

Final Summary- HB 1495

CS/CS/CS/HB 1495 — Property Insurance - by Appropriations Council on General Government & Health Care; General Government Policy Council and Reps. Nelson, Hays and others (CS/CS/SB 1950 by Policy and Steering Committee on Ways and Means; Banking and Insurance Committee and Senator Richter)

The bill makes wide-ranging changes to the regulation of property insurance, including:

Citizens Property Insurance Corporation (“Citizens”)

- Implements a rate “glide path” capped at 10 percent per year for Citizens’ policyholders until rates are actuarially sound. This provision will go into effect on or after January 1, 2010. The incremental rate increase was a recommendation of the Citizens Mission Review Task Force.
- Allows Citizens to increase its rates to pay the Florida Hurricane Catastrophe Fund’s (FHCF) “cash build up” program for 5 years. Estimated rate impact to be less than one percent.
- Staggers the terms of office for members of the Board of Governors.
- Insurers may offer ex-wind policies to homeowners within the boundaries of the HRA (high risk account) area who are no longer eligible for coverage by Citizens because the replacement value of the home exceeds \$2 million or because the replacement value of the home exceeds \$750,000, but the home does not have hurricane shutters.
- Deletes the provision that required on January 1, 2010, a seller of a home which is insured by Citizens and located in the wind-borne debris region, with an insured value of \$500,000 or more, to disclose in writing to the prospective purchaser its windstorm mitigation rating based on the uniform home grading scale, prior to sale.
- Extends from February 1, 2010 to December 1, 2010, the requirement that Citizens reduce its HRA area boundaries in order to lower its 100-year probable maximum loss (PML).

Florida Hurricane Catastrophe Fund (“FHCF” or “Fund”)

- Implements provisions to reduce the FHCF’s exposure and increase its cash reserves. The bill phases out the Temporary Increase in Coverage Limit (TICL) layer of coverage over a 6-year period at a rate of \$2 billion per year.
- Increases the price of the TICL layer by an additional multiple each year until TICL is eliminated in 6 years.
- Authorizes the Fund to implement a “cash build up” factor which would increase the reimbursement premiums that the Fund charges property insurers for the mandatory layer of coverage provided by the Fund. The cash build up factor is based on a 5 percent annual increase which will be phased in over a five-year period, at which point the increase will be twenty-five percent.
- Allows small insurers to continue to purchase an additional amount of FHCF reimbursement coverage up to \$10 million until December 31, 2011.
- Establishes the contract period for the Fund to be the calendar year (January through December).

My Safe Florida Homes Program (“MSFH”)

- Adds mitigation improvements relating to roof hardening to help facilitate the MSFH program to access federal “weatherization” stimulus money and FEMA grant money.
- Clarifies that the MSFH program provides grants rather than participate in a no-interest loan program.

- Authorizes the Department of Financial Services to adopt by rule the maximum grant allowances for mitigation improvements.
- Revises the threshold for grant and contract review by the Legislative Budget Commission.

Insurance Rate Filings

- Allows insurers to make a separate expedited rate filing limited solely to an adjustment of its rates for reinsurance or financing costs relating to the purchase of reinsurance or financing products to replace or finance the payment of the amount covered by the Fund's TICL layer, including replacement reinsurance for the TICL reductions, as well as the cash build up factor and the increase in the price for the remaining TICL layers. All costs contained in the filing are capped at 10 percent per policyholder; however, financing products such as a liquidity instrument or line of credit may not result in an overall premium increase exceeding 3 percent. The bill provides that insurers purchasing this reinsurance do so at a price no higher than would be paid in an "arms-length" transaction. An insurer may make only one filing under this provision in any twelve-month period.
- Prohibits "use and file" rate filings to Dec. 31, 2010.

Public Adjusters

- Prohibits public adjusters, public adjuster apprentices and persons acting on behalf of public adjusters or apprentices from accepting referrals of business from any person with whom the public adjuster conducts business.
- Prohibits a public adjuster from compensating any person, except for another public adjuster, for the purpose of referring business to the public adjuster.
- Requires an applicant for a public adjuster apprentice license to pass a written examination prior to licensure and receive a specified designation.
- Limits the number of public adjuster apprentices that are maintained by public adjusting firms.
- Requires OPPAGA to review the claims practices and laws relating to public adjusters and submit a report to the Governor, Senate President, House Speaker, the CFO and the Insurance Commissioner by February 1, 2010.

Other Provisions

- Authorizes the Florida Hurricane Loss Projection Methodology Commission to study and issue a report on mitigation credits, discounts and deductibles.
- Provides that premium discounts resulting from the home grading scale (due in 2011 from OIR) will supersede the current mitigation discounts approved by OIR.
- Authorizes reinsurers to issue coverage directly to a self-insuring public housing authority.
- Allows an insurer to repair damaged property in compliance with its policy.
- Allows insurance agents to explain the applicability of FIGA to consumers.
- Repeals the statute that prevents OIR attorneys from asserting attorney-client privilege or work-product confidentiality on certain communications with other OIR personnel.
- Changes recoupment by insurers for Citizens assessments, eliminating the need to receive prior OIR approval pursuant to recouping costs from policyholders. Instead, OIR would review the final accounting report of the recoupment after it has been completed.

If approved by the Governor, these provisions take effect upon becoming law.

Vote: Senate 32-6; House 80-35