



Office of Insurance Regulation

Senate Bill 1980 Implementation

Limited Apportionment access to CAT Fund

- *Allows limited apportionment companies (i.e., \$25 mil. in surplus or less) to buy a \$10 million layer of coverage (for each of two hurricanes) above a retention of 30% of company's surplus, at a rate of 50% of the coverage selected. For one year only.*

OIR
IMPLEMENTATION

Assist FHCF with emergency rules

Insurance Capital Build-Up Incentive Program

- *Purpose is to provide funding in the form of "surplus notes" to new or existing authorized residential property insurers, under specified conditions. The amount of the surplus not may not exceed \$25 million or 20% of total funds available for the program. The insurer must contribute new capital to its surplus at least equal to the surplus note and must apply to the State Board of Administration (Gov., Atty. Gen., and CFO) by July 1, 2006. If the insurer applies after 7/1/06, but before 6/1/07, the surplus note is limited to one-half of the new capital contributed by the insurer. The combination of surplus, new capital and surplus note must be at least \$50 million. The surplus note must be repayable to the state, with a 20-year term, at the 10-year Treasury bond interest rate (interest only for first 3 years). Insurance Commissioner must approve payments unless he determines the payment would substantially impair the financial condition of the insurer. Insurer must commit to meeting a minimum writing ratio of net written premium to surplus of at least 2:1 for the term of the surplus note. The writings must be residential property insurance in Florida, covering the peril of wind. SBA may approve issuing the surplus note, unless SBA determines that the financial condition of the insurer and its business plan place an unreasonably high level of financial risk to the state of nonpayment in full of the interest and principal. SBA shall consult with OIR and may contract with independent financial and insurance consultants. State is a preferred creditor if insurer becomes insolvent. (State first in line after costs of receiver and claims to policyholders.)*

OIR
IMPLEMENTATION

Provide technical support and information to SBA in formation of the program. OIR's role in the program is to consult the SBA as to the accuracy of information provided on the applications to the program. OIR will not make any suggestions or recommendations as to the recipients of the loans.

Hurricane Loss Mitigation Program

- *Establishes the Florida Comprehensive Hurricane Damage Mitigation Program within the Department of Financial Services. Provides for free inspections of site-built, residential property, to determine what mitigation measures are needed to reduce vulnerability of hurricane damage. Home inspections must include a rating scale specifying the current and projected wind resistance rating, and insurer-specific information on insurance credits and discounts.*

OIR
IMPLEMENTATION

Develop an objective hurricane resistance rating scale that will allow homeowners to evaluate the relative ability of Florida properties to withstand tropical storm or hurricane-force winds in conjunction with Department of Community Affairs, Department of Financial Services, Federal Alliance for Safe Homes, Florida Insurance Council, Florida Home Builders Association, Florida Manufactured Housing Association, Risk and Insurance Department at Florida State University, and the Institute for Business and Homes Safety. (See also Section 39 of the bill).

Creates Manufactured Housing and Mobile Home Mitigation and Enhancement Program

- *Tallahassee Community College.*

OIR
IMPLEMENTATION

No OIR Implementation

Insurance Rates: Requirements and Exceptions for Approval by OIR

- *Requires OIR to approve a rating factor that provides an insurer a reasonable rate of return that is commensurate with the risk of covering hurricane losses, for that portion of the rate for which the insurer has exposed its capital and surplus and has not purchased reinsurance.*

OIR
IMPLEMENTATION

Develop a rating factor and then either issue an informational memorandum or begin rulemaking to implement the factor.

- *Places the burden on OIR to establish that a rate is excessive for personal lines residential coverage with insured value at \$1 million or more. Insurer must provide OIR with loss and expense information, upon request.*

OIR
IMPLEMENTATION

May require additional documentation from insurers

- *Requires OIR to reevaluate the discounts for homes built to meet the Florida Building Code and to determine the full actuarial value of such discounts. This reevaluation must be completed by July 1, 2007.*

OIR
IMPLEMENTATION

Submit information to Florida International University to run through the public model and issue findings.

- *Effective July 1, 2007, for residential property insurance in any areas for which OIR determines that a reasonable degree of competition exists, an insurer may increase or decrease rates by up to 5% statewide average, or 10% for any territory, without being subject to a determination by OIR that the rate is excessive or unfairly discriminatory (except for unfairly discriminatory rating factors prohibited by law). May be used once in a 12-month period.*

OIR
IMPLEMENTATION

Rulemaking needed to define “area” as used on p. 48, line 27 to define the parameters within which to measure levels of competition.

Insurance Rates: Use of Hurricane Loss Projection Models

- *Requires the public hurricane loss model to be submitted for review by the Florida Commission on Hurricane Loss Projection Methodology by March 1, 2007. Allows OIR to continue to use the public model in reviewing rate filings until the Commission determines it is not accurate or reliable.*

OIR
IMPLEMENTATION

Awaiting rulemaking by SBA on methods used to review the models. Once rulemaking is complete, OIR will submit public model for review by Commission.

Citizens Property Insurance Corporation

- *Allows Citizens to adopt policy forms that contain more restrictive coverage than provided in the voluntary market.*

OIR
IMPLEMENTATION

Work with Citizens to amend coverage on policy forms to be more restrictive than the private market.

Annual Report by Financial Services Commission of Assessment Burden

- *Requires the Financial Services Commission to provide an annual report to the Legislature of the probable maximum losses, financing options, potential assessments of Citizens and the FHCF, and the assessment burden on Florida policyholders.*

OIR
IMPLEMENTATION

OIR will conduct study on behalf of FSC.

Emergency Orders/ Rules

- *Authorizes the Commissioner of Insurance Regulation to issue orders when the Governor declares a state of emergency. Requires the Financial Services Commission to adopt rules standardizing requirements that may be applied to insurers after a hurricane, addressing claims reporting requirements, grace periods for payment of premiums, and temporary postponement of cancellations and non-renewal. Provides that any emergency rule that conflicts with the standardized rules must be by unanimous vote of the Financial Services Commission.*

OIR
IMPLEMENTATION

Office has begun rulemaking process to develop “shelf rules.” Workshop on Proposed Rule 69O-142.015, “Standardized Requirements Applicable to Insurers After Hurricanes or Natural Disasters” will be held on June 14th at 9:30 in 116 Larson Building, Tallahassee.

Sinkhole Provisions

- *OIR publication of a presumed rating factor, to be used at next rate filing after October 1, 2006.*

OIR
IMPLEMENTATION

OIR will outsource this project. RFQ is being released this week. Rating factor will be ready to use in filing by deadline.

Other Provisions

- *Requires OIR to conduct a study and report on the insurability of attached or free standing structures.*

OIR
IMPLEMENTATION

Will work in conjunction with DHSMV, DCA, FBC, FHBA, representatives from mobile home industry, P&C insurers, and any other appropriate parties and submit a report by January 1, 2007.