

Office of the  
Internal Auditor

# Advisory Memorandum August 2023

2023 Legislative Session  
Implementation





## Advisory Memorandum

### Background

The Florida Legislature passed several insurance-related bills during the 2023 Legislative Session, which aimed to increase oversight and accountability of insurance companies as well as enhance protections for consumers. Four of the bills had an impact on Citizens' business units, with provisions going into effect at different times.

### Objectives and Scope

Internal Audit monitored the implementation of the changes identified by the business units and developed by Management as necessary to comply with the requirements of the legislative bills.

### Overview of Bills

The four bills impacting Citizens' operations are HB799, SB418, HB1185, and SB7052. These bills amended existing statutes and established new regulations, requiring Management to identify and implement processes to adequately incorporate the new requirements into the respective business units' operations. Below are the highlights of these bills:

#### **HB799**

- Corrected language from SB2A, passed during the 2022 Special Legislative Session. Condo owners are exempt from the flood insurance requirement.
- Allows Citizens to adopt policy forms that provide for alternative dispute resolution proceedings before the Division of Administrative Hearings (DOAH).
- For policies coming to Citizens from insolvent carriers after November 1, 2023, the annual premium increase cap will not be applicable.

#### **SB418**

- Provides mechanisms for insurers to project hurricane losses in their rate filings.
- Allows Citizens executive director to appoint a designee to serve on the Commission on Hurricane Loss Projection Methodology as long as the designee is a full-time employee of the corporation with actuarial science experience.
- Amends current law to require that an insurer provide at least 10-day notice of an increase in policy premiums which results in the next withdrawal being increased by more than \$10.00.
- Expands the type of documents and policies that may be delivered to a policyholder by electronic transmission.
- Revises the mandated deductibles and allows alternative deductibles that must be offered for hurricane loss when issuing a personal lines residential property insurance policy, subject to the dwelling limit.

#### **HB1185**

- Prohibits public adjusters from certain practices.
- Limits public adjuster compensation in full limits payments and prohibits compensation for amounts paid by the insurer prior to the execution of the public adjuster contract.
- Requires public adjuster contracts to include additional disclosures, making the contracts unenforceable if the disclosures are not included.

#### **SB7052**



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- Insurers must respond to consumer services complaints in 14 days and allows for increased fines if these requirements are violated.
- Insurers must provide visible windstorm mitigation discount information on their websites and reevaluate/update the information every 5 years.
- Time limitations for provided notice of a property insurance claim are suspended during any term during which an insured who is a service member is deployed to a combat zone.
- A risk with unrepaired damage from a covered loss with the Florida Insurance Guaranty Fund is not ineligible for coverage with Citizens.
- Revises required timeframes that an insurer may not cancel or non-renew a personal residential property insurance policy following a covered loss.

### Results

Citizens management created a workgroup to identify the impact of the bills and undertake changes needed to comply with the requirements. Internal Audit monitored the workgroup meetings and validated the efforts to timely implement these changes. The initiatives and/or changes included the following:

- Filing of rules and rates to be released once approved by the Office of Insurance Regulation
- Identification and changes in Citizens' applications (claims and underwriting) and creation of manual processes and stop-gap measures where needed\*\*
- Updates to Citizens' website where required.
- Communications for agent and adjuster awareness
- Creation of a training module available through the Citizens Learning & Development portal (2023 Legislative Changes Overview)
- Updates to Citizens Best Claims Practices

\*\*Management is aware that some of the provisions of SB7052, which became effective on July 1, 2023, may have created conflicts with other statutory provisions applicable to Citizens, including §627.351(6)(a)3, F.S.<sup>1</sup>. Until a final decision regarding these conflicts is determined, Underwriting management has incorporated PowerBI dashboards to identify policies impacted by the recently enacted bill and has developed a manual process to evaluate these policies on a case-by-case basis and under a policyholder-centered approach. This is a temporary measure until a management decision is reached and while an automated solution is developed. The Citizens Legal Department is also apprised of this situation.

Internal Audit also followed up and monitored the progress of pending initiatives developed by management to address the provisions of SB2A, which was enacted in the 2022 Special Legislative Session. At this time, management is working on implementing the authority granted to Citizens by SB2A to combine accounts.

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<sup>1</sup> A structure that has a dwelling replacement cost of \$700K or more or a single condominium unit that has a combined dwelling and contents replacement cost of \$700K or more (or \$1M or more for Miami-Dade and Monroe counties), is not eligible for coverage at Citizens.



## Distribution

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