointed on or after July 1, 2006, is subject to confirmation by the Senate. The executive director is responsible for employing other staff as the corporation may require, subject to review and concurrence by the board.

b. The board shall create a Market Accountability Advisory Committee to assist the corporation in developing awareness of its rates and its customer and agent service levels in relationship to the voluntary market insurers writing similar coverage. The members of the advisory committee shall consist of the following 11 persons, one of whom must be elected chair by the members of the committee: four representatives, one appointed by the Florida Association of Insurance Agents, one by the Florida Association of Insurance and Financial Advisors, one by the Professional Insurance Agents of Florida, and one by the Latin American Association of Insurance Agencies; three representatives appointed by the insurers with the three highest voluntary market share of residential property insurance business in the state;

one representative from the Office of Insurance Regulation; one consumer appointed by the board who is insured by the corporation at the time of appointment to the committee; one representative appointed by the Florida Association of Realtors; and one representative appointed by the Florida Bankers Association. All members must serve for 3-year terms and may serve for consecutive terms. The committee shall report to the corporation at each board meeting on insurance market issues which may include rates and rate competition with the voluntary market; service, including policy issuance, claims processing, and general responsiveness to policyholders, applicants, and agents; and matters relating to depopulation.

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

a. Subject to the provisions of s. 627.3517, with respect to personal lines residential risks, if the risk is offered coverage from an authorized insurer at the insurer's approved rate under either a standard policy including wind coverage or, if consistent with the insurer's underwriting rules as filed with the office, a basic policy including wind coverage, for a new application to the corporation for coverage, the risk is not eligible for any policy issued by the corporation unless the premium for coverage from the authorized insurer is more than 15 ~~25~~ percent greater than the premium for comparable coverage from the corporation. If the risk is not able to obtain any such offer, the risk is eligible for either a standard policy including wind coverage or a basic policy including wind coverage issued by the corporation; however, if the risk could not be insured under a standard policy including wind coverage regardless of market conditions, the risk shall be eligible for a basic policy including wind coverage unless rejected under subparagraph 9. ~~8~~. However, with regard to a policyholder of the corporation or a policyholder removed from the corporation through an assumption agreement until the end of the assumption period, the policyholder remains eligible for coverage from the corporation regardless of any offer of coverage from an authorized insurer or surplus lines insurer. The corporation shall determine the type of policy to be provided on the basis of objective standards specified in the underwriting manual and based on generally accepted underwriting practices.

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

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

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

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

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

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

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

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

b. With respect to commercial lines residential risks, for a new application to the corporation for coverage, if the risk is offered coverage under a policy including wind coverage from an authorized insurer at its approved rate, the risk is not eligible for any policy issued by the corporation unless the premium for coverage from the authorized insurer is more than 15 25 percent greater than the premium for comparable coverage from the corporation. If the risk is not able to obtain any such offer, the risk is eligible for a policy including wind coverage issued by the corporation. However, with regard to a policyholder of the corporation or a policyholder removed from the corporation through an assumption agreement until the end of the assumption period, the policyholder remains eligible for coverage from the corporation regardless of any offer of coverage from an authorized insurer or surplus lines insurer.

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

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

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

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

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

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

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

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

c. For purposes of determining comparable coverage under sub-subparagraphs a. and b., the comparison shall be based on those forms and coverages that are reasonably comparable. The corporation may rely on a determination of comparable coverage and premium made by the producing agent who submits the application to the corporation, made in the agent's capacity as the corporation's agent. A comparison may be made solely of the premium with respect to the main building or structure only on the following basis: the same coverage A or other building limits; the same percentage hurricane deductible that applies on an annual basis or that applies to each hurricane for commercial residential property; the same percentage of ordinance and law coverage, if the same limit is offered by both the corporation and the authorized insurer; the same mitigation credits, to the extent the same types of credits are offered both by the corporation and the authorized insurer; the same method for loss payment, such as replacement cost or actual cash value, if the same method is offered both by the corporation and the authorized insurer in accordance with underwriting rules; and any other form or coverage that is reasonably comparable as determined by the board. If an application is submitted to the corporation for wind-only coverage in the high-risk account, the premium for the corporation's wind-only policy plus the premium for the ex-wind policy that is offered by an authorized insurer to the applicant shall be compared to the premium for multiperil coverage offered by an authorized insurer, subject to the standards for comparison specified in this subparagraph. If the corporation or the applicant requests from the authorized insurer a breakdown of the premium of the offer by types of coverage so that a comparison may be made by the corporation or its agent and the authorized insurer refuses or is unable to provide such information, the corporation may treat the offer as not being an offer of coverage from an authorized insurer at the insurer's approved rate.

~~6.— Must provide by July 1, 2007, that an application for coverage for a new policy is subject to a waiting period of 10 days before coverage is effec-~~

ative, during which time the corporation shall make such application available for review by general lines agents and authorized property and casualty insurers. The board shall approve an exception that allows for coverage to be effective before the end of the 10-day waiting period, for coverage issued in conjunction with a real estate closing. The board may approve such other exceptions as the board determines are necessary to prevent lapses in coverage.

6.7. Must include rules for classifications of risks and rates therefor.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

~~17.19.~~ Must limit coverage on mobile homes or manufactured homes built prior to 1994 to actual cash value of the dwelling rather than replacement costs of the dwelling.

~~18.20.~~ May provide such limits of coverage as the board determines, consistent with the requirements of this subsection.

~~19.21.~~ May require commercial property to meet specified hurricane mitigation construction features as a condition of eligibility for coverage.

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

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

3. Senior managers and members of the board of governors are subject to the provisions of part III of chapter 112, including, but not limited to, the code of ethics and public disclosure and reporting of financial interests, pursuant to s. 112.3145. Senior managers and board members are also required to file such disclosures with the Commission on Ethics and the Office of Insurance Regulation. The executive director of the corporation or his or her designee shall notify each newly appointed and existing appointed member of the board of governors and senior managers of their duty to comply with the reporting requirements of part III of chapter 112. At least

quarterly, the executive director or his or her designee shall submit to the Commission on Ethics a list of names of the senior managers and members of the board of governors who are subject to the public disclosure requirements under s. 112.3145.

4. Notwithstanding s. 112.3148 or s. 112.3149, or any other provision of law, an employee or board member may not knowingly accept, directly or indirectly, any gift or expenditure from a person or entity, or an employee or representative of such person or entity, that has a contractual relationship with the corporation or who is under consideration for a contract. An employee or board member who fails to comply with subparagraph 3. or this subparagraph is subject to penalties provided under ss. 112.317 and 112.3173.

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

6. Any senior manager ~~employee~~ of the corporation who is employed on or after January 1, 2007, regardless of the date of hire, who subsequently retires or terminates employment is prohibited from having any employment or contractual relationship for 2 years with an insurer that has entered into ~~received~~ a take-out bonus agreement with ~~from~~ the corporation.

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

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

(m)1. Rates for coverage provided by the corporation shall be actuarially sound and subject to the requirements of s. 627.062, except as otherwise provided in this paragraph. The corporation shall file its recommended rates with the office at least annually. The corporation shall provide any additional information regarding the rates which the office requires. The office shall consider the recommendations of the board and issue a final order establishing the rates for the corporation within 45 days after the recommended rates are filed. The corporation may not pursue an administrative challenge or judicial review of the final order of the office.

2. In addition to the rates otherwise determined pursuant to this paragraph, the corporation shall impose and collect an amount equal to the

premium tax provided for in s. 624.509 to augment the financial resources of the corporation.

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

4. The rate filings for the corporation which were approved by the office and which took effect January 1, 2007, are rescinded, except for those rates that were lowered. As soon as possible, the corporation shall begin using the lower rates that were in effect on December 31, 2006, and shall provide refunds to policyholders who have paid higher rates as a result of that rate filing. The rates in effect on December 31, 2006, shall remain in effect for the 2007 and 2008 calendar years ~~year~~ except for any rate change that results in a lower rate. The next rate change that may increase rates shall take effect January 1, ~~2009~~ 2008, pursuant to a new rate filing recommended by the corporation and established by the office, subject to the requirements of this paragraph.

(r)1. There shall be no liability on the part of, and no cause of action of any nature shall arise against, any assessable insurer or its agents or employees, the corporation or its agents or employees, members of the board of governors or their respective designees at a board meeting, corporation committee members, or the office or its representatives, for any action taken by them in the performance of their duties or responsibilities under this subsection. Such immunity does not apply to:

a.1. Any of the foregoing persons or entities for any willful tort;

b.2. The corporation or its producing agents for breach of any contract or agreement pertaining to insurance coverage;

c.3. The corporation with respect to issuance or payment of debt; ~~or~~

d.4. Any assessable insurer with respect to any action to enforce an assessable insurer's obligations to the corporation under this subsection; or-

e. The corporation in any pending or future action for breach of contract or for benefits under a policy issued by the corporation; in any such action, the corporation shall be liable to the policyholders and beneficiaries for attorney's fees under s. 627.428.

2. The corporation shall manage its claim employees, independent adjusters, and others who handle claims to ensure they carry out the corporation's duty to its policyholders to handle claims carefully, timely, diligently, and in good faith, balanced against the corporation's duty to the state to manage its assets responsibly to minimize its assessment potential.

(ff) The office may establish a pilot program to offer optional sinkhole coverage in one or more counties or other territories of the corporation for

the purpose of implementing s. 627.706, as amended by s. 30 of chapter 2007-1, Laws of Florida. Under the pilot program, the corporation is not required to issue a notice of nonrenewal to exclude sinkhole coverage upon the renewal of existing policies, but may exclude such coverage using a notice of coverage change.

Section 12. Subsection (4) of section 627.3511, Florida Statutes, is amended to read:

627.3511 Depopulation of Citizens Property Insurance Corporation.—

(4) AGENT BONUS.—When the corporation enters into a contractual agreement for a take-out plan that provides a bonus to the insurer, the producing agent of record of the corporation policy is entitled to retain any unearned commission on such policy, and the insurer shall either:

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

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

If the producing agent is unwilling or unable to accept appointment, the new insurer shall pay the agent in accordance with paragraph (a). The requirement of this subsection that the producing agent of record is entitled to retain the unearned commission on an association policy does not apply to a policy for which coverage has been provided in the association for 30 days or less or for which a cancellation notice has been issued pursuant to s. 627.351(6)(c)~~10.11~~. during the first 30 days of coverage.

Section 13. Paragraph (a) of subsection (3) of section 627.3515, Florida Statutes, as amended by chapter 2007-1, Laws of Florida, is amended to read:

627.3515 Market assistance plan; property and casualty risks.—

(3)(a) The plan and the corporation shall develop a business plan and present it to the Financial Services Commission for approval by September 1, 2007, to provide for the implementation of an electronic database for the purpose of confirming eligibility pursuant to s. 627.351(6). The business plan may provide that authorized insurers or agents of authorized insurers may submit to the plan or the corporation in electronic form, as determined by the plan or the corporation, information determined necessary by the plan or the corporation to deny coverage to risks ineligible for coverage by the corporation. Any authorized insurer submitting such information that results in a risk being denied coverage by the corporation is required to offer coverage to the risk at its approved rates, for the coverage and premium quoted, for at least 1 year.

Section 14. Section 627.3517, Florida Statutes, is amended to read:

627.3517 Consumer choice.—

~~(1) Except as provided in subsection (2),~~ No provision of s. 627.351, s. 627.3511, or s. 627.3515 shall be construed to impair the right of any insurance risk apportionment plan policyholder, upon receipt of any keepout or take-out offer, to retain his or her current agent, so long as that agent is duly licensed and appointed by the insurance risk apportionment plan or otherwise authorized to place business with the insurance risk apportionment plan. This right shall not be canceled, suspended, impeded, abridged, or otherwise compromised by any rule, plan of operation, or depopulation plan, whether through keepout, take-out, midterm assumption, or any other means, of any insurance risk apportionment plan or depopulation plan, including, but not limited to, those described in s. 627.351, s. 627.3511, or s. 627.3515. The commission shall adopt any rules necessary to cause any insurance risk apportionment plan or market assistance plan under such sections to demonstrate that the operations of the plan do not interfere with, promote, or allow interference with the rights created under this section. If the policyholder's current agent is unable or unwilling to be appointed with the insurer making the take-out or keepout offer, the policyholder shall not be disqualified from participation in the appropriate insurance risk apportionment plan because of an offer of coverage in the voluntary market. An offer of full property insurance coverage by the insurer currently insuring either the ex-wind or wind-only coverage on the policy to which the offer applies shall not be considered a take-out or keepout offer. Any rule, plan of operation, or plan of depopulation, through keepout, take-out, midterm assumption, or any other means, of any property insurance risk apportionment plan under s. 627.351(2) or (6) is subject to ss. 627.351(2)(b) and (6)(c) and 627.3511(4).

~~(2) This section does not apply during the first 10 days after a new application for coverage has been submitted to Citizens Property Insurance Corporation under s. 627.351(6), whether or not coverage is bound during this period.~~

Section 15. Subsection (1) of section 627.4035, Florida Statutes, as amended by chapter 2007-1, Laws of Florida, is amended to read:

627.4035 Cash payment of premiums; claims.—

(1) The premiums for insurance contracts issued in this state or covering risk located in this state shall be paid in cash consisting of coins, currency, checks, or money orders or by using a debit card, credit card, automatic electronic funds transfer, or payroll deduction plan. By July 1, 2007, insurers issuing personal lines residential and commercial property policies shall provide a premium payment plan option to their policyholders which allows for a minimum of quarterly and semiannual payment of premiums. Insurers may, but are not required to, offer monthly payment plans. Insurers issuing such policies must submit their premium payment plan option to the office for approval before use.

Section 16. Paragraph (b) of subsection (2) of section 627.4133, Florida Statutes, is amended, and subsection (7) is added to that section, to read:

627.4133 Notice of cancellation, nonrenewal, or renewal premium.—

(2) With respect to any personal lines or commercial residential property insurance policy, including, but not limited to, any homeowner's, mobile home owner's, farmowner's, condominium association, condominium unit owner's, apartment building, or other policy covering a residential structure or its contents:

(b) The insurer shall give the named insured written notice of nonrenewal, cancellation, or termination at least 100 days prior to the effective date of the nonrenewal, cancellation, or termination. However, the insurer shall give at least 100 days' written notice, or written notice by June 1, whichever is earlier, for any nonrenewal, cancellation, or termination that would be effective between June 1 and November 30. The notice must include the reason or reasons for the nonrenewal, cancellation, or termination, except that:

1. When cancellation is for nonpayment of premium, at least 10 days' written notice of cancellation accompanied by the reason therefor shall be given. As used in this subparagraph, the term "nonpayment of premium" means failure of the named insured to discharge when due any of her or his obligations in connection with the payment of premiums on a policy or any installment of such premium, whether the premium is payable directly to the insurer or its agent or indirectly under any premium finance plan or extension of credit, or failure to maintain membership in an organization if such membership is a condition precedent to insurance coverage. "Nonpayment of premium" also means the failure of a financial institution to honor an insurance applicant's check after delivery to a licensed agent for payment of a premium, even if the agent has previously delivered or transferred the premium to the insurer. If a dishonored check represents the initial premium payment, the contract and all contractual obligations shall be void ab initio unless the nonpayment is cured within the earlier of 5 days after actual notice by certified mail is received by the applicant or 15 days after notice is sent to the applicant by certified mail or registered mail, and if the contract is void, any premium received by the insurer from a third party shall be refunded to that party in full.

2. When such cancellation or termination occurs during the first 90 days during which the insurance is in force and the insurance is canceled or terminated for reasons other than nonpayment of premium, at least 20 days' written notice of cancellation or termination accompanied by the reason therefor shall be given except where there has been a material misstatement or misrepresentation or failure to comply with the underwriting requirements established by the insurer.

3. The requirement for providing written notice of nonrenewal by June 1 of any nonrenewal that would be effective between June 1 and November 30 does not apply to the following situations, but the insurer remains subject to the requirement to provide such notice at least 100 days prior to the effective date of nonrenewal:

a. A policy that is nonrenewed due to a revision in the coverage for sinkhole losses and catastrophic ground cover collapse pursuant to s. 627.730, as amended by s. 30 of chapter 2007-1, Laws of Florida.

b. A policy that is nonrenewed by Citizens Property Insurance Corporation, pursuant to s. 627.351(6), for a policy that has been assumed by an authorized insurer offering replacement or renewal coverage to the policyholder.

After the policy has been in effect for 90 days, the policy shall not be canceled by the insurer except when there has been a material misstatement, a nonpayment of premium, a failure to comply with underwriting requirements established by the insurer within 90 days of the date of effectuation of coverage, or a substantial change in the risk covered by the policy or when the cancellation is for all insureds under such policies for a given class of insureds. This paragraph does not apply to individually rated risks having a policy term of less than 90 days.

(7)(a) Effective August 1, 2007, with respect to any residential property insurance policy, every notice of renewal premium must specify:

1. The dollar amounts recouped for assessments by the Florida Hurricane Catastrophe Fund, the Citizens Property Insurance Corporation, and the Florida Insurance Guaranty Association. The actual names of the entities must appear next to the dollar amounts.

2. The dollar amount of any premium increase that is due to an approved rate increase and the total dollar amount that is due to coverage changes.

(b) The Financial Services Commission may adopt rules pursuant to ss. 120.536(1) and 120.54 to implement this subsection.

Section 17. Paragraphs (a) and (c) of subsection (3) and paragraph (d) of subsection (4) of section 627.701, Florida Statutes, as amended by chapter 2007-1, Laws of Florida, are amended to read:

627.701 Liability of insureds; coinsurance; deductibles.—

(3)(a) Except as otherwise provided in this subsection, prior to issuing a personal lines residential property insurance policy, the insurer must offer alternative deductible amounts applicable to hurricane losses equal to \$500, 2 percent, 5 percent, and 10 percent of the policy dwelling limits, unless the specific percentage deductible is less than \$500. The written notice of the offer shall specify the hurricane ~~or wind~~ deductible to be applied in the event that the applicant or policyholder fails to affirmatively choose a hurricane deductible. The insurer must provide such policyholder with notice of the availability of the deductible amounts specified in this paragraph in a form approved by the office in conjunction with each renewal of the policy. The failure to provide such notice constitutes a violation of this code but does not affect the coverage provided under the policy.

(c) With respect to a policy covering a risk with dwelling limits of at least \$100,000, but less than \$250,000, the insurer may, in lieu of offering a policy

with a \$500 hurricane ~~or wind~~ deductible as required by paragraph (a), offer a policy that the insurer guarantees it will not nonrenew for reasons of reducing hurricane loss for one renewal period and that contains up to a 2 percent hurricane ~~or wind~~ deductible as required by paragraph (a).

(4)

(d)1. A personal lines residential property insurance policy covering a risk valued at less than \$500,000 may not have a hurricane deductible in excess of 10 percent of the policy dwelling limits, unless the following conditions are met:

a. The policyholder must personally write and provide to the insurer the following statement in his or her own handwriting and sign his or her name, which must also be signed by every other named insured on the policy, and dated: "I do not want the insurance on my home to pay for the first (specify dollar value) of damage from hurricanes. I will pay those costs. My insurance will not."

b. If the structure insured by the policy is subject to a mortgage or lien, the policyholder must provide the insurer with a written statement from the mortgageholder or lienholder indicating that the mortgageholder or lienholder approves the policyholder electing to have the specified deductible.

2. A deductible subject to the requirements of this paragraph applies for the term of the policy and for each renewal thereafter unless the policyholder elects otherwise. Changes to the deductible percentage may be implemented only as of the date of renewal.

3. An insurer shall keep the original copy of the signed statement required by this paragraph, electronically or otherwise, and provide a copy to the policyholder providing the signed statement. A signed statement meeting the requirements of this paragraph creates a presumption that there was an informed, knowing election of coverage.

4. The commission shall adopt rules providing appropriate alternative methods for providing the statements required by this section for policyholders who have a handicapping or disabling condition that prevents them from providing a handwritten statement.

Section 18. Subsection (5) of section 627.70131, Florida Statutes, as amended by chapter 2007-1, Laws of Florida, is amended to read:

627.70131 Insurer's duty to acknowledge communications regarding claims; investigation.—

(5)(a) Within 90 days after an insurer receives notice of a property insurance claim from a policyholder, the insurer shall pay or deny such claim or a portion of the claim unless the failure to pay such claim or a portion of the claim is caused by factors beyond the control of the insurer which reasonably prevent such payment. Any payment of a claim or portion of a claim paid 90 days after the insurer receives notice of the claim, or paid more than 15 days after there are no longer factors beyond the control of the insurer which

reasonably prevented such payment, whichever is later, shall bear interest at the rate set forth in s. 55.03. Interest begins to accrue from the date the insurer receives notice of the claim. The provisions of this subsection may not be waived, voided, or nullified by the terms of the insurance policy. If there is a right to prejudgment interest, the insured shall select whether to receive prejudgment interest or interest under this subsection. Interest is payable when the claim or portion of the claim is paid. Failure to comply with this subsection constitutes a violation of this code. However, failure to comply with this subsection shall not form the sole basis for a private cause of action.

(b) Notwithstanding subsection (4), for purposes of this subsection, the term “claim” means any of the following:

1. A claim under an insurance policy providing residential coverage as defined in s. 627.4025(1);

2. A claim for structural or contents coverage under a commercial property insurance policy if the insured structure is 10,000 square feet or less; or

3. A claim for contents coverage under a commercial tenants policy if the insured premises is 10,000 square feet or less.

(c) This subsection shall not apply to claims under an insurance policy covering nonresidential commercial structures or contents in more than one state.

Section 19. Subsections (1), (2), (3), (4), and (5) of section 627.712, Florida Statutes, as created by chapter 2007-1, Laws of Florida, are amended to read:

627.712 Residential ~~windstorm~~ hurricane coverage required; availability of exclusions for windstorm or contents.—

(1) An insurer issuing a residential property insurance policy must provide ~~hurricane or windstorm~~ coverage as defined in s. 627.4025. This subsection does not apply with respect to risks that are eligible for wind-only coverage from Citizens Property Insurance Corporation under s. 627.351(6).

(2) ~~A property~~ An insurer that is subject to subsection (1) must make available, at the option of the policyholder, an exclusion of ~~hurricane coverage or windstorm~~ coverage. The coverage may be excluded only if:

(a)1. ~~When the policyholder is a natural person,~~ the policyholder personally writes and provides to the insurer the following statement in his or her own handwriting and signs his or her name, which must also be signed by every other named insured on the policy, and dated: “I do not want the insurance on my (home/mobile home/condominium unit) to pay for damage from windstorms ~~or hurricanes~~. I will pay those costs. My insurance will not.”

2. When the policyholder is other than a natural person, the policyholder provides to the insurer on the policyholder’s letterhead the following statement that must be signed by the policyholder’s authorized representative

and dated: “(Name of entity) does not want the insurance on its (type of structure) to pay for damage from windstorms. (Name of entity) will be responsible for these costs. (Name of entity)’s insurance will not.”

(b) If the structure insured by the policy is subject to a mortgage or lien, the policyholder must provide the insurer with a written statement from the mortgageholder or lienholder indicating that the mortgageholder or lienholder approves the policyholder electing to exclude windstorm coverage or hurricane coverage from his or her or its residential property insurance policy.

(3) An insurer issuing a residential property insurance policy, except for a condominium unit owner’s policy or a tenant’s policy, must make available, at the option of the policyholder, an exclusion of coverage for the contents. The coverage may be excluded only if the policyholder personally writes and provides to the insurer the following statement in his or her own handwriting and signs his or her signature, which must also be signed by every other named insured on the policy, and dated: “I do not want the insurance on my (home/mobile home) to pay for the costs to repair or replace any contents that are damaged. I will pay those costs. My insurance will not.”

(4) An insurer shall keep the original copy of a signed statement required by this section, electronically or otherwise, and provide a copy to the policyholder providing the signed statement. A signed statement meeting the requirements of this section creates a presumption that there was an informed, knowing rejection of coverage.

(5) The exclusions authorized by this section apply for the term of the policy and for each renewal thereafter. Changes to the exclusions authorized by this section may be implemented only as of the date of renewal. The exclusions authorized by this section are valid for the term of the contract and for each renewal unless the policyholder elects otherwise.

Section 20. Subsections (4) and (5) of section 627.7277, Florida Statutes, as amended by chapter 2007-1, Laws of Florida, are amended to read:

627.7277 Notice of renewal premium.—

~~(4) Every notice of renewal premium must specify:~~

~~(a) The dollar amounts recouped for assessments by the Florida Hurricane Catastrophe Fund, the Citizens Property Insurance Corporation, and the Florida Insurance Guaranty Association. The actual names of the entities must appear next to the dollar amounts.~~

~~(b) The dollar amount of any premium increase that is due to a rate increase and the dollar amounts that are due to coverage changes.~~

~~(5) The Financial Services Commission may adopt rules pursuant to ss. 120.536(1) and 120.54 to implement this section.~~

Section 21. Subsection (11) of section 631.52, Florida Statutes, is amended to read:

631.52 Scope.—This part shall apply to all kinds of direct insurance, except:

(11) Self-insurance and any kind of self-insurance fund, liability pool, or risk management fund;

Section 22. Paragraph (e) of subsection (3) of section 631.57, Florida Statutes, as amended by chapter 2007-1, Laws of Florida, is amended to read:

631.57 Powers and duties of the association.—

(3)

(e)1.a. In addition to assessments otherwise authorized in paragraph (a) and to the extent necessary to secure the funds for the account specified in s. 631.55(2)(c) for the direct payment of covered claims of insurers rendered insolvent by the effects of a hurricane ~~homeowners' insurers~~ and to pay the reasonable costs to administer such claims, or to retire indebtedness, including, without limitation, the principal, redemption premium, if any, and interest on, and related costs of issuance of, bonds issued under s. 631.695 and the funding of any reserves and other payments required under the bond resolution or trust indenture pursuant to which such bonds have been issued, the office, upon certification of the board of directors, shall levy emergency assessments upon insurers holding a certificate of authority. The emergency assessments payable under this paragraph by any insurer shall not exceed in any single year more than 2 percent of that insurer's direct written premiums, net of refunds, in this state during the preceding calendar year for the kinds of insurance within the account specified in s. 631.55(2)(c).

b. Any emergency assessments authorized under this paragraph shall be levied by the office upon insurers referred to in sub-subparagraph a., upon certification as to the need for such assessments by the board of directors. In the event the board of directors participates in the issuance of bonds in accordance with s. 631.695, emergency assessments shall be levied in each year that bonds issued under s. 631.695 and secured by such emergency assessments are outstanding, in such amounts up to such 2-percent limit as required in order to provide for the full and timely payment of the principal of, redemption premium, if any, and interest on, and related costs of issuance of, such bonds. The emergency assessments provided for in this paragraph are assigned and pledged to the municipality, county, or legal entity issuing bonds under s. 631.695 for the benefit of the holders of such bonds, in order to enable such municipality, county, or legal entity to provide for the payment of the principal of, redemption premium, if any, and interest on such bonds, the cost of issuance of such bonds, and the funding of any reserves and other payments required under the bond resolution or trust indenture pursuant to which such bonds have been issued, without the necessity of any further action by the association, the office, or any other party. To the extent bonds are issued under s. 631.695 and the association determines to secure such bonds by a pledge of revenues received from the emergency assessments, such bonds, upon such pledge of revenues, shall be secured by and payable from the proceeds of such emergency assessments,

and the proceeds of emergency assessments levied under this paragraph shall be remitted directly to and administered by the trustee or custodian appointed for such bonds.

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

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

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

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

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

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

Section 23. Paragraphs (g), (h), and (i) of subsection (1) and subsections (2) and (6) of section 631.695, Florida Statutes, are amended to read:

631.695 Revenue bond issuance through counties or municipalities.—

(1) The Legislature finds:

(g) To achieve the foregoing purposes, it is proper to authorize municipalities and counties of this state ~~substantially affected by the landfall of a hurricane~~ to issue bonds to assist the Florida Insurance Guaranty Association in expediting the handling and payment of covered claims of insolvent insurers.

(h) In order to avoid the needless and indiscriminate proliferation, duplication, and fragmentation of such assistance programs, it is in the best interests of the residents of this state to authorize municipalities and counties ~~severely affected by a hurricane~~ to provide for the payment of covered claims beyond their territorial limits in the implementation of such programs.

(i) It is a paramount public purpose for municipalities and counties ~~substantially affected by the landfall of a hurricane~~ to be able to issue bonds for the purposes described in this section. Such issuance shall provide assistance to residents of those municipalities and counties as well as to other residents of this state.

(2) The governing body of any municipality or county, ~~the residents of which have been substantially affected by a hurricane~~, may issue bonds to fund an assistance program in conjunction with, and with the consent of, the Florida Insurance Guaranty Association for the purpose of paying claimants' or policyholders' covered claims, as defined in s. 631.54, arising through the insolvency of an insurer, which insolvency is determined by the Florida Insurance Guaranty Association to have been a result of a hurricane, regardless of whether the claimants or policyholders are residents of such municipality or county or the property to which the claim relates is located within or outside the territorial jurisdiction of the municipality or county. The power of a municipality or county to issue bonds, as described in this section, is in addition to any powers granted by law and may not be abrogated or restricted by any provisions in such municipality's or county's charter. A municipality or county issuing bonds for this purpose shall enter into such contracts with the Florida Insurance Guaranty Association or any entity acting on behalf of the Florida Insurance Guaranty Association as are necessary to implement the assistance program. Any bonds issued by a municipality or county or a combination thereof under this subsection shall be payable from and secured by moneys received by or on behalf of the municipality or county from assessments levied under s. 631.57(3)(a) and assigned and pledged to or on behalf of the municipality or county for the benefit of the holders of the bonds in connection with the assistance program. The funds, credit, property, and taxing power of the state or any municipality or county shall not be pledged for the payment of such bonds.

(6) Two or more municipalities or counties, ~~the residents of which have been substantially affected by a hurricane~~, may create a legal entity pursuant to s. 163.01(7)(g) to exercise the powers described in this section as well as those powers granted in s. 163.01(7)(g). References in this section to a municipality or county includes such legal entity.

Section 24. Section 1004.647, Florida Statutes, is created to read:

1004.647 Florida Catastrophic Storm Risk Management Center.—The Florida Catastrophic Storm Risk Management Center is created at the Florida State University, College of Business, Department of Risk Management. The purpose of the center is to promote and disseminate research on issues related to catastrophic storm loss and to assist in identifying and developing education and research grant funding opportunities among higher education institutions in this state and the private sector. The purpose of the activities of the center is to support the state's ability to prepare for, respond to, and recover from catastrophic storms. The center shall:

(1) Coordinate and disseminate research efforts that are expected to have an immediate impact on policy and practices related to catastrophic storm preparedness.

(2) Coordinate and disseminate information related to catastrophic storm risk management, including, but not limited to, research and information that would benefit businesses, consumers, and public policy makers. Areas of interest may include storm forecasting, loss modeling, building construction and mitigation, and risk management strategies. Through its efforts, the center shall facilitate Florida's preparedness for and responsiveness to catastrophic storms and collaborate with other public and private institutions.

(3) Create and promote studies that enhance the educational options available to risk management and insurance students.

(4) Publish and disseminate findings.

(5) Organize and sponsor conferences, symposia, and workshops to educate consumers and policymakers.

Section 25. Effective December 31, 2008, and notwithstanding any other provision of law:

(1) A new certificate of authority for the transaction of residential property insurance may not be issued to any insurer domiciled in this state which is a wholly owned subsidiary of an insurer authorized to do business in any other state.

(2) The rate filings of any insurer domiciled in this state that is a wholly owned subsidiary of an insurer authorized to do business in any other state shall include information relating to the profits of the parent company of the insurer domiciled in this state.

Section 26. (1) Notwithstanding section 9 of chapter 2007-1, Laws of Florida, the internal design option provided in Section 1609.1.4.1, Florida Building Code, Building Volume, and Section R301.2.1.2, Florida Building Code, Residential Volume, shall remain in effect until June 1, 2007, for a building permit application made before that date.

(2) Subsection (1) shall take effect upon becoming a law and shall apply retroactively to January 25, 2007. Subsection (1) applies to any action taken

with respect to a building permit affected by section 9 of chapter 2007-1, Laws of Florida, including any actions, legal or ministerial, pertaining to the issuance, revocation, or modifications of any building permit initiated or issued before, on, or after January 25, 2007, or pending as of January 25, 2007.

(3) If the retroactivity of any provision of subsection (1) or its retroactive application to any person or circumstance is held invalid, the invalidity shall not affect the retroactivity or retroactive application of other provisions of subsection (1).

Section 27. (1) The Citizens Property Insurance Corporation Mission Review Task Force is created to analyze and compile available data and to develop a report setting forth the statutory and operational changes needed to return Citizens Property Insurance Corporation to its former role as a state-created, noncompetitive residual market mechanism that provides property insurance coverage to risks that are otherwise entitled but unable to obtain such coverage in the private insurance market. The task force shall submit a report to the Governor, the President of the Senate, and the Speaker of the House of Representatives by January 31, 2008. At a minimum, the task force shall analyze and evaluate relevant and applicable information and data and develop recommendations concerning:

(a) The nature of Citizens Property Insurance Corporation's role in providing property insurance coverage when and only if such coverage is not available from private insurers.

(b) The ability of the admitted market to offer policies to those consumers formerly insured through Citizens Property Insurance Corporation. This consideration shall include, but not be limited to, the availability of private market reinsurance and coverage through the Florida Hurricane Catastrophe Fund, the general adequacy of the admitted market's current rates, and the capacity of the industry to offer policies to former Citizens Property Insurance Corporation policyholders within existing writing ratio limitations.

(c) The appropriate relationship of rates charged by Citizens Property Insurance Corporation to rates charged by private insurers, with due consideration for the corporation's role as a noncompetitive residual market mechanism.

(d) The relationships between the exposure of Citizens Property Insurance Corporation to catastrophic hurricane losses, the corporation's history of purchasing inadequate or no reinsurance coverage, and the corporation's lack of adequate capital to meet its potential claim obligations without incurring large deficits.

(e) The adverse effects on the people and the economy of this state of the large, multiyear deficit assessments by Citizens Property Insurance Corporation that may be levied on businesses and households in this state, and steps that can be taken to reduce those effects.

(f) The operational implications of the variation in the number of policies in force over time in Citizens Property Insurance Corporation and the merits of outsourcing some or all of its operational responsibilities.

(g) Changes in the mission and operations of Citizens Property Insurance Corporation to reduce or eliminate any adverse effect such mission and operations may be having on the promotion of sound and economic growth and development of the coastal areas of this state.

(2) The task force shall be composed of 19 members as follows:

(a) Three members appointed by the Speaker of the House of Representatives.

(b) Three members appointed by the President of the Senate.

(c) Four members appointed by the Governor who are not employed by or professionally affiliated with an insurance company or a subsidiary of an insurance company, at least two of whom must be a consumer advocate or a member of a consumer advocacy organization or agency.

(d) Nine members appointed as representatives of private insurance companies as follows:

1. Two members representing two separate insurance companies in this state that each provide at least 300,000 property insurance policies statewide at the time of the creation of the task force.

2. Two members representing two separate insurance companies in this state that each provide at least 100,000 but no more than 299,000 property insurance policies statewide at the time of the creation of the task force.

3. Two members representing two separate insurance companies in this state that each provide fewer than 100,000 property insurance policies statewide at the time of the creation of the task force.

4. Three members appointed by the Chief Financial Officer representing insurance agents in this state, at least one of whom represents the largest property and casualty insurance agent's association in this state.

Of each pair of members appointed under subparagraphs 1., 2., and 3., one shall be appointed by the President of the Senate and one by the Speaker of the House of Representatives.

(3) The task force shall conduct research, hold public meetings, receive testimony, employ consultants and administrative staff, and undertake other activities determined by its members to be necessary to complete its responsibilities. Citizens Property Insurance Corporation shall have appropriate senior staff attend task force meetings, shall respond to requests for testimony and data by the task force, and shall otherwise cooperate with the task force.

(4) A member of the task force may not delegate his or her attendance or voting power to a designee.

(5) Members of the task force shall serve without compensation but are entitled to receive reimbursement for travel and per diem as provided in s. 112.061, Florida Statutes.

(6) The appointments to the task force must be completed within 30 calendar days after the effective date of this act, and the task force must hold its initial meeting within 1 month after appointment of all members. The task force shall expire no later than 60 calendar days after submission of the report required in subsection (1).

(7) The Department of Financial Services and other agencies of this state shall supply any information, assistance, and facilities that are considered necessary to the task force to carry out its duties under this section. The department shall provide staff assistance as necessary in order to carry out the required clerical and administrative functions of the task force.

Section 28. For the 2007-2008 fiscal year, the nonrecurring sum of \$600,000 is appropriated from the Insurance Regulatory Trust Fund to the Department of Financial Services for the purposes set forth in this act relating to the Citizens Property Insurance Corporation Mission Review Task Force.

[Section 28, chapter 2007-90, Laws of Florida, was vetoed by the Governor.]

Section 29. Except as otherwise expressly provided in this act, this act shall take effect upon becoming a law.

Approved by the Governor June 11, 2007.

Filed in Office Secretary of State June 11, 2007.