

Office of the
Internal Auditor

Advisory Memorandum August 2024

2024 Legislative Implementation





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Background

During the 2024 Florida legislative session, several bills were passed aimed at improving insurance industry regulations, protecting consumers, and maintaining the financial integrity of insurance companies operating in the state.

Four of these bills impacted Citizens' operations; thus, their requirements must be addressed to achieve compliance. Most of the requirements of these bills became effective July 1, 2024.

Objectives and Scope

Internal Audit monitored the workgroup meetings and the implementation of the changes identified and developed by the business units as necessary to comply with the requirements of the legislative bills and validated the efforts to implement these changes in a timely manner. The results of our work are noted below.

Overview of Bills

The four bills that impacted Citizens' operations were HB939, HB1503, HB1611, and HB7073. These bills amended various statutes relating to consumer protection, data reporting to the Florida Office of Insurance Regulation (OIR), underwriting, claims, and rates, among others. The following are the relevant highlights of the bills:

HB939

- Requires a CPA preparing the mandatory annual audit for an insurer to be licensed in Florida and have completed at least 4 hours of insurance-related continuing education.
- Requires public adjuster contracts to include the public adjusting firm's license number.
- Requires third-party settlement organizations that conduct transactions involving a payee in Florida to create a mechanism for the sender of the payment to identify whether a transaction is for goods and services or a personal transaction.
- Creates the right for a residential property owner to cancel a contract to replace or repair a roof without penalty or obligation within 10 days following the execution of the contract or the official start date, whichever comes first if the contract was entered into based on events that are the subject of a declaration of a state of emergency by the Governor.
- Provides that a notice of claim from a condominium unit owner resulting from a loss assessment for loss assessment coverage may not occur later than 3 years after the date of loss and must be made by the later of 1 year after the date of loss or 90 days after the date on which the condominium association votes to levy the assessment.

HB1503

- Allows surplus lines insurers that meet specific financial requirements to take out policies from Citizens for dwellings that are not primary residences or homestead properties.
- The take-out insurance company must have a financial strength rating of A- or higher and a risk program managed by a Florida resident broker. The OIR must approve the take-out plan and its rates.
- Provides that a take-out offer from an approved surplus lines insurer will only render a Citizens policyholder ineligible for Citizens if the premium offered does not exceed the Citizens premium on comparable coverage by more than 20%.



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- Deletes obsolete language relating to Citizens' account structure and Coverage A step-down.
- Revises the signed acknowledgment of potential policyholder surcharge and assessment liability agents must obtain from a Citizens applicant to conform to the surcharge and assessment liabilities per the new single account structure.
- Establishes that Citizens policyholders who must purchase flood insurance as a condition of eligibility are no longer required to purchase flood coverage for personal contents.
- Requires an agent to hold an appointment with at least 3 insurers to be appointed with Citizens.
- Allows Citizens to share information with the National Insurance Crime Bureau to assist in efforts to fight insurance fraud.
- Allows licensed surplus lines agents access to confidential and exempt claims files to consider whether to write a risk currently insured by Citizens.
- Concerning the procurement of commodities or contractual services, provides that Citizens' Executive Director is the agency head under §287.057, F.S.; allows the Executive Director to assign or appoint a designee to act on his or her behalf; deleted language that prohibited the application of the Division of Administrative Hearing's bond requirements related to Citizens bid protest hearings.
- Authorizes Citizens to acquire patents, trademarks, and copyrights on work products and take action to enforce its rights.

HB1611

- Requires insurers to file the required personal and commercial lines residential property insurance supplemental reports to the annual report monthly rather than quarterly. The information must be broken down by zip code rather than by county. We note that this requirement begins January 1, 2025.
- Provides authority to the Financial Services Commission to adopt rules requiring insurers planning to non-renew more than 10,000 residential property policies within a 12-month period, at least 90 days written notice to the OIR before issuing the notices.
- The bill provides that a licensed roofing contractor is considered an "authorized inspector" for purposes of §672.7011(5), F.S.

HB7073

- Establishes a deduction that insurers must provide on homeowners, personal, and commercial policies with a 12-month coverage period, effective between October 1, 2024, and September 30, 2025.
- Establishes a deduction that insurers must provide on the total premium charged on residential properties (equal to the State Fire Marshal statutory assessment charged for such policy) with a 12-month coverage period, effective between October 1, 2024, and September 30, 2025.
- Requires insurers to submit quarterly and annual reports to the OIR on the number of policies receiving deductions and the total amount of deductions provided by the insurer.

Results

To address the requirements of these bills, management established a cross-functional workgroup comprised of members from the impacted business units. While some items from the bills did not



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require action by Citizens, the workgroup assiduously completed the analysis of the bills and identified the necessary changes to incorporate the new requirements into the respective units' operations. The implemented initiatives included the following:

- Training updates for staff and independent adjusters.
- Changes to vendor management practices and solicitation requirements.
- System and programming modifications to incorporate changes to policy notices, flood requirements, coverage ineligibility, established discounts and allowances, and reporting requirements, among others.
- Updates to the depopulation plan, the procurement protest procedure, and related forms and documents.

Regarding the new requirement for agents to be appointed with at least 3 insurers in order to be appointed with Citizens (HB1503), the workgroup sent communications to about 1,600 impacted agents. As of early August 2024, approximately 115 agents have not obtained the required appointments. We note that this number may change as the Department of Financial Services withdraws agent appointments due to non-compliance with continuing education. The Agent Administration & Compliance unit has indicated having established controls to restrict appointments to non-compliant agents. The established program will allow the agents 60 days from first contact to obtain the required appointments before taking action.

We thank management and staff for their continued cooperation throughout this engagement.



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