

## **Insurance Industry Accountability and Consumer Protection Act**

*By Chairman David Rivera and Representative Denise Grimsley*

One of six bills that comprise the House Republican plan to revitalize the property insurance industry in Florida, the Insurance Industry Accountability and Consumer Protection Act requires insurers to transact business in Florida in a transparent, ethical manner while expanding the policy options available to Florida's homeowners.

### **Bringing Transparency to the Insurance Marketplace**

1. On Florida-based insurance subsidiaries ("pup companies"),
  - Require existing Florida-based subsidiaries to retain a surplus in their company in Florida of 133% over the minimum required statutory surplus.
  - Require OIR to factor in national profits of parent companies in the rate review process for Florida subsidiaries.
  - Prohibit the creation of future "pup companies"
2. Require the Insurance Consumer Advocate to issue an annual report card on insurance companies doing business in Florida.
3. Require insurers to provide greater loss reporting detail to the Office of Insurance Regulation (OIR).
4. Require insurers to identify on premium notices the amount of assessments and the identity of the assessing authority (without resorting to the use of acronyms).
5. Require insurers to identify on premium notices the amount of any premium change that is attributable to a rate change and the amount of any premium change that is attributable to changes in coverage.

### **Requiring Insurers to Engage in Plain Dealing**

1. Prohibit insurance companies that offer homeowners insurance in other states from "cherry picking" coverage within the State of Florida.
2. Prohibit an insurer from non-renewing a policyholder during hurricane season. An exception would exist for cancellations due to the non-payment of premiums.
3. Lengthen the time for an insurer to provide notice of their intent to not renew a homeowners insurance policy.
4. Prohibit insurers from using the age of the home in making coverage decisions and instead require insurers to consider the hurricane-worthiness of the home.

5. Allow homeowners to select installment payment plans for their homeowners insurance policy.
6. Require insurers to expedite payment of claims following a named storm.

### **Holding the Industry to a Higher Standard**

1. Protect consumers by prohibiting excess profits by property insurers and requiring excess profits be returned to policyholders. The profits of national affiliates of Florida-based subsidiaries will be factored into the determination of excess profits.
2. Require that the Insurance Code be applied in arbitrations to ensure that upon a finding that a rate is excessive, premiums are refunded to all consumers.
3. Require appropriate corporate officer (CEO/CFO) of an insurance company to sign an oath of truth for financial or other information provided in conjunction with a rate filing. The oath will be signed under the penalty of perjury.
4. Protect policyholders by raising the minimum surplus requirement for property insurers to ensure that new insurance companies have the financial resources necessary to pay claims.
5. Remove the automatic insurance industry appointments from all the State Joint Underwriting Association boards.
7. Establish standards to ensure that agent commissions are justified based on the actual work performed.

## **Homeowners Rate Reduction Act**

*By Representative Dick Kravitz*

One of six bills that comprise the House Republican plan to revitalize the property insurance industry in Florida, the Homeowners Rate Reduction Act expands the availability of low cost reinsurance, requires a reduction in windstorm premiums, and allows for future flexibility in responding to the marketplace without unduly delegating legislative authority.

1. Legislatively lower the retention level of the CAT Fund to \$2 billion and raise the capacity of the CAT Fund to \$20 billion for a period of two years.
2. Give insurance companies the opportunity to purchase the CAT Fund coverage at below the current market rates.
3. Suspend the on-going Rapid Cash Build-Up for the CAT Fund.
4. Require insurers to pass through 100% of their savings from the CAT Fund to their policyholders but prohibit the provision of less than a 25% rate cut.
5. Allow an insurer to seek from the Financial Services Commission a waiver of the 25% requirement.
6. Bring new private sector capital into the CAT Fund by allowing the CAT Fund to utilize special risk products like storm bonds and sidecars.
7. After two years, return the CAT Fund to the retention and capacity levels that would be set under the current statutory formula. However, the Governor and Cabinet will be empowered to adjust the CAT Fund's retention level and capacity with the consent of the Legislative Budget Commission.

## **Home Enhancement and Loss Prevention Act**

*By Representative Trey Traviesa*

One of six bills that comprise the House Republican plan to revitalize the property insurance industry in Florida, the Home Enhancement and Loss Prevention Act (HELP) builds on the extraordinary success of the House-created windstorm mitigation program.

1. Creates a study commission to improve and enhance the mitigation program to increase the rate of home inspections, expedite payment of mitigation grants, and correct technical deficiencies in the program that have become apparent over the last year (i.e. “insured value” loophole).
2. Require insurance companies to calibrate their rates to account for the results of mitigation.
3. Require the adoption of uniform mitigation inspection forms.
4. Adopt a uniform grading system for evaluating the hurricane strength of homes.
5. To ensure accountability in the spending of the mitigation grant money, require wind inspectors to be licensed by the State, or, in the alternative, require licensed contractors to undergo continuing education courses in mitigation.
6. Instruct the state to have available for consumers a list of licensed wind inspectors by county.
7. Allow consumers who invest in hurricane prevention up front to reduce the amount of their deductible.
8. Establish a continuing education requirement for insurance agents to ensure that they are fully versed in the mitigation options available to consumers.
9. Encourage the use of public/private partnerships between the Department of Financial Services and private organizations (like Flash.org) to assist in raising public awareness of the mitigation grant program.
10. Transfer \$100 million from Florida Small Cities Community Development Block Grant Program Fund to the Hurricane Damage Mitigation Program for home hardening. The Department of Housing and Urban Development has already awarded this money to Florida.

## **Uniform Building Code Act**

*By Deputy Majority Whip Marti Coley*

One of six bills that comprise the House Republican plan to revitalize the property insurance industry in Florida, the Uniform Building Code Act ensures that all construction in Florida will be held to the same high standards.

1. Eliminate the “Panhandle exemption” to the Florida Building Code.
2. Prohibit future changes to the building code unless those changes enhance the structural integrity of the code as it relates to windstorm protection.
3. Require the Florida Building Code to develop “code-plus” standards for increasing the hurricane resistance of buildings that local governments may adopt if they so choose.

## **Citizens Reform and Private Market Restoration Act**

*By Majority Whip Ellyn Bogdanoff*

One of six bills that comprise the House Republican plan to revitalize the property insurance industry in Florida, the Citizens Reform and Private Market Restoration Act ensures that all construction in Florida will be held to the same high standards.

### **Cleaning Up the Mess**

1. Fire the Board of Directors for Citizens Property Insurance Corporation.
2. Repeal the January 1, 2007 Citizens rate increases and refund premiums to policyholders.
3. Hold rates level for one year. Beginning in 2008, move Citizens rates toward an actuarially adequate level.
4. Repeal the reinsurance requirement and reduce the PML to 50 with a glide path to a 100 year PML over a period of 5 years.
5. Remove the requirement that Citizens charge the highest rates in the State.
6. Create a Strike Force to review, process, and dispose of Citizens outstanding claims and recommend revisions to Citizens claims handling process.
7. Review agent commissions to ensure that the insurance agents do not receive unearned windfalls as a result of rate increases.
8. Correct a technical deficiency in FMAP relating to real estate closings that occur during the 10-day waiting period for Citizens.

### **Protecting Citizens Policyholders, Protecting Florida's Taxpayers**

1. Require Citizens to provide its policyholders with the option of making payments on a monthly installment plan.
2. Transfer all *commercial-commercial* policies out of Citizens and into the PCJUA and allow the PCJUA to provide coverage for up to the first \$1 million in value.

### **Responsibility in the Private Market**

1. Repeal the rate flexibility provisions passed in SB 1980.
2. Allow “like entities” (i.e. public hospitals, not-for-profits) to pool their risk to obtain windstorm coverage.
3. Eliminate the trust fund requirement for non-US insurers if OIR determines the adequacy of regulation in the country of licensure and the financial strength of the insurer.
4. Redefine catastrophic loss for sinkhole claims under homeowners policies.
5. Provide incentives for multi-family dwellings and condominium associations to increase their reserves and self-insure for minor damages.
6. Expand the Capital Build Up Incentive Program to include manufactured home parks to encourage the manufactured home community to self-insure for windstorm damage.
7. Clarify language related to pre-existing FIGA assessment authority to forgo the necessity of an additional assessment to cover the insolvency claims for Poe Financial Group.

## **Memorial on National Issues**

*By Deputy Majority Leader Adam Hasner*

In addition to the five substantive bills, the House will offer a Memorial to Congress outlining the role of the Federal government in addressing the hurricane crisis. The memorial will include

1. A call for a National/State Summit with Florida, other coastal states, and elected and appointed leaders of the Federal government.
2. A call for the creation of a National Catastrophe Fund.
3. A call to amend the IRS Code to allow home hurricane savings accounts.
4. A call to amend the IRS Code to allow insurers to hold tax-deferred reserve accounts.
5. A call to amend the IRS Code to allow for a personal income tax deduction for home mitigation.
6. A call to amend the IRS Code to provide federal tax deductions for insurance premiums paid by consumers and businesses.
6. A call for an IRS opinion allowing insurers to deduct a “catastrophe premium equalization deductible.”
7. A call for an IRS opinion on the tax-exempt status for the PCJUA.
8. A call for federal support of National Hurricane Research Initiative.