

## 2013 Citizens Draft:

**Section 1** - Right sizes the CAT Fund (Attachment titled as “CAT Fund” above). In this approach, we reduced the top layer by \$1 billion per year for 3 years (taking it from \$17 billion to \$14 billion), and we reduced the maximum percentage payout by 5% per year for 3 years (taking it from the current 90% to 75%).

*Decision: Decrease the CAT fund to \$14 billion over 3 years or \$12 billion over 5 years?*

**Section 2** - Exempts Citizens from “exchange of business” restrictions, thereby facilitating the ability of Citizens to establish a clearinghouse.

**Section 3** - Requires OIR to calculate an annual property insurance inflation factor. Companies that file rates below the factor are not to be deemed excessive.

**Section 4** - Requires that the proper mitigation models would be approved by the Florida Commission on Hurricane Loss Projection Methodology.

**Section 5** - Allows companies to use the same model for calculating the mitigation credits that is used for estimating losses in the rate setting process.

**Section 6** - Allows OIR to hold a hearing on a rate filing whenever it deems appropriate. It requires that OIR must hold a public hearing for every rate filing requesting an increase of more than 25%, instead of the current 15%.

*Decision: Is there a need for a limit or should it be left for OIR to decide?*

**Section 7** - Allows insurers to use the “consent to rate” provision for up to 15% of its commercial book and up to 10% of its personal book, instead of the current respective 10% and 5% limits.

**Section 8** - Makes changes to the regulation of Citizens. (1) Changes the mission of Citizens; (2) Reduce the maximum value covered per policy from \$2 million to \$1 million; (3) Prohibits Citizens from covering structures commencing construction after July 1, 2013, that are seaward of the coastal construction control line, unless built to code-plus.

**Section 9** - Makes changes to Citizens: (1) creates a process and structure to allow Citizens to enter into risk-sharing agreements with private companies; (2) Provides that the eligibility restriction of a private company offer within 15% of Citizens’ rate applies to both new and renewal policies; (3) Requires Citizens to establish a clearinghouse to enforce the eligibility requirements for both new and renewal coverage; (4) Requires Citizens policy holders to be non-renewed after 3 years and submit a new application for coverage; (5) Requires that agents must document a continuing effort to seek private market placement for their policyholders that are in Citizens.

*Decision: In a risk-share agreement what amount of the policy will still remain eligible for the Citizens surcharge?*

*Decision: Should the 15% apply to renewal business or would a lower number such as 10% or 5% be more appropriate given the current glide path?*

*Decision: Should an agent’s commission be withheld for placing ineligible business with Citizens?*

**Section 10** - Changes to Citizens: (1) Requires that for all new policies, all houses valued in excess of \$300,000, all non-homestead homes and all non-residential commercial policies, Citizens' rates will be set at the highest average rate in the rating territory among the 20 private insurers with the greatest statewide market share; (2) For counties in which OIR determines that there is no meaningful degree of competition, the rates for all new policies and all renewal non-residential commercial policies in those areas will be actuarially sound; (3) Apply the glide path by a territorial basis. (4) Allows an additional increase of 5% for Citizens to purchase additional reinsurance; (5) Citizens board shall examine the feasibility of developing a process to determine whether policyholders may be eligible to receive relief from the full rates based on a demonstration of financial need.

*Decision: Should renewal policies for non-homestead properties or policies over \$300,000 be immediately increased or set on a maximum three year glide path?*

*Decision: Should Citizens actuarially sound rate in territories OIR determines no competition exists included a risk load factor?*

**Section 11** - Requires that assignment of benefits for property insurance must comply with the policy conditions.

**Section 12 and 13** - Provides for an additional process by which OIR may approve property and casualty forms, except for workers compensation filings.